













# **ECONOMIC AND POLITICAL**

# **WEEKLY**

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**SEARCHING FOR NATIONALISM  
IN MODERN INDIAN HISTORY:  
EARLY IDEOLOGICAL  
DEVELOPMENTS**

**WTO AGREEMENT ON ANTI-  
DUMPING: MISUSE AND CASE  
FOR REVIEW**

**AGRARIAN DISTRESS IN BIDAR:  
MARKET, STATE AND SUICIDES**

**PIERCING THE VEIL IN UTI:  
PAREKH REPORT**

**INDIAN DEMOCRACY: EXCLUSION  
AND COMMUNICATION**

**US STEEL CRISIS: 'FREE  
TRADE' DUMPED**

**SOUTH AFRICA: REFLECTIONS  
ON POST-MANDELA ERA**

**A GRAIN OF SAND ON  
THE BANKS OF NARMADA**

**INDIAN MACRO-ECONOMIC DATA BASE IN A CONSISTENCY  
ACCOUNTING FRAMEWORK, 1960-61 TO 1997-98**

# **Announcement**

## **Faculty Up-gradation Programme in Environmental Economics at Undergraduate level**

The First four-week Faculty Upgradation Programme in Environmental Economics at undergraduate level under the World Bank Aided Environmental Management Capacity Building Technical Assistance Project will be held at the Indian Statistical Institute, Calcutta, during 1 November to 26 November, 1999.

Applications are invited from College and University teachers and also teachers in engineering, management and law colleges/universities who are teaching or are likely to teach in the near future environmental economics course at the undergraduate level. Priority will be given to eligible candidates from the States of Bihar, Orissa, Assam, Tripura, West Bengal, and the other North Eastern States.

### **Eligibility**

- 1) Minimum of 55 per cent of marks in M.A./M.Sc. as per UGC regulations.
- 2) At least 5 years of teaching experience and preferably some knowledge of quantitative techniques.
- 3) Other things being equal, preference will be given to teachers who are currently teaching environmental economics at the undergraduate level.
- 4) Age below 50 years as on 1 November, 1999.

### **Cost**

The entire cost of selected candidates for participating in the programme will be met by the Indian Statistical Institute, funded under the project. This shall include either 1st class or 2nd class AC travel by train or bus including incidental expenses during travel, board and lodging at the Institute and supply of course material. All outstation participants will be provided accommodation on campus. The local participants may commute for which they will be paid a fixed travelling allowance besides working lunch.

Application, through proper channel, from the prospective participants with full details about educational qualification, teaching and research experience, if any, current institutional/university/college affiliation should reach,

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**By 15 September, 1999.**

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## ECONOMIC AND POLITICAL WEEKLY

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Director S. L. Shetty

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## Indian Economy, 1950-51 to 1997-98: Growth and Structural Change

A comprehensive and consistent set of macro-economic data for the Indian economy integrating the national accounts statistics of the CSO with the balance of payments and monetary data of the RBI as well as the fiscal data on the budget financing operations of the government of India for the 48-year period from 1950-51 to 1997-98. Integrating the basic time-series on national accounts with related aggregates helps depict the growth of both the real and the financial sectors of the economy as also the structural changes over the years. The identification of certain empirical patterns facilitates translation of important theoretical constructs into policy relevant solutions and interrelationships. 2243

## Hindu Nationalism in Indian Politics

The role of Hindu nationalism as a developing ideology in contemporary Indian politics can be fully addressed only by acknowledging the discursive proximity between Hindu nationalism and the ideology of Indian nationalism independent of the structure of polarisation between (religious) communalism and (secular) nationalism. 2269

## Market, State and Agrarian Distress

The spate of suicides by agriculturists in Karnataka was largely the result of ecological, economic and social crises. The situation calls attention to the problems of commercial agriculture in the region and to the role of the state in inducing such conditions. Internal social complexities such as the growth of local usury and the increasing individualisation of agriculture compound the distress. 2263

## WTO and Dumping

Developing countries are unlikely to agree to a review of the WTO Agreement on anti-dumping measures. So it is for the developing countries to put up a combined front and press for a review. Japan may support their cause at this juncture, having been subject to some severe anti-dumping action recently. 2210

## Behind the Veil in UTI

The Deepak Parekh report on UTI's US 64 tells us what has happened, not why and how it happened. These questions have to be addressed and answered. The Parekh report will have served its purpose if it leads to this effort. 2208

## Communication and Politics

The upsurge of the politics of identity is an outcome of the 'communicative dynamics' of the mainstream development mode in which both the state and the market fail to establish a communication network wide enough to involve all segments of society. Interactions are made almost exclusively with the upper, visible and dominant segments whereas the vast numbers of the rest are subjected to silence or at best to superordinate, unilateral 'communication'. 2230

## After Mandela

Thabo Mbeki is widely regarded as the author of South Africa's macro-economic strategy of growth, employment and redistribution (GEAR). Now that he is the country's president, will Mbeki be able to adhere to the fundamentals of the strategy? And will he receive support from market players worldwide? 2223

## Narmada's People

Amidst the hoopla surrounding the 'Rally to the Valley', it is important to look at the Narmada issue from bottom up. What are the views of the poorest activists who deal with the dangers of displacement, even death, in their everyday lives? Why do the people of Anjanvara continue to take extraordinary risks against overwhelming odds? How do they perceive the choices before them? 2213

## Caste over Region

While regional identity has remained weak in Haryana, the state has evolved its own style of politics whose distinguishing feature is its preoccupation with caste. 2217

## Pavlovian Response

The malpractices and criminal activities which have been revealed to have been going on for years in Nagpur University have prompted the university's chancellor, the governor of Maharashtra, to appoint an enquiry committee. Such pavlovian responses will not, however, address the ills of our seats of higher learning of which the shenanigans at Nagpur University are a concentrated manifestation. 2215

## Steel and Trade

All through the recent crisis in the steel industry in the US, government agencies and politicians alike, all otherwise strong votaries of free trade, have been emphatically seeking measures quite in contravention of WTO agreements. 2220

### The Real Surrender

ALL the Vajpayee-bashing reviews of the recent conflict in Kargil started at least with a ritualistic tribute to the valour of the Indian jawan. Against this background, your edit of July 10 does indeed stand out both for its anti-government tirade and the belittling of the Indian armed forces. The recent denouement in Kargil may not be much of an Indian triumph. But to say that the "Pak retreat is not attributable to the Indian jawans" as you assert is still hard to take. One can readily believe that the US president did plenty of arm-twisting. But is it conceivable that the Pak forces would have accepted his meddling meekly and withdrawn to their barracks on the Pakistani side if the Indian forces had simply waited with folded hands? There had to be a superior show of force by the Indian jawans on the front "which compelled the Pakistan authorities to accept ground realities" as you say in the next sentence and Indian intellectuals should be ready to accept the fact. Credit should go where it is due, independent of how "Vajpayee and his comrades try to derive maximum electoral advantage" from the outcome. The record of Vajpayee and his comrades is not so scintillating that one needs to invent a virtual stick to beat them up with.

Certainly "no quarters ought to be given any illusion", as you rightly observe. One should also not try and create new illusions. How can your statement that "multilateralisation has come about now, something that we have resisted for half a century" be reconciled with facts? Pray, who took the Kashmir question to the UN half a century back? Who mediated in 1965 and where was the accord signed at that time? Bilateralisation did come into play at Shimla in the early seventies, but that was because Pakistan was under compulsion at the time. Sure enough, there was no follow-up action afterwards as soon as the element of compulsion (90,000 PoWs) disappeared. A logical follow-up as the first step would have been to withdraw the complaint from the UN, relieve the UN observers from the LoC and then start a meaningful dialogue with Pakistan about solving the problem. The Indian government

cannot do that because it has no clear idea what to propose to Pakistan or perhaps because what it wishes to propose (convert the LoC into a permanent boundary) will not be acceptable to the Indian public, leave alone the Pakistani public.

According to reports in Washington papers, Vajpayee pointed out to the American president that the Indian government would soon be compelled to take strong action against Pakistan, if the aggression was not halted. This does not sound very 'panicky'. Yet one may accept your description that Indian diplomats panicked and "an appeal went out to president Clinton...composed in elliptic language". Are your statements that "our government has, for all practical purposes, given in on the nuclear issue. It could be persuaded to make a similar surrender over Kashmir" models of incisiveness and clarity? It seems that you first make an unsupported assumption that the government has already taken a certain decision and then go on with some extrapolatory logic that it "could make similar surrender over Kashmir". Incidentally, could you enlighten the readers about what, in your view, does and does not constitute "surrender over Kashmir"? Does a possible "trade-off of some real estate in Jammu and Kashmir for a steadily rising, luxurious standard of living" to use your words, constitute a surrender over Kashmir? If not, what, in your view, is

'victory' in Kashmir and surrender in Kashmir?

Let us assume for a moment that the Vajpayee government supplicated the US president. Can we categorically say that no earlier government did so? Why is it that the earlier governments did not succeed in getting the US president to twist the arms of Pakistan? The fact of the matter is, in US eyes today, American interests are better served for the moment by humouring India rather than Pakistan. I readily agree with you that on another day, today's only superpower would as quite as easily try and twist India's arms if it would serve its interests and if it thought that it could get away with it. All this means is that India has to be vigilant about it, not get enmeshed in globalisation of its economy and become a neo-colony of the first world. Unfortunately, none of the political parties sporting leftist labels is ready to work for this. The only feeble efforts against globalisation of the economy or tying up the Indian economy to the IMF and to the interests of the G-8 countries have come from an RSS-affiliate. On the other hand, in the guise of making this country safe for 'secularism', the one-time leftists are ready to swallow hook, line and sinker the globalisation line that Manmohan Singh and his ilk are dangling before them. What has *EPW* to say on that?

J V DESHPANDE

Mumbai

### Special Issue

## ELECTORAL POLITICS IN INDIA

August 21-28, 1999

What are the issues before the electorate in this election? What are the factors that have affected the outcome of the polls in the past? What is the social base of the emerging political configurations in the states? Why have old alliances disintegrated?

Incisive, facts-based analysis of electoral politics in India across states, castes and communities.

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## State under Stress

**A** PRESIDENT who calls up an individual minister to discuss a cabinet decision that the minister is widely known to have opposed. An Election Commission that arrogates to itself the power to pass scathing remarks on government decisions and to offer what the government was constrained to call gratuitous advice to the judiciary regarding what points of putative governmental misconduct it should apply its mind to while hearing a petition against the government. A high court that transfers, almost casually, the executive's constitutionally ordained power of policy-making to the legislature. These are symptoms of strain within the state as its component parts corrode or lose co-ordination. It is imperative to recognise the problem and carry out pre-emptive maintenance.

K R Narayanan will undoubtedly go down as one of India's most active presidents. More active than is good for the country, say some. On balance, this as yet appears too harsh a judgment. As per the Constitution, the president acts according to the advice of his council of ministers. The president can, if he wants to, send a piece of advice back to the council for reconsideration. If the council of ministers sticks to its original advice, the president has little option other than to follow that advice. President Narayanan has had more occasion to demur than had most presidents in the past, when presented with the cabinet's advice. The first time he returned the cabinet's advice for reconsideration was when the United Front council of ministers led by Inder Gujral wanted him to dismiss the Kalyan Singh government in Uttar Pradesh, on a hurried recommendation by governor Romesh Bhandari who considered it unnecessary to test the chief minister's majority on the floor of the legislature. Then president Narayanan's activism had been hailed by democratic opinion in the country. And the council of ministers did not muster courage to submit its rejected advice another time. The experience was repeated when the Vajpayee-led council of ministers recommended president's rule in Bihar, in the wake of violent disruptions of law and order in the state. However, the president did not come in the way when the cabinet reiterated the advice after yet another massacre.

The president's decision, on the eve of the last independence day, to be interviewed on television, instead of reading out a speech approved by the cabinet had stirred controversy. But Narayanan had stoutly defended the government's policies, including the decision to carry out nuclear tests. A less liked show of presidential autonomy was when Narayanan opined in favour of reserving space on the Supreme Court bench for members of the scheduled castes and scheduled tribes.

Presidential activism went into overdrive after the fall of the Vajpayee government. There was resentment that he gave Congress president Sonia Gandhi a second chance to muster a majority. After the failure to form an alternative government and the country was saddled with a government that did not have a parliament to draw authority from and be accountable to, the president decided to turn positively activist. His decision to call for files and hold discussions with relatively junior officials on more than one occasion has invited adverse comment. Even more unease has been created by the president's consultation on the telecom policy with the man who was relieved of ministerial responsibility for telecom because of his disagreement with the policy that the prime minister's office finally pushed through. The president's decision to weigh in with his own endorsement of the opposition's call for a Rajya Sabha session specifically to discuss Kargil gave rise to whispered charges of partisanship. How should the president's conduct be evaluated?

The first question is whether the president is anything more than an animated rubber stamp. While he is bound by the advice of the council of ministers, the glorified rubber stamp analogy is unsatisfactory even as a caricature of the president's role. Rubber stamps cannot return advice for reconsideration. Even more pertinently, a mere rubber stamp's reluctance to accept advice would not deter the giver of the advice from proffering it again, without a second thought. A request from the president for reconsideration of a cabinet recommendation is politically embarrassing for the cabinet precisely because a great deal of moral authority vests in the president. This is so because the president is expected to be a statesman who would convert his experience and stature into a moral sounding board, conscience as it were, of the government. Now, a good conscience would lead you to better things and a bad conscience could give you acidity and hypertension, but conscience really cannot stop you from doing something you want to. The fact is that the president cannot impose his will on the government beyond a point. The government went ahead with the telecom package and did not call the Rajya Sabha session, in spite of presidential wishes. In the normal course, parliament keeps the executive in check. When the Election Commission's failure to hold swift elections after the dissolution of the 12th Lok Sabha created a situation in which the government has to function for a longish period without a parliament to report to, there is a case for the government's conscience to play a more vigilant role than in normal times. All of Narayanan's extraordinary actions have to be judged in that context. And to the credit of both the president and the prime minister, their

relationship has been devoid of unseemly conflict, even if marked by intrusive give and take.

The more interesting question is what would happen when the amoral disregard for constitutional propriety that has gained much ground in the states progresses to the centre. A governor has the option of referring improper laws formulated by state governments to the president. If the president finds himself being pressed with amoral advice, what should he do? His oath of office mandates him to uphold the Constitution. This cannot mean blindly following the advice of his council of ministers. If the council of ministers makes an unconstitutional recommendation, the president would violate the Constitution both if he accepted such advice and if he turned it down. In such an eventuality, it should be open to him to seek the advice of the Supreme Court.

Unlike the president, the Election Commission can prevent the government from doing things, at least by creating moral opprobrium over violation of the model code of conduct as guarded and interpreted by the commission, if not by legal sanction. The Election Commission's remarks against the government on the telecom package appear wholly inappropriate. The commission's mandate is merely to hold fair elections, not to hold up governance or sit in judgment over the government. The commission would do well to concentrate on its job.

That other organs of the state feel encouraged to take liberties with the executive says something to say about the state of the executive itself. It has compromised itself thoroughly. And no political party can escape blame for this. And they alone can redeem the polity from its ongoing moral and institutional deterioration.

## PHARMACEUTICALS

### Rational Move

THE wheels of government turn, but slowly. The more than 15-year old efforts of health activists are paying off. Last month the Brihanmumbai Municipal Corporation (BMC) released a list of essential drugs along with standard treatment guidelines to be used in its hospitals and institutions. This would mean that the list will form a base for the purchase of medicines. This will go a long way in cutting costs as well as providing the most appropriate medicines to patients. To appreciate the significance of this it is necessary to take a look at some facts. Firstly, Maharashtra and especially the Mumbai region account for a substantial

proportion of pharmaceutical production in the country. This means that the industry can and has wielded considerable clout in the policy-making bodies of the state and the city. Secondly, the BMC, unlike any other corporation in the country, runs three large teaching hospitals as well as several large public hospitals all over the city. This means that the BMC is one of the largest buyers of pharmaceutical products in the state. So any policy it adopts with regard to pharmaceuticals will affect the industry considerably. The BMC's move is thus noteworthy and commendable.

The preparation and use of an essential drugs list has been a long-standing demand of the drug consumer and health movement. Such a list, it was felt, was a first step towards weeding out irrational and useless drugs as well as prescription practices. The demand has a long history in the subcontinent. It may be recalled that the Hathi Committee had first made such a suggestion, which of course was completely ignored. In fact, it was Bangladesh which took up the recommendation and put in place a drug policy which has been much written about, weeding out not only dangerous drugs but unnecessary drug combinations as well. For over a decade health activists in India have attempted to evolve and have the central ministries accept such a list. However, the centre has been content to depend on the recommendations of the drug technical advisory board on weeding out hazardous drugs. But these recommendations have often been challenged in the courts by the companies manufacturing the preparations and a ban on the drugs has been successfully stalled. Some years ago an attempt at consolidating the several such cases in different courts of the country was made in the Supreme Court. In the course of this the apex court ordered the first public hearing on a banned drug which saw extensive participation by drug consumer bodies and those who had been adversely affected by the drug, which was subsequently banned. However, there is to this day no comprehensive list of bannable drugs.

For the first time some years ago the Delhi government adopted an essential drugs list as part of its rational drug policy. Now with the BMC adopting such a list, it should be easier to move towards rational drug use at the national level, least in the public sector in health care. Not that other experiments have not been taking place elsewhere. For instance, Madhya Pradesh under the guidance of the WHO is moving towards handing over 60 per cent of its drug budget to the panchayats. As several studies have shown, often PHCs are stocked with inappropriate drugs and

insufficient quantities of the necessary ones. With an essential drugs list and a good grasp of the health profile in the panchayat area, it should be possible to stock the primary health care network with appropriate medicines. It is curious that states like West Bengal with a Left Front government continuously in power for so long should not have attempted to adopt a rational drug policy for its hospitals and health institutions.

## RAILWAYS

### Accidents Will Happen

OVER the last five years there have been, on an average, 1.2 railway accidents every day somewhere in the country. More than 66 per cent of these have been recorded as being due to failure of railway staff. Given this it is hardly surprising that the ghastly disaster at Gaisal, when the Guwahati bound Assam-Awadh Express collided head-on with the New Delhi bound Brahmaputra Mail, occurred. It may be that human failure is prompted by other failures, administrative, political or technical. And certainly these need to be taken serious note of and remedied. But there can be no condoning the human failures in the recent accident: the dereliction of duty on the part of the railway staff at Kishanganj, some 90 km from the accident site, who failed to manually lock the tracks to set the train on the right track; the failure of the staff at the two level-crossings soon after Kishanganj who should have noted the track on which the train was travelling; the complacency of the driver who failed to notice that mistake even though there were enough reasons for an alert driver to have done so; the inefficiency of the staff including the assistant station manager at Panjipara who saw the train through the station without noticing that the train was on the downline hurtling towards the oncoming Brahmaputra Mail; the callous irresponsibility of the station staff at Gaisal, who having failed to notice the train was on the wrong track, fled the scene when the accident occurred immediately afterwards without bothering to transmit the disaster information and secure help for the victims of the disaster in the shortest possible time; the questionable decision of the concerned staff to send the urgently required crane on a route which took twice the time to travel to the scene of the disaster. The accident could have been averted or its impact mitigated if the staff at any of these points had been minimally efficient.

It would be all too easy to 'take action' against the concerned railway staff. And

certainly there is need to do that. However, the larger questions have to do with two issues: one, a qualitative enhancement of the attention devoted to averting disasters in the railway organisation as a whole; and two, why is it that so-called human failure on the part of the railway staff accounts for such a large proportion of accidents? In this day when telecommunications are making such an impact on our daily lives and the country has embarked on what is described as an information revolution, it is incredible that apart from signals, manual and electrical, there is no way that a driver of a high-speed locomotive can communicate with the station or signal staff. This should have been a high priority task – far more important than introducing new trains or even perhaps laying new tracks. And yet, even the Status Paper on Indian Railways does not list this a projected area of development. Technology, it says, has a significant influence on safety, and lists several measures under implementation, such as track circuiting and an auxiliary warning system for giving advance warning to drivers on signal aspects. But nowhere is efficient communication between the driver and the operating staff considered important. The railways, it is not at all surprising to note, spend on signalling and communications less than 2 per cent of what it spends on wages.

Much has been said about the role of human failure in accidents and often it comes down to dismissing low-level staff immediately responsible. However, inefficiency and dereliction of duty are closely related to the ethos of an organisation and the standards set by those in authority. Moreover, safety exercises need to be planned and executed so that there is not only preparedness but a consciousness all-round about the immense responsibility that railway staff shoulder. Unfavourable working conditions and long duty hours have often been listed as associated causes of human failure, but nothing much has been done about them. Sadly, railway staff unions have not taken up issues of safety either.

News reports immediately after the accident noted that the railway minister had been pressing for a reconstitution of the railway board pointing to the current board's inability to attend to policy matters, especially with reference to safety. It is significant that although five senior officers have been suspended, the senior zonal railway manager has only been asked to proceed on leave, with none of the other top bureaucrats, not even the divisional manager who did not even bother to come to Gaisal, apparently receiving any reprimand. The fact that most railway accidents have occurred due to failure of

railway staff over the decade should alert the government to the fact that far more drastic measures need to be taken and policy decisions made making safety a priority concern, more important than the expansion of the system. The 62,495 km of track route need to be made safe for the 12 million passengers who travel on some portion of it everyday. The commission of inquiry will no doubt take its time in producing the report which will lie gather dust somewhere. In the current context, with a government comprising an alliance of parties in the throes of fighting an election, it is a moot question whether anything concrete will happen and Gaisal has no doubt already been relegated to the backrooms of the railway board.

## TOBACCO

### Fighting Back

ONE day, in response to a public interest litigation, the Kerala High Court orders a ban on smoking in public places, ruling that passive smoking is a violation of human rights as well as fundamental rights of citizens. Within days of the ban on smoking in public places becoming effective, a so-called Human Rights group, by the name 'Confederation of Human Rights Organisations', urges the state government to put in abeyance the ban on smoking in public places ordered by the high court. The grounds offered by this organisation in favour of holding in abeyance the ban on smoking is that it is necessary "to give people time to kick the habit". Obviously, the group advocates suspending the smoking ban because it is not considered enough for the habitual smoker to smoke in private. Or is it that some special satisfaction is derived from smoking in public and that too in public places? Interestingly, while asking for the ban to be kept in abeyance, the organisation referred to above does not indicate how long the ban should, in its judgment, be suspended to give smokers enough time to "kick the habit" of smoking in public.

On the eve of the No Tobacco Day observed worldwide on May 31, a pressure group called the 'Tobacco Institute of India', set up and funded by the tobacco industry, came out with a statement against any attempt on the part of the government to restrict the demand for tobacco. It spoke of tobacco "as a personal choice product for the adults", unmindful of the harm the exercise of such so-called personal choice causes, and that too not only to the users of tobacco but also to those around them. It is well established that passive smoking can be extremely harmful to people's health

and the Kerala High Court has given its verdict in favour of an immediate ban on smoking in public in order to protect the rights of the non-smoking public.

It is true that currently 40-50 lakh persons are engaged in the cultivation and manufacture of tobacco and tobacco products including beedis in our country. At the same time, it has to be remembered that between 6 and 10 lakh persons die every year on account of tobacco-related illnesses. Three to four times that number are sick and are disabled for that very reason. The question we have to seriously ask ourselves is whether we must continue enduring this cost, in terms of mortality and morbidity affecting between 25 and 40 lakh persons annually, for the sake of employment of 40-50 lakh persons. Should we not, instead, think seriously about alternative avenues of gainful employment for the people likely to be displaced as tobacco-based agriculture and industry decline as a consequence of reduced consumption?

The tobacco lobby has also raised the spectre of revenue loss to both central and state governments as a result of reduced consumption of tobacco. According to one estimate, planted in the media, the offtake of cigarettes in Kerala has declined since July 1 by 30 per cent. If this is really true, it should be considered as an extremely positive consequence of the enforcement of the high court's verdict. This would mean not only that passive smoking in the state would decline sharply as a consequence, but also that the incidence of tobacco consumption among the smokers would come down substantially. The positive impact of this reduced consumption of tobacco would be enormous on the people's health.

There can be serious doubt, however, about the correctness of the estimated sharp decline in the offtake of cigarettes in the state. The purpose of giving out such an exaggerated picture of the impact is perhaps to put some fear into the minds of state governments, faced as most of them already are with a difficult financial situation. Logically, the ban on smoking in public may have very little impact on the demand for cigarettes or other tobacco products. The likelihood on the other hand is that smokers will shift to smoking more in private, rather than reducing the number of cigarettes or beedis they smoke every day. Of course, smoking in private also has its hazards, because it will expose women and children, the passive smokers within a family, even more to the harmful effects of passive smoking. The question then is bound to arise whether some restriction is not called for even on domestic smoking.

# CURRENT STATISTICS

EPW Research Foundation

With the cleaning of the monetary data,  $M_3$  growth is found to have slightly accelerated, essentially as a result of a more rapid growth in currency. This is not due to a higher growth of bank credit to government, but because of (a) higher credit to commercial sector, (b) larger accruals of foreign currency assets, and (c) drastically reduced expansion of net non-monetary liabilities of the RBI.

## Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82 = 100)	Weights	July 24, 1999	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96
				Latest	Previous	1999-2000	1998-99				
All Commodities	100.00	357.40	0.1	1.2	8.8	0.9	4.8	5.0	5.3	6.9	5.0
Primary Articles	32.30	382.90	0.3	0.2	13.1	0.8	9.9	9.3	5.5	7.0	5.4
Food Articles	17.39	450.20	0.7	1.0	14.8	2.5	13.4	11.7	4.0	9.6	9.8
Non-Food Articles	10.08	370.50	-0.5	-2.2	12.5	-3.3	6.3	7.5	8.5	3.5	-1.9
Fuel, Power, Light and Lubricants	10.66	395.00	0.1	4.0	8.8	4.1	-1.1	-1.2	11.4	16.9	3.7
Manufactured Products	57.04	335.90	-0.1	1.2	5.4	0.4	2.9	3.8	4.0	4.9	5.0
Food Products	10.14	341.60	-0.9	-1.8	8.3	-0.1	6.8	4.9	5.5	14.1	-0.7
Food Index (computed)	27.53	410.19	0.2	0.1	12.7	1.7	11.2	9.5	4.5	11.1	6.3
All Commodities (weekly average basis) (April 3-July 24, 1999)	100.00	356.6	-	5.6	5.3	3.2	7.0	6.9	4.8	6.4	7.8

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent): Point-to-Point								
			Over 12 Months		Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96	1994-95
			Latest	Previous	1999-2000	1998-99					
Industrial Workers (1982=100)	420.0 <sup>a</sup>	0.2	5.3	12.4	1.4	5.0	8.9	8.3	10.0	8.9	9.7
Urban Non-Man Emp (1984-85=100)	346.0 <sup>a</sup>	0.6	6.1	10.5	1.8	4.5	9.0	7.2	10.2	8.2	9.9
Agri Lab (1986-87=100) (Link factor 5.89)	301.0 <sup>a</sup>	1.0	6.7	8.9	1.7	3.7	8.8	3.8	10.5	7.2	11.1

Money and Banking (Rs crore)	July 16, 1999	Variation						
		Over Month	Over Year	Fiscal Year So Far		1998-99	1997-98	1996-97
				1999-2000	1998-99			
Money Supply (M <sub>1</sub> )	1016401@	-2831(-0.3)	158464(18.5)	50252(5.2)	37653(4.6)	145865(17.8)	118436(16.9)	97841(16.2)
Currency with Public	182878	-2264(-1.2)	27602(17.8)	12759(7.5)	9272(6.4)	24115(16.5)	13917(10.5)	13829(11.7)
Deposit with Banks	828638@	-329(neg)	130472(18.7)	36419(4.3)	27427(4.1)	121479(18.1)	104174(18.4)	84162(17.5)
Net Bank Credit to Govt	419192	7088(1.7)	51412(14.0)	32520(7.5)	37189(11.2)	56080(17.0)	41973(14.5)	30840(12.0)
Bank Credit to Comm'l Sector	498379	9103(1.9)	64259(14.8)	11436(2.3)	1381(0.3)	54204(12.5)	56431(15.0)	31659(9.2)
Net Foreign Exchange Assets	153205	-1011(-0.7)	27387(21.8)	4577(3.1)	-752(-0.6)	22064(17.4)	21072(20.0)	23356(28.4)
Reserve Money (July 23)	263561	-2796(-1.0)	38591(17.2)	4341(1.7)	-1431(0.6)	32818(14.5)	26417(13.1)	5527(2.8)
Net RBI Credit to Centre \$	155095	1186(0.8)	5451(3.6)	9678(6.7)	16028(12.0)	11799(8.8)	12915(10.7)	1934(1.6)
RBI Credit to Bks/Comm Sector	23127	-2633(-10.2)	9269(66.9)	-2360(-9.3)	-1424(-9.3)	10205(66.8)	2029(15.3)	-15557(-54.0)
Scheduled Commercial Banks (July 16)								
Deposits	733808@	4391(0.6)	115136(18.6)	24716(3.5)	20188(3.4)	118837(19.9)	92835(18.4)	71780(16.5)
Advances	372715	6280(1.7)	49319(15.3)	6711(1.8)	-683(-0.2)	41924(12.9)	45677(16.4)	24387(9.6)
Non-Food Advances	350018	5995(1.7)	44323(14.5)	831(0.2)	-5899(-1.9)	37593(12.1)	40790(15.1)	26580(10.9)
Investments (for SLR purposes)	279077	2490(0.9)	43033(18.2)	24958(9.8)	17339(7.9)	35414(16.2)	28192(14.8)	25731(15.6)
Commercial Investments and bills rediscounted with FIs	52659	2086(4.1)	15803(42.9)	3915(8.0)	4991(15.7)	16879(53.0)	12324(63.1)	4168(27.1)

<sup>o</sup> Includes Rs 17,945 crore on account of proceeds from RBIs since August 28, 1998; excluding them the year-on-year and the 1998-99 fiscal year growth of money supply would be 16.4 per cent and 15.6 per cent, respectively. Likewise, bank deposits without RBIs grew by 15.7 per cent and 15.5 per cent, respectively. \$ after closure of govt accounts.

Index Numbers of Industrial Production (1993-94=100)	Weights	March	Full Fiscal Year Averages				
		1999	1998-99	1997-98	1996-97	1995-96	1994-95
General Index	100.00	156.0	142.8(3.8)	137.6(6.6)	129.0(5.5)	122.3(12.8)	108.4(8.4)
Mining and Quarrying	10.47	135.0	120.3(-1.7)	122.4(5.9)	115.6(-2.0)	117.9(9.6)	107.6(7.6)
Manufacturing	79.36	159.2	146.3(4.1)	140.6(6.7)	131.8(6.7)	123.5(13.8)	108.5(8.5)
Electricity	10.17	152.2	138.4(6.5)	130.0(6.6)	121.9(3.9)	117.3(8.1)	108.5(8.5)

Capital Market	August 6,	Month	Year	1999-2000 So Far		1998-99		End of Fiscal Year		
	1999	Ago	Ago	Trough	Peak	Trough	Peak	1998-99	1997-98	1996-97
BSE Sensitive Index (1978-79=100)	4575(47.8)	4333	3096(-31.5)	3245	4729	2783	4281	3740(-3.9)	3893(15.8)	3361(-0.2)
BSE-100 (1983-84=100)	2010(46.3)	1871	1374(-30.2)	1409	2047	1242	1890	1651(-2.7)	1697(15.9)	1464(-5.5)
BSE-200 (1989-90=100)	458(44.3)	428	317(-27.4)	322	468	289	429	380(0.8)	377(14.9)	328(-5.0)
S and P CNX-50 (Nov 3, 1995=1000)	1317(45.9)	1241	903(-30.2)	931	1349	812	1213	1078(-3.5)	1117(15.4)	968
Skindia GDR Index (Jan 2, 1995=1000)	875(37.4)	884	637	581	980	515	1015	653(-30.5)	940(1.1)	930(-4.4)

Foreign Trade	June 1999	Fiscal Year So Far		Full Fiscal Year			
		1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96
Exports: Rs crore	11247	34241(8.0)	31716(4.1)	141604(8.8)	130101(9.5)	118817(11.7)	106353(28.6)
US \$ mn	2607	7986(2.6)	7785(-8.5)	33613(-3.9)	34976(4.5)	33470(5.3)	31797(20.8)
Imports: Rs crore	15705	44410(3.4)	42935(19.5)	176099(14.2)	154176(11.0)	138920(13.2)	122678(36.3)
US \$ mn	3641	10356(-1.9)	10552(5.2)	41802(0.9)	41449(5.9)	39132(6.7)	36678(28.0)
Non-POL. US \$ mn	-5339	8330(-3.0)	8588(14.9)	35928(10.3)	32526(11.9)	29096(-0.2)	29152(28.3)
Balance of Trade: Rs crore	-4458	-10169	-11219	-34495	-24076	-20102	-16325
US \$ mn	-1033	-2370	-2767	-8188	-6472	-5663	-4881

Foreign Exchange Reserves (excluding gold)	July 30, 1999	July 31, 1998	March 31, 1999	Variation Over								
				Month Ago	Year Ago	Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96	1994-95
						1999-2000	1998-99					
Rs crore	133197	102337	125446	1742	30860	7751	-174	22935	22137	21649	-7302	18402
US \$ mn	30768	24057	29530	465	6711	1238	-1919	3554	3607	5243	-3690	5640

Notes: (i) Superscript numeral denotes month to which figure relates, e.g., superscript 3 stands for March; (ii) Figures in brackets are percentage variations over the specified or over the comparable period of the previous year. neg: negligible. \* unchanged

# Money Market Rates of Interest

Instruments	July 1999				June 1999				July 1998			
	30(RF)	23	16(RF)	9	2(RF)	25	18(RF)	11	4(RF)	31(RF)	24	17(RF)
Call money rate (Range: weekly)	7.25-8.00	7.90-9.50	8.00-9.25	8.00-8.90	7.35-8.40	8.00-9.00	7.00-9.00	7.85-8.75	6.75-9.15	1.00-7.25	5.25-8.50	2.00-6.75
Prime Lending Rates: Banks												
(Major Public Sector)												
IDBI	12.00	12.00	12.00	12.00	12.00	12.00-12.50	12.00-12.50	12.00-12.50	12.00-12.50	12.75-13.00	12.75-13.00	12.75-13.00
ICICI	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	14.00	14.00	14.00
IFCI	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.50-14.00	13.50-14.00	13.50-14.00
Treasury Bills:												
14-Day (RBI Auction): Primary	8.09	8.09	8.61	8.09	8.61	8.61	8.61	8.61	8.35	6.26	6.78	6.26
91-Day (RBI Auction): Primary	8.96	9.25	9.29	9.29	9.29	9.25	9.00	8.96	8.79	7.71	7.75	7.75
Secondary: DFHI												
(mid-point of bid and offer)	9.26	9.08	9.08	9.03	9.06	8.78	8.74	8.70	8.54			
All SGL trading (Weighted YTM)\$	9.13	8.95	8.89	8.74	8.70	8.71	8.59	8.40	8.27	6.94	7.39	7.02
182-Day (RBI Auction): Primary	*	9.89	*	9.93	*	9.97	*	9.73	*			
364-Day (RBI Auction)										Auction started on May 26, 1999		
Primary	10.28	*	10.33	*	10.33	*	10.33	*	10.33	9.02	*	9.03
Secondary: DFHI (mid-point)	10.13	10.13	10.15	10.18	10.28	10.20	10.18	10.00	9.88	8.74	9.15	9.15
All SGL trading (Weighted YTM)\$	9.97	10.06	9.49	8.77	10.06	10.06	10.10	9.85	10.06	6.88	7.86	7.63
State Govt loans (Coupon rates)												
All SGL trading (Weighted YTM)\$	11.88	12.02	11.90	12.07	12.05	12.07	12.16	12.05	12.03	11.01	10.98	10.35
GOI Securities: Primary Auctions	12.30	*	12.32	*	11.90	*	12.32	*	11.99	*	11.95	11.55
(17 year)			(12 year)		(8 year)		(12 year)		(10 year)		(6 year)	(3 year on tap)
Secondary: All SGL trading												
(Weighted YTM)\$	11.30	11.32	11.29	11.32	11.31	11.32	11.58	11.33	11.47	12.58	12.06	12.23
PSU Bonds yield:-												
Tax free: NSE (traded, weighted)\$												
NSE (Range: weekly)	10.11	10.11	8.04	8.93	9.92	10.01	9.91	8.29	8.72	10.01	10.26	9.92
Taxable: NSE (traded, weighted)\$	12.46	12.96	13.05	12.70	13.91	12.98	11.80	13.79	14.25	15.23	14.21	13.35
CP-Primary market (90 days)	10.90-15.11	12.59-14.39	12.65-14.21	11.75-15.47	12.65-14.85	11.72-15.11	9.38-14.74	5.77-14.35	14.25	13.95-15.24	13.94-14.62	12.71-14.73
Secondary market/NSE	9.85-9.90	9.85-9.95	10.00-9.95	9.95-9.85	10.00-9.90	9.85-10.00	9.85-10.00	9.85-1.00	9.90-10.00	10.00-10.30	10.50-11.25	10.50-11.25
CDs: Primary market	9.00-9.85	9.15-9.89	9.40-9.90	9.30-9.95	9.30-9.94	9.40-9.83	9.46-9.95	9.40-10.00	9.15-9.90	7.75-10.00	7.75-10.50	8.75-10.50
Inter-corporate deposits (30 days)#	10.25-10.75	10.30-10.60	10.20-10.60	10.00-10.50	10.00-10.50	9.50-9.75	8.50-9.05	9.50-9.75	9.50-9.75	9.75-10.50	10.75-11.50	10.75-11.50
(90 days)	10.50-11.00	10.35-10.95	10.35-10.95	10.75-10.75	10.25-10.75	12.00-13.00	12.00-13.00	12.00-13.00	12.00-13.00	12.00-13.00	14.00-16.00	14.00-16.00
Memorandum Items												
(i) Forward premia on the US dollar												
in the domestic inter-bank market												
(annualised in per cent per annum)												
(Weekly average)#												
Spot/Cash	2.94	3.79	5.06	0.86	3.15	4.22	2.96	2.54	2.12	1.07	1.72	1.72
One-month	4.07	4.27	4.53	4.44	5.29	4.83	5.22	4.38	5.26	4.91	4.80	6.17
Three-month	4.01	4.13	4.46	4.63	5.39	4.98	5.04	4.88	5.44	6.63	6.61	7.71
Six-month	4.19	4.34	4.75	4.99	5.43	5.17	5.28	5.22	5.62	7.45	7.59	8.38
12-month	4.64	4.81	5.20	5.51	6.24	6.05	6.11	6.06	6.38	8.41	8.43	9.09
(ii) RBI Reference Rate (Ru/\$)	43.29	43.26	43.25	43.39	43.38	43.39	43.15	43.06	42.94	47.56	42.53	42.56

# ICD figures till September 1998 are for a tenor of 60-90 days for Blue Chip and Non-Blue Chip Companies respectively. RF means reporting Friday for fortnightly reporting of conditions of banking business and the fortnight serves as the reserve maintenance period for scheduled commercial banks. \$ Based on daily quotations supplied by Mecklart Financial and Commercial Services, Bombay. Weekly averages of inter-bank premia annualised per cent per annum. - no floatation \* no auction na not available YTM = yield to maturity \$ weekly weighted averages

## **Parekh Report: Piercing the Veil in UTI**

**D N Ghosh**

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*The Deepak Parekh report tells us what has happened, not why and how it happened. These questions have to be addressed and answered. The Parekh report will have served its purpose if it leads to this effort.*

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WHEN an institution becomes its own agent provocateur and works against itself knowingly or unwittingly, nemesis is bound to strike it, sooner or later. This is what has happened to the UTI. The Parekh report is the unfolding of a story of unbelievable folly and negligence.

Since the inception of UTI, its US 64 scheme has been its flagship; a debt-oriented income scheme, designed for investors who wish to have a reasonable degree of liquidity and an acceptable level of steady income. The scheme had singular success every year in mobilising funds. The continuing loyalty of investors was an invaluable asset for the UTI.

The UTI has been generous in dividend distribution: from the 11-13 per cent range in the late eighties, dividend yield jumped sharply to 17.86 per cent in 1991-92 and then moderated in the 14-15 per cent range. Though in the context of changing monetary policy and easing of interest rates, the dividend yields were getting out of alignment with the yields on fixed income assets, the trustees of UTI seemed reluctant to make the necessary adjustment. They must have felt, one would guess, that such a step would tarnish the aura and standing of the UTI and chose to remain indifferent to the interest signals and turned to the then surging equity market to offset the downward pressure on income flow. The debt-equity component was altered dramatically from 79:21 in FY 1986 to 37:63 in FY 1998. There was nothing inherently wrong in changing the composition of the US 64 scheme and moving over to a balanced fund, but then the trustees sowed it to the investing community to explain in a transparent manner: the changing risk profile and the risk-return ratio. Surely, any fund manager with a modicum of prudence understands that a perceptible shift in favour of equity would necessarily make any scheme more vulnerable to pressures of liquidity and the uncertainties of stock market movements. For the UTI scheme, there was an added complexity in liquidity management: it

was being used as a convenient parking lot for temporary funds by corporate treasurers.

The flow of interest income stream dwindled so sharply that the trustees faced a severe liquidity crunch in meeting their dividend distribution obligation at the declared rates. From Rs 1,638 crore in FY 1994, income fell to Rs 907 crore in FY 1998. Dividend amount disbursed in the respective years were Rs 3,125 crore and Rs 3,126 crore. The gap was met substantially from the sale of equity stocks; the percentage of total income from sale of stocks was about 40 per cent in FY 1994, increasing to 62 per cent in FY 1998. Over and above this, for three years in succession (FY 1995 to FY 1997) the trustees were compelled to draw upon reserves to meet the dividend outflow.

The UTI statute places a clear and unequivocal responsibility on the Board of Trustees to act on business principles in the interest of the unit holders. It is puzzling why the trustees continued for several years to pursue a policy which was patently unsustainable and was bound to put in jeopardy the long-term interests of their loyal investors. Companies everywhere try a little window dressing to show themselves in a flattering light but the practices in the UTI distorted the true and fair picture of business to an extraordinary degree. The trustees should not have allowed that to happen; they held positions in an institution which purports to preach to and enforce on their borrowers and investors high principles of corporate governance and disclosure.

It is hard however to persuade oneself to believe that the trustees were or could have been so naive. The Parekh Committee surmises what could have influenced the trustees and puts it mildly in one sentence: "The dominance of nominees appointed by the initial contributors to the capital, which were all public sector financial institutions/banks may have resulted in direct/indirect interference by the Government in the investment policies of

the scheme" (emphasis added). The UTI's investment in PSU shares is cited as an instance. The corpus of US 64 was utilised for supporting the disinvestment programme of government in utter disregard of the interests of investors. As on June 30, 1998, Unit 64 had an investment of Rs 3,722 crore in 22 PSU stocks, having a market value of Rs 2,325 crore, a depreciation of Rs 1,397 crore. Of the 22 stocks, only one stock had a marginal appreciation and all the other 21 stocks had depreciated significantly over book cost. This was not an isolated example of intervention. "The scheme has often been used" the committee asserts "to support the stock markets in times of crisis thereby giving an impression of its being used as an instrument of public policy rather than for the sole interest of the unit holders...the Trust, at the suggestion of the Government, has from time to time utilised the large corpus of US 64 to support the market, and the fund managers could have invested on various occasions due to factors other than prudent investment management, and without consideration of the return to unit holders" (emphasis added).

These are serious allegations; unmistakably the trustees allowed themselves to be utilised as agents of the political executive. Note, in this context, another observation of the committee: "Asset management function at the Trust is highly centralised with the decision-making being vested at the highest level of management. Despite its significant corpus, there was no separate management for the scheme, investment decisions were highly centralised and inter scheme transfers effected without taking an independent view of the need of each scheme". We cannot shrug it away as a mere technical or managerial lapse; the existence of highly centralised investment management is significant, it facilitated the process of compliance with informal administrative guidance from the political executive. Possibly this explains the seemingly naive behaviour of the trustees in disregarding the canons of ordinary financial prudence; they could not have done so unless they had the comfort of an implicit assurance that, when the day of reckoning came, the institution and its investors could count on the protection of the government. Recall the bitter controversy that erupted three years ago between SEBI and UTI, the former keen to extend its regulatory domain and trying to bring the fund management

activities on par with the other mutual funds and the latter desperately attempting to wriggle out of regulatory discipline, it can now be surmised to conceal its financial sickness. All the while when the controversy was raging, the government chose to remain a mute spectator; its deliberate silence was construed in the market as a clear message of support for the UTI. Clearly, it was unwilling to risk any new arrangement under which transparency and disclosure could be enforced on an institution which has proved to be, even in the post-liberalisation reform phase, a convenient and handy political instrument for interfering in the market process.

The recommendations of the Parekh Committee relate to some of the deficiencies in the internal working of the UTI. If the recommendations were implemented, we would see, in the months to come, a revamping of the board of trustees, professionalisation of the investment management department and modernisation of systems and procedures. But all these would provide no cure for the deep-seated malaise which has been afflicting the UTI. The Parekh report tells us what has happened, not why and how it happened. But it must be said, to the credit of the committee, that the report gives a more than sufficient hint of where to look for the real reasons. What were the occasions when the government asked the UTI to support the market? Why did the government intervene and at whose behest? Which are the interest groups which benefited from such intervention? Was the government so beholden to these interest groups that it chose to set aside the interests of the investors? The report does not go into these questions. The committee had a limited mandate and, understandably, it must have thought that by doing so it would be exceeding its jurisdiction. But these questions have to be addressed nonetheless and answered. We need to probe into the kinds of relationships that must have developed over the years between the political executives and the trustees of the UTI.

We have since the early 1990s put through a series of measures in the financial sector for enhancing competitiveness, changing ownership patterns and creating a supportive regulatory ambience. We take it as axiomatic that these will sweep away the existing configuration of interest groups, which are responsible for the type of incestuous relationships that have entrenched themselves in our economic system. The interest groups are highly resilient; they know how to transform themselves and assume deceptive forms

and devise innovative methods in any changed scenario for protecting and preserving their core interests. The political class is no different; it is continually exploring how, in substitution of direct methods of control, it can develop and nurture informal and congenial relationships to influence the functioning of market-oriented institutions. More than the formal structural characteristics, it is the nature of such relationships that would define the content and pace of the process of reform in the financial sector. If we wish to lay the foundations of a sound and reformed financial system, we have to

consciously strive to understand and reorder the kinds of relationships that exist between the political executive and the key financial institutions. The political executive is necessarily subject to different kinds of pressures and influences from a whole array of interest groups who have stakes in the financial system and the pattern and networking of such relationships have to be brought under the full public glare. We must not rest content with a few cosmetic changes and shy away from a full-scale investigation. The Parekh report will have served its purpose if it leads to that.

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# WTO Agreement on Anti-Dumping

## Misuse and Case for Review

C Satapathy

*Developed countries such as US, EC and Canada are unlikely to agree to review and modification of the WTO Agreement on anti-dumping. So it is for the developing countries to put up a combined front and press for review. Japan may support their cause at this juncture having been subject to some severe anti-dumping action recently.*

THE WTO Agreement on Implementation of Article VI of GATT authorises application of anti-dumping measures only in the circumstances provided for in the said Article VI subject to investigations initiated and conducted in accordance with the WTO Agreement. Anti-dumping measures can be unilaterally imposed by a WTO member on an imported product provided the imported product is dumped, it is causing material injury to the domestic industry, and there is a causal link between the dumped imports and material injury. The amount of anti-dumping duty cannot exceed the margin of dumping, which is calculated as the difference between the normal value and the export price of the product as provided in Article 2 of the WTO Agreement.

In recent times, there has been a sudden increase in the number of anti-dumping cases all over the world especially in the steel sector (see C Satapathy, 'Protectionism versus Unfair Trade in Steel', *EPW*, January 30, 1999). There is a growing feeling that many of these cases are initiated at the instance of domestic industry as protectionist measures. There have also been suggestions to do away with anti-dumping laws (e.g., see 'Dump Anti-Dumping', *EPW*, May 29, 1999, p 1303). Anti-dumping provisions have their roots in the ethical concern that free trade should be accompanied by fair trade practices. 'Dumping' is considered to be an unfair trade practice and originally it was supposed to reflect price differences on account of predatory pricing. However, studies have shown that only 3 per cent of anti-dumping cases in EC and 4 per cent of anti-dumping cases in the US involved possible predatory pricing (*The Economist*, November 7, 1998, p 82). Recent examples of anti-dumping action by almost all the major steel producing coun-

tries against steel imports from one another can hardly be justified on account of predatory pricing. Many economists have held the view that predatory pricing is more or less impossible. This view has been recently re-emphasised in John Lott's new book *Are Predatory Commitments Credible?*

Of late, the word dumping has also been loosely used to cover trade in product of countries where workers get low wages and low health and other benefits. Sometimes this is also called 'Social Dumping'. Similarly, trade in products from less protected environments is being called 'Environmental Dumping'. For application of the WTO Agreement, as it is worded at present, dumping need not be related either to predatory pricing or to lower labour and environmental standards in the exporting countries. The mere fact of price differential coupled with demonstration of material injury and causal link is enough ground for levying anti-dumping duty.

Historically, anti-competitive practices including predation were first sought to be prohibited under the Sherman Antitrust Act of 1890 in the US. On account of court rulings restricting its application for foreign companies, first the Anti-Dumping Law of 1916 and then the Anti-Dumping Act of 1921 were enacted. The Anti-Dumping Law of 1916, still in force allows victims of predatory dumping to approach US courts for civil damages and penal action as well as for restricting imports. The 1916 law also required the complainant to prove that the foreign supplier resorted to predatory dumping with the intent of destroying or injuring a US industry. In the past, there were hardly any cases filed under the 1916 law, but recently there have been reports of fresh cases. Despite the fact that the 1916 US law provides against predatory dumping,

it is widely believed to be antiquated and incompatible with the WTO agreement and some countries have since raised disputes against this law in the WTO ('Wheel-Pitt Tastes Partial Success in Trade Case', *Metal Bulletin*, February 1, 1999, p 19 and 'Tokyo Set to Take US Steel Dispute to WTO', *The Financial Times*, January 29, 1999). Interestingly, the US law under 19 USC 3512 clearly states that no provision of the Uruguay Round Agreement that is inconsistent with any law of the US shall have effect. It further goes to say that nothing in the said law shall be construed to amend or modify any law of the US or to limit any authority conferred under any law of the US, including Section 301 of the Trade Act of 1974.

The Anti-Dumping Act of 1921 of the US on the other hand became Title VII of the Tariff Act of 1930 (the Smoot-Hawley Tariff Act). Later on, the Trade Agreements Act of 1979 replaced the Anti-Dumping Act of 1921 by adding a new Title VII to the Tariff Act of 1930 but the provisions of the 1921 law largely remain on the statute. These provisions have been frequently used over the years for protecting US producers without often taking into account the interests of US consumers. Under the 1921 US law as modified in 1979, sale in the US market at a price below normal or fair value in the producer's home market constitutes dumping. Initially, the US Treasury Department was administering the law which involved determining first that the good under investigation was being or was likely to be dumped and then, that the US industry was being or was likely to be injured or was prevented from being established on account of such dumping. At present, the US Commerce Department determines the dumping margin and the US International Trade Commission determines the injury. Unlike the 1916 law, the 1921/1979 law has no concern with predatory pricing and predatory intent. Mere price disparity is sufficient to attract anti-dumping action subject to injury being determined. It is difficult not to notice striking similarities between the 1921/1979 US law and the Uruguay Round WTO Agreement.

Cass and Boluck (1999) have provided numerous examples of unreasonable calculations by US authorities that result in more anti-dumping orders and higher anti-dumping duties. For example, a change made by the Trade Act of 1974 in the 1921 law allows the US authorities to exclude



of production from the data set for calculating normal value. This artificially increases the normal value and the margin of dumping. Secondly, while calculating dumping margin, negative margins used to be zeroed out. Fortunately, this method has since been changed. Thirdly, where the home market sale in the exporting country is less than 5 per cent of production, calculations are to be made on the basis of third country market, but in most cases there being no satisfactory third country market, constructed value is used for calculating normal value. This method provides many opportunities to add various costs to make the normal value high. Similarly, the normal value is hiked by adding an amount equal to normal profits without taking into account periods of low demand and low prices. Cass and Boltuck have documented similar problems regarding determination of injury. They have also questioned why anti-dumping law condemns price discrimination when price discrimination occurs in numerous domestic contexts.

The recent anti-dumping complaint filed by small US oil producers demonstrates that such anti-dumping cases have a clearly protectionist agenda. The complaint claims that Venezuela, Mexico, Iraq and Saudi Arabia are dumping crude even though three of these four countries are members of the Organisation of Petroleum Exporting Countries which often limits oil production to raise prices. In fact, under an export cut-back arrangement between Mexico, Saudi Arabia and Venezuela, petroleum exports have been reduced by 51 million barrels. As a result, Mexican oil prices have risen \$ 5.35 per barrel between February and May 1999. Many developing countries are agitated about such frivolous complaints as well as repeated anti-dumping action against the same product, the cost of fighting anti-dumping cases in developed countries and the huge economic cost of failed anti-dumping investigations.

In fact, the discussions at the WTO General Council preparatory to the Seattle Ministerial Conference scheduled in November 1999 have provided an opportunity for many WTO members to propose review of the WTO Agreement on anti-dumping. These discussions are being held in the light of Paragraph 9(a)(i) of the Geneva Ministerial Declaration of May 20, 1998 which mandates the WTO General Council to take up issues, including those brought forward by members, relating to implementation of existing

agreements and decisions and concludes that many WTO members have brought up several important issues in the context of the agreement on anti-dumping which need careful consideration. Most of the proposals for review of the agreement stems from the perception of many WTO members that its provisions are being misused or abused for protecting domestic industry. Many review proposals aim at rectifying the weaknesses of the agreement to prevent its abuse.

Article 2.4 of the agreement requires that comparison between normal value and export price should be fair. It requires dumping margins to be established on a weighted average basis or on transaction basis. It also provides for exceptions under which comparisons are permitted between individual export prices and weighted average normal prices. It is an experience to many members that exceptions have become the rule in the hands of importing country administrations. The exceptions are preferred by these authorities as they result in computation of artificially high dumping margins. Many members feel that Article 2.4 of the agreement should be reviewed to avoid frequent use of the exceptions provided therein.

A major weakness of the agreement is the standard of review contained in Article 17. It unduly restricts the role of the WTO Dispute Settlement Panel to a mere determination of whether the anti-dumping authority's establishment of the facts was proper and whether the evaluation of these facts was unbiased and objective. This is in total contrast with the power of panels under Article 11 of the WTO Dispute Settlement Understanding. The Anti-Dumping Agreement, being an integral part of the WTO, should not have a different and more restrictive standard of review allowing the anti-dumping authorities of importing countries to escape from closer scrutiny by the WTO panel. Article 17 requires to be reviewed and reworded to ensure the same standard of review as applied to disputes under other WTO Agreements.

Many developing country members have been subjected to repeated anti-dumping investigations in respect of the same product. New investigations are often initiated on the same product immediately after termination of an earlier investigation. This has become a serious concern for developing countries as their exports to major trading countries have been disrupted by such restrictive action. Many member countries from the developing world perceive that the benefits of trade

negotiation get considerably nullified by such unfair use of back-to-back anti-dumping investigations on the same product. There are several suggestions to prevent such misuse of the agreement. One of the proposals is to review Article 5.3 of the agreement to limit the scope for repeated anti-dumping investigations on the same product. Another suggestion is that if there is an investigation resulting in non-imposition of anti-dumping duties, there should be a gap of at least one year before another investigation of the same product can be initiated.

Article 5.8 of the agreement does not provide a time limit within which the determination has to be made as to whether the volumes of dumped imports are negligible or within the prescribed threshold. This gives rise to arbitrary and unilateral decisions for determining an appropriate time frame. Article 5.8 needs to be amended to specify the time limit so that there would be no scope for arbitrary and unilateral decision in this regard. There are also suggestions that the threshold limit under Article 5.8 should be increased from 3 per cent to 5 per cent for imports from developing countries and that the provision for clubbing imports from different countries within the threshold limit for applying the collective limit of 7 per cent should be abolished. There are also proposals for increasing the *de-minimis* dumping margin of 2 per cent of export price to 5 per cent for developing countries. This would ensure non-imposition of anti-dumping duty till the dumping margin exceeds 5 per cent on products from developing countries which may in many cases have a cost advantage over comparable products produced in developed countries. The *de-minimis* provision of 5 per cent should apply not only in newly initiated cases but also in review and refund cases.

Many developing country members also feel that the process of investigation on dumping is expensive and cumbersome. Often unsuccessful dumping cases impose huge indirect costs on trade including enormous legal costs and tie down the exporting companies in uncertainty up to a year or more. There are suggestions to simplify the agreement to prevent its misuse by domestic industry in the importing country as a protective cover.

Some members are also concerned about national anti-dumping laws not being compatible with the WTO Agreement on anti-dumping. They feel that such incompatibilities survive on account of ambiguities contained in the agreement. Low

industrial tariffs and more open trade after the Uruguay Round have led domestic industry in the importing countries to make greater use of such ambiguities to obtain protective cover. The agreement needs to be reviewed to remove such ambiguities and bring national legislation in line with the clear provisions of the agreement so that its abuse can be prevented. The agreement also needs to take cognisance of changes in the world trade environment including increased cross-border trade by MNEs, expansion of artificial trade arrangements, location of production facilities across a number of countries and creation of Harmonised Rules of Origin. Review of the anti-dumping agreement should also make it clear that the Harmonised Rules of Origin, once in place, should apply equally for anti-dumping purposes as well as for other trade policy instruments so that no member can take recourse to the ambiguous provisions and apply a different set of origin rules for the purpose of anti-dumping alone.

Many WTO members are also concerned that recent increase in the number of anti-dumping cases may nullify the benefit of reduced tariff barriers and benefits of free trade. They feel that access to anti-dumping measures should be restricted to avoid its abuse for protectionist purposes. Anti-dumping measures should be taken as an exception to the rule of non-discrimination and MFN treatment. Anti-dumping duty directly interferes with tariff bindings and its imposition at very high rates compared to low tariffs practically prevents the exporter from further selling in the same market. Moreover, anti-dumping measures once imposed continue for long period of five years and there are instances of these being continued beyond five years. The agreement not only needs review for rectifying ambiguous provisions but also there is a need to incorporate specific provisions for curbing initiation of inappropriate anti-dumping measures. Many members also feel that the present agreement gives excessive discretion to the anti-dumping authorities in the importing country to use the same as an instrument of protection rather than as an instrument to counteract dumping.

Article 15 of the agreement recognises the special situation of developing countries. It also says that constructive remedies should be explored before applying anti-dumping duties on developing country members. These well intended provisions lack clarity and have become practically inoperative. The developed country members have rarely explored the

possibility of constructive remedies before taking anti-dumping action against exports from developing countries. Developing member countries are of the view that Article 15 should be operationalised and made mandatory.

Many member countries are dissatisfied by the way constructed value is computed and liberally used at the slightest pretext. Recourse to constructed value should be taken only when prices of third country markets are not available. This would require amendment of Article 2.3.

Article 9.1 of the agreement leaves it to the discretion of the anti-dumping authorities to impose an amount equal to the full margin of dumping or less. Many members feel that Article 9.1 should be amended to make it mandatory for imposing less duty if that is adequate to remove injury to the domestic industry rather than leaving it to the discretion of the importing country.

There is a suggestion that the definition of 'substantial quantities' provided in footnote 5 to Article 2.2.1 is rather restrictive which promotes unreasonable findings of dumping. Therefore, it has been suggested that the substantial quantities test should be increased from the threshold of 20 per cent to 40 per cent.

The mere initiation of anti-dumping investigations which are terminated later on without levying anti-dumping duties causes harassment to exporters apart from imposing legal and other costs. Questions have therefore been raised about the legitimacy of anti-dumping complaints brought by producers in the importing country as also regarding the impartiality of the anti-dumping authorities in the importing country. The fact that under Article 17 of the present agreement, the WTO Disputes Panel does not have full authority to review the action of the anti-dumping authorities has led some to think that possibly an alternative approach should be found for taking anti-dumping complaints to a neutral body such as the WTO panel for determination in a fair manner. This would remove the bias of the importing country administrations which face enormous pressure from their domestic industry as well as from legislators representing constituencies where home industries are located. Another related suggestion has also been made that anti-dumping action should be exporter specific and in no case should a general determination be made against exports from the country as a whole since the idea is to curb unfair trade by particular exporting companies.

In a letter to *EPW* (Mayank Johri, 'Don't Dump Anti-Dumping', July 3, 1999, p 1738), a suggestion has been made that the developing countries which embark upon tariff reduction and trade liberalisation need the protection of anti-dumping law against unfair foreign competition. It is interesting that some countries have proposed review of the WTO Agreement to take care of the increased susceptibility of developing countries to the incidence of dumping from outside. These include suggested provisions in the agreement for presumption of dumping of imports from developed countries and application of standards which are less rigorous.

Cass and Boltuck (1999) have no hesitation in saying that the case for anti-dumping law, beyond the central cause of predatory price-cutting, is open to question and that its administration is seriously flawed if the goal is to address welfare-reducing trade practices and not simply to protect producers against competition. They have also alluded to the frequently advanced argument that anti-dumping codes (along with similar codes on subsidies) have greatly facilitated international consensus about general trade liberalisation which, in turn, has been an engine of economic growth. Anti-dumping laws provide a kind of escape valves for trade protection without which the multilateral trade agreements might not have gained the acceptance they have enjoyed. In that sense, such laws are the price to be paid for trade liberalisation.

It is doubtful if the developed countries such as the US, EC and Canada would agree to review and modify the WTO Agreement on anti-dumping. It is for the developing countries to put up a combined front and press for review. It is likely that countries like Japan would also support their cause at this juncture having been subject to some severe anti-dumping action recently.

[This article reflects the author's personal views.]

## References

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## Subscription Numbers

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# A Grain of Sand on the Banks of Narmada

Amita Baviskar

*How are the poorest of adivasis in the Narmada valley dealing with the dangers of displacement, even death? Why do people in Anjanvara, on the banks of the river, continue to take extraordinary risks against overwhelming odds?*

IT was the middle of the night. After the 22 km walk to reach Anjanvara village, we were deep in exhausted sleep at Khajan's house. Suddenly, a hoarse shout jolted us awake. 'Khajandadu! Khajandadu! Gaav ma pani aavi gayo!' [Khajandadu! Khajandadu! The water has entered the village!]. For one moment, time stood still. Then it registered: it wasn't raining. It hadn't rained for the last 10 days. The Narmada was swollen, but still well below Anjanvara's houses and fields. Water could not possibly have entered the village. Khajan was up too, trying to calm the man who was still shouting. It turned out to be Jamsingh, a neighbour, who had been drinking steadily the night before. Jamsingh must have dozed off into this nightmare.

Just a drunken dream, but one that lurks night and day in the mind of every person in this village. One day the water will swirl in – the river always rises swiftly, and everything will be swept away – houses, crops and cattle. The people of Anjanvara now live with this terror even as they fight desperately to prevent it from becoming real.

The Narmada Andolan is 14 years old. In the last four years, while the case against the Sardar Sarovar Project (SSP) was being heard in the Supreme Court, the issue had faded from public memory. This year, the court allowed the Gujarat government to construct another 8 m of the dam. At this height, the dam threatens to submerge more tribal areas in Gujarat, Maharashtra and Madhya Pradesh. Just when the SSP seemed to be a lost cause, the intelligentsia's interest in the issue was revived by Arundhati Roy's eloquent essay 'The Greater Common Good'. The essay was followed by an event where urban supporters expressed their solidarity with the struggle in the Narmada valley. Amidst the hoopla surrounding the 'Rally for the Valley' and the media attention focused on this celebrity-crowded event, it is important to look at the Narmada issue from the bottom up. What are the views of the poorest adivasis who, in their everyday lives, deal with the dangers of displace-

ment, even death? Why do the people of Anjanvara continue to take extraordinary risks against overwhelming odds? How do they perceive the choices before them?

In this account, I attempt to communicate the concerns that move the men and women of Anjanvara in the current phase of their struggle. I also hope to convey the clear-eyed way in which these villagers have made decisions that often strike outsiders as quixotic. Anjanvara is a village of 43 Bhilala households on the bank of the Narmada, in Alirajpur tehsil, Jhabua district, Madhya Pradesh (MP). The village is surrounded by hills sparsely covered by mixed deciduous forests. I first lived in Anjanvara 10 years ago as a researcher.<sup>1</sup> Later, I worked in the area with Khedut Mazdoor Chetna Sangath, an organisation of tribal peasants working for economic, political and cultural rights. Living here was an immensely rich experience for me. I learnt Bhilali, made friends among people of a very different culture, shared the exhilaration of being part of a mass movement as well as the intimacies of everyday village life, its scandals and humdrum ups and downs. After moving to Delhi to teach in 1994, I continued to visit the village for long spells over the next five years, but for various reasons, I did not go to Anjanvara after that. I had now come to the village after four years. The cliché was only too true: much water had flowed down the Narmada during this time.

The first shock was the river itself. On the long walk downhill to Anjanvara, the first glimpse of the Narmada had always been a delight to look forward to. The spirit soared at the sight of the clean water flowing forever, gleaming in the sun. Now the Narmada has stopped flowing. At Anjanvara, the river is still, its stagnant water muddy with sediment that cannot be flushed away. Dead, diseased livestock that was disposed of in the river now stays there and festers. The deep mud along the water makes the old joys of drinking, washing and bathing in the river a poignant memory. Women now make do with

water from small streams that dry up to a trickle in the summer. Arundhati Roy is so right when she writes that "anyone who has loved a river can tell you that the loss of a river is a terrible, aching thing". In the 'gayana', the central Bhilala myth of creation, the world begins from a state of chaos when the mountains change. In the myth, the proper mode of worship and the magical powers of music help to tame the powers of nature. Now, as the river changes, a familiar world is plunged into chaos once again. The Narmada of the gayana, a generous life-giving girl, seems beyond the reach of rituals. What magic will make her flow again?

Across the river from Anjanvara lie the villages of Maharashtra. The distance is spanned by enduring ties of kinship and marriage. Women from Anjanvara marry 'paldhad' (on the opposite bank) and vice versa. Emotional and economic support cements these alliances. Through the seasons, there is a constant traffic of people visiting relatives, carrying small gifts – some mangoes or groundnuts, for instance. Besides this everyday reciprocity, there is the help accorded in times of crisis, when money has to be raised for brideprice, or when someone wants a patch of land to farm. For married women, particularly, access to their natal village is a precious thing.

This summer, Anjanvara watched the villages across the river close down. A road was built all the way along the river and, one by one, the houses paldhad were dismantled and taken away to the resettlement sites. For those who are staying on, the emptied villages signal the end of the social universe as they have known it.

While the trucks were ferrying people and their belongings, the men of Anjanvara also hitched rides to visit relatives at the Taloda resettlement site in Maharashtra. Budhya's two daughters who were married into Maharashtra have shifted their homes to Taloda. In Budhya's view, Taloda is better than most other places. His sons-in-law have got irrigated land. Since Taloda was a forest that was denotified to settle adivasis, it is relatively easy to get fuel and fodder and other forest produce. Of all the experiences with displacement, this seems to be the least painful.

Budhya's opinion about Taloda, and about forest land as the closest approximation to what adivasis want, is echoed by other people in Anjanvara too. They don't want to move. But, if worst comes to worst, they would need forest land where the entire village can be resettled as a unit. Unfortunately, even this modest requirement is not being met in their home

the largest area under forests, the MP government has not found any land where it can settle its adivasi population. On June 16, 1999 the newspapers reported an MP government order that forests could be denotified for mineral prospecting. Clearly, there are two sets of laws – one for mining companies and another for adivasis.

The utter callousness of the MP government is all the more shocking when contrasted with chief minister Digvijay Singh's celebration in the media as a 'green', pro-poor politician. According to the terms of the Narmada Water Disputes Tribunal, Anjanvara has the right to choose whether to stay in MP or resettle in Gujarat. The MP government has made sure that this right is never exercised. After all, if all the 193 villages to be displaced by the SSP stay on in MP, what an administrative headache it would be! And then there is the displacement from Maheshwar, Narmada Sagar, Onkareshwar and all the other dams planned upstream. Much better to not set a precedent by giving Anjanvara a decent deal. Let Gujarat handle them.

Gujarat. If there is one thing that Anjanvara is sure about, it is this: they don't want to go to Gujarat. They have visited resettlement sites there and they have seen the misery. Waterlogged fields, no livestock, fragmented families, hostile neighbours, no commons to collect fuel and fodder – this sums up the experience of most adivasis from MP who were given land in Gujarat. To be sure, there is the rare exception. Dhankia, the ex-sarpanch of nearby Kakadsila, got reasonable land where his hamlet was resettled as a unit. Dhankia is said to have profited from resettlement. He illicitly felled lots of teak from the Kakadsila forests and sold the timber in Gujarat. He also made money from every family that left. Just like the old sterilisation campaign, resettlement also provides for a 'motivator' who earns a commission for every person he delivers to the door of the 'doob' officer (submergence officer). For hustlers like Dhankia, there is money to be made at every step, and he has even bought a motorcycle and a tractor. But most adivasis are not hustlers; they are poor farmers. Their ability to negotiate with the government on their own is minimal. They are almost structurally fated to get short-changed.

Then why are some people leaving? All of Anjanvara is unitedly staying on, but they have seen their neighbours' numbers deplete over the last few years. This is the power of the politics of attrition. This is how governments wear people down by

of tribal villages along the Narmada has faced sustained government action against them – the absence of all development inputs, the forcible surveying of lands and homes, and the brutal suppression of protest. Cases have been filed against them, people have been arrested and jailed. Anjanvara was the scene of a police firing in 1993. Six years later, the case still drags on and people still have to appear in court at Alirajpur 80 km away.

Then there are the government's assurances, blandishments and promises, backed by the looming threat of the dam. 'Leave now or you will drown like rats when the water comes'. What do you do? Do you have a choice? At the Narmada Forum conference held in Delhi in 1993, Gujarat government officials and pro-dam scholars were outraged when Bela Bhatia, who had meticulously documented the resettlement experience of Gujarat oustees, described the process as 'forced eviction'.<sup>2</sup> Six years on, forced eviction continues.

Anjanvara has still not budged. Nor has neighbouring Bhitada. Entire villages and hamlets are doggedly staying on. What prospects do you have if the water comes, I ask. Well, what prospects do we have if we leave, they ask. Impasse.

Meanwhile, life goes on in Anjanvara. The entire village assembled to sacrifice a goat to their ancestor Kutra Kunasa, to end the seasonal taboo on cutting teak leaves. At the clan feast that followed, people chatted about sending their children off the next day to the ashram school in Mathvad. When I had first come to Anjanvara, no one could read or write in the village. I made a start, but it fizzled out after I left. Then the Andolan posted a young school teacher here and he has taught many children now. Last year, nine of them enrolled in the Mathvad boarding school. This year, they plan to send 15. The government school is officially recognised and funded, but children learnt far more in the Andolan school in the village. Khajan's 14 year-old son Radya can read and write fluently, but he has been placed in class 1. He is so bored that he spends his time copying out bhajans (devotional songs) that he has learnt at school. Leafing through his notebook, I notice that all the songs are in Hindi and are about Hindu deities. One of them begins, 'Ayodhya mein namo te', exhorting singers to worship in Ayodhya (the place where Babri masjid was demolished by Hindu extremists). Do you sing any of your own songs at the school, I ask. Radya, who like most adivasis, can sing through the entire night, shakes his head.

Despite the cultural dissonance Anjanvara is enthusiastic about education. Education smartens you up, they say. There is an added keenness to this newfound desire for schooling. Some where lurks the hope that their educated youth will eventually get government jobs. Sending kids to school is a way of investing in their future and yours. It's a very long shot indeed, but one that makes sense in the context of the dam.

Seeing Radya in unfamiliar shirt and trousers, ready to leave for school, reminds me that Anjanvara has prospered since I was here first. No one could afford trousers earlier. The years of reprieve given by the Supreme Court stay were marked by good monsoons. The road built across the river and the trucks plying back and forth enabled Anjanvara to buy synthetic fertilisers which they had never been able to bring to their remote village before. The produce is much more now, they say. For the last few years they have also been protecting teak trees in their village and the regeneration is impressive. Both the land and the forest are flourishing.

This year, the crops have been sown. The young maize and tuvar is already growing. But it hasn't rained for 10 days. The bajra and jowar will probably have to be resown, as will the groundnut and other pulses. What crushing irony! The rain will bring water for the thirsty crop and people pray for rain. It may also ultimately flood the land. Anjanvara has been living this paradox for some time now. They shrug their shoulders and carry on living – worshipping, ploughing, marrying, cooking and bearing children, and singing them to sleep. Despite its hardships, this is still the life they prefer. This is where they want to be.

The larger issues of rehabilitation to all, of other dams, of a National Rehabilitation Policy, why displacement in the first place, are very important. What I offer here is a fragment, a partial view of one village, a grain of sand on the Narmada riverbank. Anjanvara may be just a detail. But they say that god is in the details. For the Supreme Court, for the P D Desai Committee, and for the government of Madhya Pradesh, it must matter that the people of Anjanvara should not face ignominy and a living death.

#### Notes

- 1 My research on the changing tribal relationships with nature was published as a book *In the Belly of the River: Tribal Conflicts over Development in the Narmada Valley*, Oxford University Press, 1995.
- 2 See Bela Bhatia's essay in Dreze et al (eds) *The Dam and the Nation*, Oxford University Press, 1997.

# Higher Education: The Ones That Get Away

J V Deshpande

*The malpractices and criminal activities which have been revealed to have been going on for many years in Nagpur University have led the governor of Maharashtra, as the university's chancellor, to appoint an enquiry committee. It is very unlikely, however, that this pavlovian response will at all address the ills of our seats of higher learning, of which the shenanigans at Nagpur University are a concentrated manifestation.*

NO one has succeeded in designing a fishing net that catches only small fish and lets the big ones slip away and no one ever will. No one, that is, except the legal and bureaucratic systems that pass for the administration in India. Only a few weeks back, a judge in Tamil Nadu absolved ministers and senior members of the administration in that state of responsibility for an alleged act of corruption in the state government they head. The honourable judge held that just because the then chief minister and the minister concerned had initialled the relevant file, this need not mean that (i) [s]he had read it, (ii) all the papers in the file were in place, (iii) [s]he had accorded consent to the action taken. The action ultimately taken was based upon notings on the file and had resulted in a huge monetary loss to the state. The persons who carried out the act are of course to be held responsible and must face prosecution, ruled the learned judge.

This line of reasoning is not all that uncommon. Nor is it confined to the judiciary alone. A few years back, two Congress MLAs in Maharashtra were charged with grave criminal offences, such as murder. They were of course promptly expelled from the party, but the party never thought it worthwhile to find out how such characters had got into the good books of its leaders, who recommended their candidature, who whetted their cases and how they came to be adopted by the party. The integrity of the leaders who sponsored such colleagues is taken as above question.

Similarly, when the gigantic stock exchange scam broke out a few years back, the dubious, near-criminal role played in it by senior officials of public sector banks and financial institutions also came out in the open. These prime suspects were all put in their strategic positions by the politicians then in power. Inquiries, even

court cases against some of them, are dragging on and may even come to a conclusion some day. Meanwhile, the political leaders and senior bureaucrats who exercised such poor judgment in the choice of personnel happily continue to serve the country untroubled by either the law or their own conscience. In today's context in India it is unthinkable that the leaders and senior bureaucrats who choose persons of doubtful antecedents for responsible positions will ever be questioned. Moreover, there is also the all-purpose alibi of 'systemic failure'. The interesting part is that despite repeated systemic failures, changing the system is never on any party's agenda. Even the parties nominally committed to revolutionising society are happy playing ball with the establishment.

The latest example of this kind comes from the field of higher education, from Nagpur University. According to reports, a whole clutch of malpractices and criminal activities have been going on in that seat of higher learning on an organised basis for many years. They have come out in the open only now, when a lowly functionary of the university was ready to offer a bribe of Rs 7 lakh to a police official to drop some charges against him. The figure at least brings out the gargantuan scale of the illegal operations sought to be hushed up. Fake degree certificates, duplicate mark-sheets (with marks revised upwards), alterations in the tabulation of results, practically anything could be accomplished in the university office for a price. There was an instance of a student who did not appear for any paper in an engineering examination of the university in the winter of 1991 and yet secured impressive marks in every paper. A public sector corporation wrote officially to the university in 1992 asking it to check the genuineness of university certificates sub-

mitted by some 12 candidates. All turned out to be bogus. The American consulate referred a degree purportedly given by the university for verification in October 1998. It was also found to be fake. But the university authorities found time to file an FIR in the matter only in March this year. These are just a few samples of the goings on in Nagpur University which have come out in the papers.

The state governor, who also doubles as the chancellor of all the universities in the state and thus is formally responsible for their actions, was sufficiently disturbed to make a special trip to Nagpur to look into the matter. The interesting part is that this trip came about this year when, as mentioned above, the public airing of the scandals in the university goes back to at least 1992. An inquiry was indeed held in 1992 and a minor functionary of the university dismissed. But no police case was made then or in the subsequent years, despite the recommendation of the university committee that said, among other things, that "what they investigated was just a tip of the iceberg and a thorough police investigation is urgently required". While at Nagpur, the chancellor accepted the resignation of the vice-chancellor of the university, who "owned moral responsibility for the wrongdoings". He also held a press conference, in which he seems to have made two major points. (i) The university cannot expect a new vice-chancellor immediately because the process of selection would easily take six months or so, and (ii) much of the mischief can be traced to the university rules for reassessment of papers. In other words, a 'systemic failure' again.

The events reported from Nagpur are by no means unique to that university. It was the turn a few months back of Mumbai University where the vice-chancellor in her wisdom increased wholesale the marks of many examinees in a medical examination. Later the chancellor directed the vice-chancellor to rescind her order. Interestingly, in this instance the vice-chancellor did not think it necessary "to own moral responsibility and resign", nor did the chancellor find it necessary to fix the moral responsibility on anyone. The university of Pune has instituted its own inquiry recently into irregularities in its examination results. The situation will be found to be not much different in other universities in Maharashtra or indeed in other states.

Because almost every university under his charge is beset with problems con-

nected with the conduct of examinations, it would be appropriate to check the response to the challenge by the chancellor's office. His actions should be measured against what he can actually do and what is being done in practice. It is sometimes believed that the chancellor of a university is only its figurehead. This is not quite the case. All non-agricultural, non-medical universities in Maharashtra are structured by a common act. This structure has one crucial feature, common to universities in other parts of the country. The state governor is invariably the chancellor of every university and he appoints the vice-chancellor from a panel submitted to him by a committee formed for the purpose, one member of which is the chancellor's nominee and another one of that state government. In other words, the chancellor is involved in the university's affairs right from the time of the appointment of the vice-chancellor. Of late it has become commonplace for the chancellor to even hold interviews of those aspiring for the job.

In addition, in Maharashtra universities at least there are 'chancellor's nominees' on various university bodies, including the all-important management council of every university. There have been rare instances of the chancellor himself presiding over a meeting of a university body. He can ask for information/explanation for any decision of the university and can reverse the same if he feels so inclined, as happened recently in case of the Mumbai University. He is thus not merely a titular head of the university. In fact, through the chancellor's nominees on the university bodies and through the vice-chancellor who is his direct appointee, the chancellor is ideally placed to oversee the working of the university and take timely corrective action. Yet, as the scandal in Nagpur University revealed, not only the chancellor of the university but his nominees on various university bodies had been blissfully unaware of or unconcerned about what had been going on right under their noses, so to say. Incidentally, since 1991 Nagpur has had at least three vice-chancellors, two of them superannuated government officials, who came into the limelight for the alacrity with which educational institutions started by political bigwigs were regularised during their official career. It looks as if as vice-chancellors they did not show half as much speed in tackling cases of corruption.

The other step taken by the chancellor can be termed almost pavlovian. He has

appointed a committee to investigate the matter. It is of course standard practice in India in all walks of life to appoint committees. This is probably even more so in the educational field where committee raj is the norm. The chancellor's committee consists of employees of other state universities, three vice-chancellors who are chosen to their posts by the chancellor and two controllers of examinations who are chosen by the vice-chancellors. The committee has been requested to submit its report in three months.

Only the most optimistic or credulous will expect anything worthwhile to come out of the labours of such a committee and for good reasons. First of all, every member of the committee is a full-time official of another university, each of which is facing almost equally grave problems of its own. To expect them to find time to hold meetings, confer with one another, study the problem and come up with remedies that are both workable and worthwhile and all that in three months betrays total unconcern for the way universities function. It will be a miracle if the committee can meet in full strength even three times in three months. Moreover, to understand the real dimensions of the problem, it would be necessary to check the role of high officials of the university in the scandals. It would be necessary to find out what role, if any, was played by the chancellor's nominees on the university bodies and the vice-chancellors themselves; whether it was a case of the dog that would not bark.

The committee also needs to investigate the way vice chancellors are chosen and the possible acts of omission and commission of the chancellor's office, whether these were procedural or specific and whether better ways cannot be devised. For openness in the administration, it would also be appropriate for the chancellor's office to explain the rationale behind the selection of an individual to a high position, particularly when the person is seen as being overly obliging to the political bosses. It is not realistic to expect that a committee consisting of persons who owe their positions to the chancellor will be ready to delve into such questions even if they have the time.

With one university official having taken his own life, a few others in custody, both the vice-chancellor and the pro-vice-chancellor having resigned and the university involved in criminal cases, it should be clear to anybody that Nagpur University is facing as grave a crisis as any

university is ever likely to face. In the face of this, to say that it is not possible to get a new vice-chancellor for another six months borders on callousness. Doesn't the chancellor feel that there is something drastically wrong with a system which does not allow you to choose a replacement even when faced with an emergency?

There is much that is drastically wrong with the examination system of the universities. The UGC had started with much fanfare, about 20 years back, a campaign for examination reforms. From all accounts, it has by now come to a naught, after spending millions of rupees. The chancellor and his committee might spend some time and check what went wrong with the project. They might also usefully investigate the role of the new educational shops that have sprung up all over Maharashtra and in the areas of all the universities and their role, not only in corrupting the exam system but, even more insidiously, in trivialising the course contents of various degrees. They might also wish to find out why almost all of these institutions are vehemently opposed to displaying their own names on the degree certificates and marks certificates of the student. Surely the chancellor has enough authority under the act to compel the university to display the name of the institution where a particular student studied and was examined. In most cases, the university is only an examining body and the public has a right to know where a student was trained.

Many more such relevant questions can be raised but they cannot be studied in depth, nor can remedies be suggested, in three months. A committee as has been formed by the chancellor holds out no hope that it will come out with anything of substance. Maybe not much is expected of it. By and large, it is true that one should not get bogged down with the *dramatis personae* of the moment while considering long-term reforms. But it is equally true that even a faulty system can be made to work up to some acceptable level with the right personnel. On the other hand, even the best-designed system can be run aground in a brief period of time by a wrong set of people. After all, the present act under which universities in Maharashtra function is only four or five years old. Judging by what has been reported, it looks as if it has been a total flop in solving the problems that face universities. The present ills of higher education in Maharashtra, in fact in all of India, are



certainly to some extent due to systemic faults. But more urgently and ominously, they are also the result of a whole lot of ill-suited persons holding positions of authority in the system.

There is no hope that either the chancellor or the committee appointed by him is ready to tackle any of the serious maladies that affect the working of universities,

least of all the role of the authorities such as the chancellor in creating or aggravating them. The committee's labours will be along well-trodden, predictable lines. It will find fault with some procedural lapses, as the chancellor has already done, hold some minor functionaries guilty, without even raising the questions discussed above.

## HARYANA

# Change of Government and Beyond

Surinder S Jodhka

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*While the sense of regional identity has remained weak in Haryana, the state has evolved its own style of politics whose distinguishing feature is its preoccupation with caste. Caste issues will be a determining feature of the forthcoming elections.*

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THE state of Haryana has the dubious distinction of having given the terms of 'Aaya Ram/Gaya Ram' to the jargon of Indian politics. Not that the culture of defections is confined to Haryana alone or that it began with Haryana, yet the state has acquired a notoriety in political opportunism. Notwithstanding the law against it, defections and opportunistic political alliances have become an accepted part of the Indian political culture. However, its acceptance and prevalence does vary from state to state. In states like Kerala and West Bengal where a large majority of the electorate is polarised on party lines and is often mobilised on ideological issues and programmes, the culture of defections has been less prevalent. While in most other states of India, where the electorate is often mobilised on considerations other than political programmes and ideologies, such as caste loyalties, and where the support structures of different political formations tend to overlap, defections have been rather common.

The recent political developments in Haryana provide an interesting example of the manner in which politics has come to function in India today. The installation of Om Prakash Chautala of the Indian National Lok Dal (INLD) as the chief minister of the state in place of Bansi Lal, who had legitimately come to power three years ago, as the leader of the Haryana Vikas Party (HVP) in alliance with the Bharatiya Janata Party (BJP), might appear as a dramatic development to an outsider. However, to those who have been familiar with the state politics, it was hardly surprising.

The trouble started for Bansi Lal when his party lost most of the seats that it contested during the last Lok Sabha elections. On the other hand, Chautala's INLD won as many as four seats (out of a total of 10 seats in the state). Though the BJP had an alliance with Bansi Lal in the state, Chautala offered to support the BJP-led alliance at the centre. In desperate need of numbers, BJP was only too happy to accept Chautala's offer. Chautala was working with a well-thought-out political strategy. His primary interest was to come to power in the state. He knew that given the political realities of the state, winning the BJP over to his side could be of crucial help if he wanted to form his government in the state. However, it was only in June 1999, when the BJP was reworking its political strategy in the state in view of the forthcoming Lok Sabha elections, that it actually switched its alliance from Bansi Lal to Chautala.

On June 11 the BJP decided to withdraw the support of its 10 MLAs to Bansi Lal's government. However, Bansi Lal could comfortably survive when he was asked by the state governor to seek a vote of confidence on the June 25. Apart from the support of independent MLAs, he could also muster the support of 12 MLAs of the Congress Party. He won the confidence motion with a margin of as many as 22 votes. Though, as it turned out to be, the Congress support was not crucial for Bansi Lal's survival in the confidence motion, supporting the confidence motion created a serious crisis for the state unit of the Congress Party. The faction led by

Bhajan Lal in the state party did not quite approve of the directive from Delhi. The Congress high command claimed that it decided to support Bansi Lal because it wanted to make sure that "casteist-communalist" alliance of INLD-BJP did not come to power in the state and to "prevent horse trading". However, its real intentions were not all that ideologically motivated.

Bansi Lal's government had lately become quite unpopular in the state. He had come to power with the promise of providing 'clean', efficient and development-oriented governance. He had also promised complete prohibition in the state to the women who had been mobilising themselves against the growing menace of liquor consumption in the Haryana countryside. He did impose complete prohibition in the state when he came to power. However, its implementation was far from satisfactory. Not only did the ban on the sale and purchase of liquor promote the boot-legging business and a new breed of criminals in the state, but some of the close associates and family members of the chief minister were also accused of being involved in the illegal import of liquor from neighbouring states and of making huge sums of money in the process.

More recently, he was seen as becoming unpopular for his style of functioning, that many found autocratic and authoritarian, and for having failed to keep his promise of providing uninterrupted power supply in the state. While the World Bank was patting him on the back for having successfully initiated reforms in the power sector, the people of Haryana were beginning to get agitated at the frequent cuts and uncertain power supply. In a state like Haryana where electricity is supplied to every village and irrigation largely depends on the tube-wells, an issue like regular supply of electric power could become a critical political question. In neighbouring Punjab, for example, electric power supply is not only more reliable, it is also available free to the cultivating farmers.

Thus voting in support of Bansi Lal at a time when Congress was all set to encash on the anti-incumbency factor, did not seem to be a very sensible decision on the part of the Congress high command. It also failed to comprehend the dynamics of the Haryana politics. Once it realised its mistake, the Congress asked Bansi Lal to dissolve the state assembly and recommend fresh elections in the state alongside the Lok Sabha polls. However, Bansi Lal

refused to oblige and the Congress withdrew its support in less than a month after it had voted in his favour. Though Bansi Lal could have survived the vote of confidence on June 25 even without support from the Congress, the latter's decision to withdraw support and suggest dissolution of the assembly created a sense of uncertainty among the legislators belonging to Bansi Lal's party. Knowing that if asked to go back to the electorate, it could be difficult to get re-elected, most of the MLAs, including those of HVP opposed such a move. In this atmosphere of uncertainty, Bansi Lal lost his sway over the legislators and a group of 15 MLAs (out of 35) of his party, some of whom were already feeling uncomfortable with Bansi Lal's style of functioning, decided to defect and form their own party called the Haryana Vikas Party (Democratic).

Once the Congress withdrew its support and the VHP fell apart, Bansi Lal's government was in minority. After some initial confusion and obvious political manoeuvring, Om Prakash Chautala, the leader of INLD emerged as an alternative to Bansi Lal. He was sworn in as the chief minister of Haryana on July 24, exactly a month after Bansi Lal had proved his majority in the house. The Congress ended up doing what it had claimed it wanted to stop when it initially supported Bansi Lal, i.e., the formation of a government of INLD-BJP in Haryana.

This is the fourth time that Chautala has assumed the office of the chief minister. Though like Bansi Lal, Chautala too hails from the local landowning dominant caste, the jats, unlike his predecessor or his father, Devi Lal, he is not known as a leader of the masses. In fact, he enjoys a rather dubious reputation of leading short-lived governments. His first term as chief minister lasted less than six months (December 2, 1985 to May 22, 1990). His second stint was only for five days (July 12 to July 16, 1990) and the third time he became chief minister, he had to leave within a fortnight (March 22 to April 5, 1991). His reputation in the state politics is also rather negative.

However, it is not necessary that his performance this time is likely to be a replay of his earlier tenures. Much would depend upon the way his partners in the government act, particularly in view of the forthcoming Lok Sabha elections. The BJP's sole interest would be to get as many Lok Sabha seats for its alliance as it can. Its political base in the state is confined to the urban centres, and on its

own it cannot be expected to get many seats from the state. Accommodating the new ally of Chautala, the VHP(D) into the National Democratic Alliance could be an immediate and crucial question facing the new alliance.

What could be the likely influence of the change of government on the forthcoming Lok Sabha elections in Haryana? Although the state came into being 33 years ago, students of Haryana politics have often argued that it lacks a strong regional political identity [see for instance Chaudhary 1986, Kumar 1991]. Having been formed more as an offshoot of the Akali movement for separate Punjabi speaking/Sikh majority-state than as a response to any regionalist mobilisation, the sense of regional identity in the state has remained weak. Further, it has been pointed out that the local dialect, Haryanavi, has been subsumed in the broader linguistic culture of Hindi, leaving no scope for the growth of a distinct Haryanavi literary tradition.

Whatever the case may be, over the years the state has definitely evolved its own style of politics. Perhaps the most distinguishing feature of Haryana politics is its preoccupation with caste. Nowhere in north-western India, is the discourse of caste as prevalent as it is in Haryana. It has been argued that in Haryana one's caste identity takes priority over all other identities. With the success of green revolution caste consciousness seems to have become even stronger [Verma 1986]. The political strategies here are worked out on caste lines, elections are contested on caste lines, and even political analyses are carried out on caste lines.

Broadly speaking, one could identify four or five caste categories in the state. The most visible caste in the state has been the landowning dominant caste of the jats. Numerically they are around 25 to 30 per cent of the state population. The other landowning castes, such as gujjars, rajputs and rors are each in the range of 2 to 3 per cent of the total state population. Ahirs, another landowning caste, constitutes around 6 to 8 per cent of the total population [as in Verma 1986]. The Punjabi Hindus, who migrated from western Punjab at the time of partition and were rehabilitated mostly in the urban centres of the state, constitute around 28 per cent of the state population. Though they are internally divided, they have come to be recognised as a distinct caste category and over the years they have also learnt to act as a consolidated group in the state politics,

just like the other castes. Apart from the Punjabis, the banias (the traders) and brahmins too have been quite visible in the Haryana politics.

The proportion of the scheduled castes in the state is around 18 per cent. Most of them work as labourers with the landowning jats in the countryside and there is a perpetual conflict between the two caste categories. Similarly, there has been a simmering conflict between the upwardly mobile jats who aspire for urban occupations and the already established urban Punjabis who until recently were called 'refugees' and were seen as 'outsiders' by the 'sons of the soil'.

Notwithstanding his promise of fair governance, Chautala is viewed as an aggressive jat leader who is likely to give priority to the interest of his own community. This feeling is particularly strong among the Punjabis, the banias and the dalits. It is among these groups and a section of the agrarian castes that the Congress has had a social base. A significant proportion of the Punjabis, on the other hand, has been voting for the BJP. In the emerging political scenario in the state, although the Congress appears to have failed in its political strategy, it may still succeed in getting a good number of votes. While being in power might work in favour of the INLD-BJP alliance, it may also provide an issue to the Congress against BJP for supporting a political formation whose track record has not been that of working in the interest of those groups who tend to vote for the BJP in the state. Dalits too are likely to find the Congress more attractive than Chautala's party, provided their votes are not rigged. While the question of who is likely to get more votes from amongst these two political formations (INLD-BJP vs Congress) is still fluid, the political career of the third force in Haryana led by Bansi Lal seems to be finished, at least for the time being.

[I am grateful to P S Verma and Pradeep Kumar for discussion I had with them on the subject. Errors and omissions, if any, are obviously mine.]

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# Giving the Soldier His Due

N B Grant

*Regardless of everything else, isn't the Indian soldier entitled to social prestige and respect if he is expected to die for his country in the wars the government chooses to fight?*

THE Kargil battle has suddenly brought about a countrywide concern for the soldier, who till then was forgotten and taken for granted by a complacent nation. Never since independence, has there been such a spontaneous acclaim for the welfare of the jawan and his family, for which money has been pouring in on a wave of so-called patriotism. People even started giving blood, wrote many of emotional letters, and the media was agog with adulation for the soldier. Although 50 times the Kargil numbers have died in the 1965 and 1971 wars and with the IPKF in Sri Lanka and are still dying in battle-like skirmishes on our borders, they have seldom been highlighted, and promises made to their families, if any, have been long forgotten.

Within three days of the guns of Kargil having stopped firing however, one had to hunt to find the name of 'Kargil' mentioned anywhere in the media, its place being taken up by political wrangling of the coming elections – it is now business as usual. The irony of all this is that, a poll taken only last week, by two national journals indicated that, in spite of the surge for patriotism and a considerable increase in the pay package of the services, only 10 per cent of undergraduates and post-graduates in the country opted for a career with the armed forces.

What is it then that makes a youth join the forces to fight, and in the process willing to die. Studies of wars have amply proved that, ultimately a soldier makes the supreme sacrifice not because he is more courageous or more patriotic than his civilian fellow mate; he certainly does not do it for the army pay he receives or the false promises made to him; even the Army Act does not enjoin him to die; the only reason he dies without batting an eyelid is because he is made to believe that he is a superior citizen, and as such, cannot let himself down in the eyes of the nation, but more so let down the honour of his regiment.

The question therefore arises, as to how this feeling of superiority can be inculcated in the soldier in peace time, so that it becomes a part and parcel of his entire mental make-up and automatically mani-

fest itself during a crisis in battle. No country in the world, including a rich one like US, can afford to pay its military personnel as much as they would earn in industry. However, the civilian society of those countries see to it that the military officer, in spite of his meagre salary, is automatically accepted in the highest of society and the best of clubs, and at no time is his honour and prestige over allowed to be lowered in the eyes of the nation.

Let us illustrate this from some random examples. During the victory in Europe (VE) Day commemoration ceremonies at Hyde Park, London, the prime minister in waiting of the British Labour Party, paid our Indian subedar (Hon Capt) Umarao Singh, VC, the ultimate respect, when he alighted from his car, saluted Umarao, and gave him the right of way, stating, "How can I drive my car ahead of a VC". However, in sharp contrast to this, when our IPKF boys returned Sri Lanka, the then Tamil Nadu CM, leave alone making any attempt to ceremoniously receive them and give them a hero's welcome, went out of his way to slight them.

Again, it is unthinkable that, our president and Supreme Commander of the Forces, has never once paid homage to the unknown soldier at the Amar Jyoti Memorial at India Gate on Republic Day, nor has he, leave alone visited Kargil, but has bothered to even address our troops on TV. In no country is the old soldier

treated with as much callousness as ours. Although idealised in uniform during a national crisis as in Kargil, it is revealing that, a retired government peon is better off than the ex-serviceman, who even today, is not officially entitled to free medical treatment after retirement, which is given to his civilian counterpart.

Finally, if there is one event on which we must hang our heads in shame, it was when two years ago, at the 50th anniversary of the founding of the UN, at a function held at Sapru House in New Delhi, after several foreign and Indian dignitaries had spoken, it was left to a UN British representative to ask the audience to stand in silence in tribute to the seven Indian medical personnel killed in Somalia. There can be no greater shame, than for our erstwhile rulers to remind us to venerate our own service dead.

Nothing will inspire men to take to the profession of arms and make the supreme sacrifice except political leadership, which is prepared to place the 'izzat' of the soldier as the foremost battle winning factor. Whereas all other countries, including Pakistan, have gone out of their way to foster this feeling, our country has still not grasped the significance of the word 'izzat'.

In another emergency like the present one in Kargil, the Indian soldier will again gladly make the supreme sacrifice to safeguard the security of the nation, as he did in the two previous wars with Pakistan and also in Sri Lanka. The nation in turn owes it to the soldier to give him a place of honour in peace, but much more than that, to enhance his social prestige in the eyes of the nation. If we want the better type of youth to take to the profession of arms as he once used to, and be prepared to die for his country as he did at Kargil, we must create conditions of honour and prestige for the armed forces.

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# US Steel Crisis: 'Free Trade' Dumped

A S Firoz

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*It is interesting that all through the recent steel crisis in the US, government agencies and politicians alike, all otherwise strong votaries of free trade, were emphatically seeking measures quite in contravention of WTO agreements.*

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EVERY steel crisis wreaks havoc in America's ideological framework. It has happened this time also as the industry and the government agencies went all out to protect and support the US steel industry that suffered, like many others in the world, from an unprecedented crisis starting mid-1998. On the one hand, the US industry and the government could not depart from their strongly and oft articulated pledge to free trade, while on the other found a major industry being washed out in the deluge of cheaper imports.

In 1998 the US was the strongest steel market in the world accounting for a consumption (represents apparent consumption and not actual consumption) of over 119 million tonnes of finished steel products.<sup>1</sup> In fact, the US market was growing steadily over the past few years as seen from a 20 per cent increase in consumption recorded over the period 1995-98. During the same period, the global consumption increased by only 5.5 per cent. In 1998, when the US consumption was up about 6 million tonnes, the same globally was down 7 million tonnes.<sup>2</sup> Imports of steel into the US soared to a record high from 28.3 million tonnes in 1997 to 37.6 million tonnes in 1998. Against this, US crude steel production grew only by 3.4 per cent during 1995-98. In 1998, in fact, production fell marginally in the face of the massive surge in imports (*Report of World Steel Industry*). The situation is worse in the first half of the current year as the US steel production dropped 9.3 per cent from that in the same period last year compared to a global drop of 4.6 per cent (*IISI Monthly Report*, July 19, 1999).

The US steel industry naturally suffered the most when it should have prospered. Strong growth in steel demand was possible because the US economy had a dream run – growing strongly for several years now. The unprecedented growth was, however, marred by internal conflicts of interests. The strong dollar and the crashing currencies in Asia, CIS and Latin America led to an increase in US imports making many domestic industries fight for their survival even on an expanding

market. Steel was one such product that saw cheaper imports hitting the US producers hard. As competition brought down prices, the steel companies saw their bottom lines crash. "We are in the midst of a crisis that poses an unprecedented threat to our steel companies. At stake are thousands or more steelworker jobs and millions in lost revenues, both of which affect the stability of families, communities, major steel-using industries, stockholders, and consumers", said American Iron and Steel Institute. (American Iron and Steel Institute, website, [www.steel.org](http://www.steel.org).) For the US steel producers, there were reasons to panic. They claimed that the "US steel industry is an outstanding example of an industry that has reinvented itself to become a world-class competitor". According to American Iron and Steel Institute (AISI), 50 billion dollars have been invested on modernising the industry to make it globally competitive. The industry brought in state-of-the-art plants and machinery and took the best in technology available in the recent period.

They were right. But, that was exactly what had happened in many countries. The collapse of the Asian and Russian economies threw 33 per cent of the world's steel capacity into deep trouble as their home markets and traditional export markets virtually disappeared. The global prices dropped by as much as 30-40 per cent in the course of a single year (1998). Interestingly, by co-incidence or otherwise, some of the worst hit economies were major steel producers – South Korea, Japan, Brazil and the CIS countries. Also affected were those economies which had bought a lot of steel from the world market prior to the crisis, say, south-east and east Asian countries. Therefore, on the one hand, the trouble-torn economies had less steel to buy and on the other in many cases more steel to sell. While many economies tumbled and steel demand there fell to the rock bottom, the US and western Europe continued with unprecedented hunger for steel. As a result, steel exports changed destinations and direction. Asia that used to swallow a huge quantity of steel earlier, much from western Europe, turned a net importer and European Union, a tradi-

tional net exporter turned net importer. US, a favourite of all steel exporters, saw steel crossing its borders from all directions. Imports increased mainly from Japan (by 163 per cent in 1998 over 1997), Russia (59 per cent), Korea (109 per cent), Australia (117 per cent), South Africa (106 per cent), Indonesia (496 per cent) and India (94 per cent). As against this, the traditional exporters of steel into the US either faced a drop or managed only a marginal increase – EU (-4 per cent), Canada (3 per cent), Brazil (-4 per cent), Mexico (-4 per cent) and Turkey (-14 per cent) (Data released by US Department of Commerce, AISI website). For the US steel industry, apart from a sheer increase in volume imported, the new sources of imports were a big concern. The increase in imports in 1997 did not make the US worry much as both the world and domestic prices were higher than those in the previous year and the industry as a whole was all set to make good profit, as in fact it did. The operating profits of the major US mills rose from about \$ 33 per tonne in the first quarter 1997 to about \$ 40 per tonne in the second to finally slip back to \$ 34 per tonne in the fourth (*Steel Strategist*, World Steel Dynamics, June 1998). The situation was going from bad to worse day by day in 1998 as the impact of the Asian crisis came to be felt on the steel industry. Global prices continued to fall in the first half of the year. But, strong domestic demand still kept the US industry above the danger mark. The turn of events in the second half of the year was not only unexpected but also beyond anybody's imagination.

But, so strong was the US market that the US domestic prices remained significantly higher than those in the world market for a long time after imports started to increase at an alarming pace. The US market responded slowly to the drastically changing conditions elsewhere in the world. In the second half of 1998, everybody was aware of the rise in imports but nobody really knew how much of steel was actually hitting the US shores. The magnitude of the problem could not be assessed. The commerce department admitted lag in collection of import figures. They also decided to make special effort to bring out the import figures by the last week of the next month. Imported steel piled up in every port. By the time the real quantum of imports was ascertained, the damage was already done. Domestic prices dropped sharply on a 'death spiral'. The outcome was predictable. Stiff competition left the domestic industries scurrying for support as their survival was threatened

## INDUSTRY RESPONSE

As in the past, the industry rose to its defence with massive political support. Full page advertisements appeared in major American dailies. 'Stand up for steel' was the call of the industry asking for government support and protection. "What we need is an effective global solution to America's steel trade crisis", said AISI's president and CEO Andrew G Sharkey, III (*USA Today*, April 14). Lobbying became intense and the US Congressional Steel Caucus made hue and cry in every possible quarter. A house resolution called for a ban on imported steel (The Bipartisan Steel Recovery Act (HR 975)). Many others were moved either to seek restriction on imports or for financial support for the industry.

The reason why the US steel industry became restless was that in the last few years, the industry had invested heavily not only on acquiring modern technologies but also in setting up hi-tech greenfield plants. The new run of investment had followed a tortuous path of restructuring that had seen a large number of steel producers becoming a part of history. This time, much of the expected success from these investments depended on the continued growth of their home markets and competitiveness of the new industry. The first being already ensured, the efforts of the industry was to achieve global efficiency in production. This would have been there in the normal course of time and the US industry largely would have remained profitable in the foreseen future. But the sudden loss of market and competitiveness (due to strong dollar mainly) threatened the industry not only with red ink in their accounts for a year or two but more strikingly with the prospect of many companies going totally bankrupt under some heavy financial strain. The threat bankruptcy loomed large on even some of the most modern and competitive producers. It is an irony that the US steel industry fell into one of the deepest pits when the domestic demand in the country was at its best in several years. It was a year that the domestic industry would look for a killing. Such opportunities come once in a while only in an industry known for its cyclical ups and downs. Therefore, the expectation of the industry was sky high and reasonably so.

In the campaign to defend the US steel industry, also was recognised the importance of the industry in the country's economy. Those who did, never hesitated to tell others that steel was a global commodity, available everywhere and that

every country need not make efforts to produce it, went on to say, "The ultimate victims would be US consumers. Not one of the world's leading industrial nations can function effectively without the ability to produce steel. It is fundamental to a successful economy. Are we willing to give this up to help the economies to Russia, Japan, Korea, and China? We are sympathetic to other countries' suffering, but we cannot solve their problems at the expense of American steelworkers' jobs and at the risk of losing the world's cleanest and most efficient steel industry." The US steel industry called the imports as 'illegal', unfairly traded, dumped and subsidised. The industry sought tough actions as quickly as possible.

As had happened in the past, the reaction of the US government to the ensuing crisis was at best a bundle of ad hoc actions far removed from any determined and well thought out trade policy. The US department of commerce issued one statement after another expressing concern over the increase in imports of steel. The government took a strong posture. While admitting that the steel crisis was the result of economic and financial crisis elsewhere in the world, commerce secretary Daley said "We at the department of commerce strongly support an open global economy. However, I made clear...that I will not stand by and allow the US to be a dumping ground for struggling foreign economies. I will not stand by and allow US workers, communities and companies to bear the brunt of other nations' problematic policies and practices. We are the most open economy of the world. But we are not the world's dumpster" (William Daley, reported by AISI on its website). He said further "We...will use every weapon at our disposal to ensure that our essential US industries, like steel, and the workers of those industries, are not jeopardised by foreign unfair trade practices. We will enforce our trade laws as vigorously and as expeditiously as possible." The government thus assured the industry in no uncertain terms that action would be taken on the trade cases if filed, even before the same were filed and thereby encouraged the industry to do so.

The US government's concern about the industry's plight was genuine and well founded. The reasons were political as much as economic. The steel industry in America has always been known for its strong political lobbies and in the past had seen massive social and political outbursts as steel mills closed one after another falling to increased global competition (*Steel and the State*, Howell,

Noellert, Kreier and Wolff). Nobody wanted that to recur. But, there were not many options. A WTO member country strongly declaring its commitment to free trade could not either bring in quantity restriction or import duty hikes. The government also had to see the interests of the steel user industries. When the steel industry asked for protectionist measures the user industries countered it by saying that expensive steel would make them globally non-competitive. The closure of their industries and reduction in external steel trade would lead to much larger unemployment and widespread economic disturbance. Caught between these two, the US government had to tread with caution.

The US government on the one hand gave a clear signal to the industry that they could expect favourable response in any future or ongoing cases by declaring that dumping had affected the US steel industry before any investigation was carried out and on the other made it clear that demands such as the one for an outright ban on imported steel would not be appreciated. The house resolution calling for a ban on imported steel was blocked in the Senate before it could reach Clinton administration. The senate has sat indefinitely on many other house resolutions pressed in to benefit the steel industry. Some of these include bail out packages for companies facing this financial turmoil in the form of bank loans and government guarantees for loans from private banks. The Clinton administration was visibly uncomfortable with such proposals as any action in the line proposed would violate the country's commitments to the WTO. But, as promised, the government took quick, tough and effective action against imported steel as settlement of anti-dumping and countervailing cases. Unlike in the past, when the mortality rates for steel dumping cases used to be high, almost all cases filed in the recent period, especially after the onset of the crisis, saw results. The industry had avoided filing useless cases and had their eyes well set on the potential danger countries and products.

Massive anti-dumping duties were slapped on hot-rolled coils from Japan, Russia and Brazil. Japan, sensing the futility of exporting to the US markets when anti-dumping duties were imminent, reduced their exports. The Japanese government and industry had rounds of talks with US counterparts to somehow diffuse the situation. But, nothing happened despite their unilateral decision to cut exports. Russia and Brazil also did their best to get out of the trouble. Both these

countries are now left to accept product-wise quota, floor prices and moratorium on exports to the US under suspension agreements in lieu of anti-dumping duties.

Even though on paper the suspension agreements were not unilateral coercive actions of the US government on the other party, there are interesting elements to be seen in those which reflect the muscle used by the US authorities. The agreements were not between the industries in each country and were opposed largely by the industries in these countries. The most striking feature in each of the agreement was the element of floor prices, set much higher than the prevailing prices. For example, the revised suspension agreement puts a full stop to imports of hot-rolled coils from Russia for the rest of the year. Then there is a floor price set at a level much higher than the best price Russian mills can expect in the current market. The question is if there is not to be any import then why set a floor price for this product now? For Brazil, the moratorium on imports of hot-rolled coils (into the US) is up to the end of September. Then there is the floor price of \$ 327 per tonne, perhaps c and f (not explicit in the statement issued by the commerce department but presumably so). There is the added condition, if the steel prices rise, the floor price will be revised and under no condition could the Brazilian price be more than 6 per cent lower than the US 'reference' price. If the reference price is to be worked out on the basis of 'list' prices of major mills then that would be set naturally at much higher level than the actual price as it will not take into account the discounts on the list prices. In certain cases, discounts can be anything between 10 per cent and 20 per cent. This practically means that there will not be any import of these products in future as no sensible buyer will be paying more for the Brazilian product. This is really 'free trade' and 'competitive' US policy!

Brazil or Russia perhaps did not have any option. Russia not being a member of the WTO could not even question the US decision to impose anti-dumping duty as high as 217 per cent in any forum. At these rates of dumping duty there was no possibility of any Russian hot-rolled coils getting sold in the US markets. Therefore, every other scheme that had given them at least some chance of maintaining their presence in this huge market was acceptable to them. They in fact agreed to have lower import quota for hot-rolled and cold-rolled sheets in exchange of higher quota for slabs and other products. Interestingly, in the first suspension agreement, the quota

for slabs was fixed so stringently that it was the US industry that led the protest. Reason is simple. A large number of US mills depend on imported slabs. They will be out of the market if the flow of Russian slabs stops. Similarly, a large number of mini mills have threatened legal action against imposition of quota on pig iron – a raw material for them. Brazilian producers also had similar problems. They will have to restrict hot-rolled coils and will have to concentrate on other products not in conflict with the US industry like slabs and billets again.

The US government thus eliminated major potential competition in their home market. Although the suspension agreement, especially with Brazil is being questioned at various circles as WTO member country governments are prohibited in general from signing voluntary restraint agreements, the US government has tried to link everything to the already established dumping cases and thereby get legal sanction for all its actions. Comments on and analysis of the validity of these actions may go on and on. But, the damage in full course has already been done and the US industry has got its much sought-after protection at the end of the day.

Interestingly, in spite of such strong support from the government, the US industry did not look satisfied and happy. Such was the expectation of the industry from the government that every government action over the entire crisis period was considered grossly inadequate and not strong enough." As an unapologetic free trader, I am disheartened by Clinton's unwillingness to enforce our trade laws. It is our advantage to trade with other nations, but this trade must be fair and in accordance with existing laws and treaties. While Clinton is looking at Wall Street, folks in Sparrow's Point, Maryland are looking for work" said Robert L Ehrlich, Jr (*American Metal Market*, March 30).

American Iron and Steel Institute left no stone unturned to propagate the steel cause. The steel industry even strongly opposed the suspension agreements with Brazil and Russia calling both compromises and concessions given to foreign steel. They feel that the agreements do not provide long-term and stable protection to the industry (CH Barnette, chairman and CEO, Bethlehem Steel, quoted in *American Metal Market*, July, 13).

The US industry today stands divided and confused as far as the suspension agreements are concerned. They wanted specific and well targeted product and country-based anti-dumping and countervailing actions. They fear that suspension

agreements do not have the same legal standing and sanctity as anti-dumping. The anti-dumping actions, once imposed, stay for five years before a review is undertaken for further continuation. In the US, history shows anti-dumping duties remaining in force for much longer period. Of course this was possible in the past as the US trade law did not have a sunset clause for anti-dumping actions. In effect, the US industry wanted a permanent downing of shutters for foreign steel. They were also perhaps sure that as happened in the past the reviews could always be shaped in their favour. As against this, the alternative arrangement does not have well-defined life and will be subject to various political pressure. Then the problem of inclusion of feed and raw materials in the agreement that go against the industry remains unsolved. There is another fear as well in case the agreements are called illegal by any US court of law, what will happen to the anti-dumping cases?

During the entire 1998-99 steel crisis many government agencies and politicians, otherwise strong votaries of free market, forgot what they had all along cried for and asked for measures totally in contravention of even WTO agreements. This time they did not really want to get into the debate on principles of trade. They wanted immediate action all that is possible, within the framework of law of course. "The low cost, highly competitive US steel industry has supported virtually every initiative to liberalise trade in recent years. Accordingly, this is not a 1980s debate between 'free trade' and 'protectionism'. Our restructured revitalised steel industry doesn't need 'favours'. What we need but do not have is fair, rule based, two-way free trade" (Andrew G Sharkey III, *USA Today*, April 14). Survival first – ideology may follow! But, this was not something new for the US especially in the history of its steel industry. This is one industry that has always thrown up issues that shatter the free market ideology to fragments. The US will remain at best the self proclaimed defender of free trade till such a time as its own interests are best served.

## Notes

- 1 Estimated by International Iron and Steel Institute, Brussels, 1999. Apparent consumption = production - exports + imports. Variation in stock is not accounted for.
- 2 The intensity of the global steel crisis is appreciated better if one takes into account the actual consumption of steel during the year considering variation in stock. The drop in 1998 in actual consumption of steel in 1998 from that in 1997 has been estimated by the author at about 25 million tonnes.

# Reflections on Post-Mandela Era

Vishnu Padayachee  
Imraan Valodia  
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*Now that he is president, will Thabo Mbeki be able to stick to the fundamentals of the growth, employment and redistribution (GEAR) macro-economic strategy widely known to have been authored by him in his effort to speed up the delivery of development to the poor? And if he does, will GEAR still receive support from market players worldwide?*

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IN his after-dinner speech on the day of the inauguration of Thabo Mbeki as South Africa's second democratically-elected president, former president Nelson Mandela, observed, not for the first time, that his former deputy had been the de facto leader of the country since 1997. Mbeki had been a high-ranking member of the ANC for many years; for sometime he headed its international affairs department in exile; he was arguably the key ANC figure in the pre-1990 meetings with 'verligte' (enlightened) Afrikaner academics and politicians and (English and Afrikaner) businessmen; and he has been publicly identified as the force behind the formulation of the ANC-led government's growth, employment and redistribution macro-economic strategy (GEAR), which was well received by market players worldwide.

So Thabo Mbeki is no obscure figure. Yet, as South Africa's second democratic elections loomed, a variety of issues and questions about the man who, as ANC president, was about to move into the presidential suite at the Union Buildings in Pretoria, continued to occupy the attention of his political opponents, commentators, market players, and the like. Central among these were:

- Will the ANC under Mbeki win a decisive-enough electoral victory, one at least close enough to that achieved under the nationally and internationally revered Nelson Mandela in 1994?

- Will the ANC win a two-thirds majority in the elections? A two-thirds majority would allow a party to change some aspects of the constitution, including for example, the independent status of the South African Reserve Bank. Some opposition parties based their entire campaign around the call to stop the ANC from winning such a majority. Some economic analysts also argued that 'markets' would be 'happier'

if the ANC did not gain a two-thirds majority.

- Will Mbeki be inclined to centralise power in his office, so threatening the process of deepening and consolidating South Africa's still maturing democracy? Concerns were raised in some reports that he may rely increasingly on an inner circle of trusted friends in making crucial decisions, so bypassing democratically-elected structures.

- Will Mbeki stick to the fundamentals of GEAR (as business wanted) or change economic policy (as some in the unions wanted) in an effort to speed up the delivery of development to the poor and the marginalised, an objective that he has emphasised repeatedly as central to his presidency?

- Will the ANC under Mbeki increasingly focus on a project of Africanisation via means that would threaten so-called minority (whites, coloureds and Indians) rights and so undermine the still fragile, non-racial character of South African society?

These were the key issues that were raised in the run-up to the elections. They are arguably the issues around which any future assessment of Thabo Mbeki's presidency will be made.

## ELECTION RESULTS

South Africa's second democratic elections, for both the National Assembly and nine regional assemblies, took place on June 2, 1999. Despite concerns about the adequacy of the resources available to the Independent Electoral Commission to conduct and manage the elections, the entire process went off reasonably well. Enthusiasm among the electorate, going by the high voter turnout, was significantly higher than many pollsters had predicted. Some 80 per cent of the eligible population are reputed to have registered and about

75 per cent of these actually voted. Levels of violence, even in some volatile areas in the KwaZulu-Natal (KZN) midlands, were noticeably low. The electoral process was judged to be free and fair by international observers, and the results were not disputed (in any significant manner) by the political parties. All these factors suggest a growing level of maturity in South African politics.

The election outcome in brief was as follows: the ANC won 66.35 per cent of the vote for the National Assembly, as against 62 per cent in the last election. In proportional terms it not only maintained the support of the black majority, but increased it. However, the ANC fell fractionally short of a two-thirds majority. It received the highest support for the National Assembly in Mpumalanga province (85.26 per cent), and its lowest national support in KwaZulu-Natal province (39.77). The Democratic Party (DP) by gaining 9.56 per cent of the vote ousted the New National Party (NNP), the party of FW de Klerk (now retired), from the role of official opposition. It received its highest national support in Gauteng (around Johannesburg and Pretoria). Chief Buthelezi's Inkatha Freedom Party (8.58 per cent) surprised many by coming third in the National Assembly, with the NNP (6.87 per cent) in fourth place. A variety of smaller parties made up the rest.

At the provincial level, the ANC won seven out of the nine regional assemblies. Although it won the largest share of the vote in the western Cape (42 per cent), the main opposition parties (the NNP and the DP) succeeded after difficult negotiations, in forming a coalition government, so relegating the ANC to the opposition benches. The ANC despite its large share of the regional vote, ended up with no representation on the regional cabinet. The ANC's trade union allies immediately organised a march in protest against the perceived 'ganging up' of the opposition parties to prevent the ANC from being a major partner in the regional government. Continued mass action against the NNP-DP government was threatened.

In KZN, the IFP gained a slender lead over the ANC, although neither party achieved an outright majority. While there appeared to be agreement that these two parties would form a coalition government to run the province, questions about whether or not Buthelezi would accept the national post of deputy president in exchange for an ANC premier in KZN; who, if the IFP was to lead the government, would be premier; whether the regional capital would be in Ulundi (as the IFP

wanted) or Pietermaritzburg (favoured by all other parties), all combined to initially stall negotiations. In the end, following the president's decision to appoint an ANC person to the deputy president (and not Buthelezi), the ANC withdrew its nomination of Shu Ndebele for KZN premier in favour of Lionel Mtshali. The regional cabinet posts were split six to four in favour of the IFP, although this may only be a provisional distribution.

Let us now look more closely at a disaggregated picture of the election results. In the realm of what, for analytical purposes, one may call 'Black politics', the election clearly consolidated the power of the ANC and relegated most other Black political movements to the backwaters. Liberation movements such as the Pan African Congress of Azania (PAC) and the Azanian Peoples Organisation (AZAPO) which, like the ANC, were accorded special status in many global forums in the years of struggle, were shown to have no real support base. These parties, as well as the Socialist Party of Azania (SOPA) with their left-wing ideology (or rhetoric) and Black consciousness history, have been all but wiped off the political stage. They have, it seems, failed to make the shift from liberation politics to mainstream parliamentary politics.

There are, however, small pockets of support in both urban and rural areas for other Black parties – former Transkei homelands leader, Bantu Holomisa's UDM polled a little more than 50 per cent of the vote in his 'home town', Umtata; the IFP, having been astute enough to bring the combative Lionel Mtshali back from the national stage to lead the party in KZN exceeded the predictions of most pollsters, who suggested that it would not get close to winning the province; in the remote north-west province, another 'apartheid dinosaur' the former Bophutswana homeland leader, Lucas Mangope's relatively new United Christian Democratic Party, did well enough to become the official opposition in that province.

In KZN, the overtly Indian-based Minority Front, led by yet another figure from the apartheid past, Amichand Rajhans (at one time leader of the 'Indian chamber' of the detested Tricameral parliament under former presidents P W Botha and F W de Klerk) did well enough to win a seat in the National Assembly for the first time. The party immediately and formally allied itself to the ANC, in this way giving the ANC the extra national seat it needed to achieve a two-thirds majority in the National Assembly. Its two seats in

KZN regional assembly gave the ANC an equal number of seats as the IFP, so trumping the latter's chances of automatically assuming the lead role in the new provincial government.

Among White voters, the rise of the Democratic Party under the leadership of Tony Leon and the shift away from the NNP has been the most important development. The Democratic Party, ostensibly the heir to the 'liberal' legacy of Helen Suzman and the old Progressive Party, which fought a lonely struggle within the framework of the old parliament, rose from the ashes of the 1994 elections to oust the NNP from the status of the official opposition. However, it did so on the basis of a radical free-market economic ideology and a political message (moulded around its 'Fight Back' slogan) so far right of centre that it succeeded in attracting traditional NNP votes and even far-right Afrikaner support in some parts of the country.

The DP also made inroads into NNP and arguably even ANC support, among Indian voters in some areas. It did this mainly by successfully exploiting working class and lower-middle class Indian minority concerns about the 'dangers' of the ANC's affirmative action policies. But the DP failed miserably to win any significant support within the African majority population, and despite its 'success' its future under its present policies and leadership style, appears to be very uncertain. The NNP appears to have paid the price of pursuing a racially-inclusive politics, something that appears not to have gone down well within the conservative segment of the White electorate.

Another significant development within White politics (as it were) which emerged from this election was the poor performance of General Constant Viljoen's Freedom Front (FF), a party whose main aim is to protect Afrikaner rights. Although smaller and newer parties operating within the same framework and philosophy, like the Afrikaner Eenheidsbeweging (Afrikaner Unity Movement) and Louis Luyt's Federal Alliance managed to win one seat each in the National Assembly, the 'threat' of a right-wing Afrikaner revolt against the new regime, which occupied so much of the attention of foreign journalists and diplomats in the run-up to the 1994 elections, has all but disappeared. The threat which ran through the very heart of White South African politics for most of the 20th century, i.e., Afrikanerdom and Afrikaner nationalism,

has, in the space of five short years, been sidelined, even smashed.

So where does all this leave opposition politics in the next five years? Despite its growth the DP is small and appears to have a limited appeal in the Black community. The main opposition to the ANC is likely, as has been the case since 1994, to be from within the ANC alliance itself. As the policy process unfolds, tensions within the ANC-led tripartite alliance may rise. Already, the South African Communist Party (SACP) has publicly been critical of Mbeki's attempts to develop a closer relationship with the IFP, long regarded by those on the left of the movement, and by most ANC supporters in the IFP stronghold of KZN, as a mortal enemy. Mbeki's economic policies are unlikely to differ in any substantial manner from those out in the 1996 GEAR document, which some economists have labelled as 'neo-liberal'. Failure to make any inroads to growing unemployment may well heighten tensions in the new government's relations with COSATU and the SACP. Whether or not a socialist alternative to the ANC emerges from within the ranks of the alliance or not remains unclear. Many commentators would argue that Mbeki has the strategic and political skills to outflank his left-wing allies, as he has in fact done with great skill over the last few years. The fact that GEAR remains the centrepiece of ANC economic policy, despite the hostility of internal opposition to it, is testimony to his skills and his determination.

The election results showed that, in spite of five years of nation-building and reconciliatory politics, racial politics remains critical in democratic South Africa. This is evident, for example in the DP's campaign which exploited racial fears and succeeded to some extent. However, one should be careful not to make the claim that people, groups or communities voted in racial blocs. The reality is much more complex and class and other considerations have to be taken into account. For example, the 'Indian vote', was split among a number of parties. In the more affluent 'Indian' suburbs the ANC did receive very significant support (43.57 per cent in the Reservoir Hills Secondary School polling station; and 57.56 per cent in the Moberi Heights Muslim Society polling station). However, let us look at what happened in three 'Indian seats' in Phoenix, which is a sprawling, almost exclusively working class area. At one polling station (Phoenix School) the DP polled 54 per cent of the vote, the ANC 18 per cent and the NNP



TABLE: VERIFIED NATIONAL ELECTIONS REGIONAL SUMMARY

Party Name	Total		Eastern Cape		Free State		Gauteng		Kwazulu Natal		Mpumalanga		Northern Cape		Northern Province		North-Western Province		Western Province	
	Votes	Per Cent	Votes	Per Cent	Votes	Per Cent	Votes	Per Cent	Votes	Per Cent	Votes	Per Cent	Votes	Per Cent	Votes	Per Cent	Votes	Per Cent	Votes	Per Cent
African Christian Democratic Party (ACDP)	228975	1.43	2444	1.11	10031	0.92	43359	1.17	53799	1.82	12415	1.10	5295	1.61	18151	1.09	11774	0.90	49807	3.11
African National Congress (ANC)	10601330	66.35	1617329	73.91	887091	81.03	2527676	68.16	1176926	39.77	962260	85.26	211206	64.40	1483199	89.30	1052895	80.53	682748	42.62
Afrikaner Bond	46292	0.29	3996	0.18	4278	0.39	10922	0.29	5878	0.20	4256	0.38	1686	0.51	6095	0.37	6130	0.47	3101	0.19
Beweging (ABE)																				
Azanian People's Organisation (AZAPO)	27257	0.17	2743	0.13	1919	0.18	5293	0.14	4525	0.15	1059	0.09	1237	0.38	8121	0.49	1426	0.11	934	0.06
Democratic Party (DP)	1527337	9.56	139520	6.38	64262	5.87	655883	17.69	268738	9.76	56114	4.97	18952	5.78	28116	1.69	48665	3.72	227087	14.18
Federal Alliance (FA)	86704	0.54	4097	0.19	9041	0.83	31386	0.85	8984	0.30	8481	0.75	2292	0.70	6198	0.37	7376	0.56	8849	0.55
Inkatha Freedom Party (IFP)	1371477	8.58	6511	0.30	4938	0.45	131296	3.54	1196955	40.45	15868	1.41	1448	0.44	5389	0.32	5929	0.45	3143	0.20
Minority Front (MF)	48277	0.30	750	0.03	351	0.03	1271	0.03	43026	1.45	401	0.04	182	0.06	653	0.04	362	0.03	1281	0.08
New National Party (NNP)	1098215	6.87	72639	3.32	54769	5.00	142749	3.85	117107	3.96	26779	2.37	73766	22.49	28559	1.72	31072	2.38	550775	34.38
Pan Africanist Congress of Azania (PAC)	113125	0.71	21978	1.00	11300	1.03	25412	0.69	8414	0.28	6929	0.61	2083	0.64	20070	1.21	8878	0.68	8061	0.50
The Government by the People																				
Green Party (GPCP)	9193	0.06	693	0.03	285	0.03	2179	0.06	1952	0.07	246	0.02	98	0.03	570	0.03	320	0.02	2850	0.18
The Socialist Party of Azania (SOPA)	9062	0.06	741	0.03	838	0.08	1718	0.05	2658	0.09	516	0.05	167	0.05	1285	0.08	750	0.06	389	0.02
United Christian Democratic Party (UCDP)	125280	0.78	2528	0.12	8019	0.73	7619	0.21	2671	0.09	2393	0.21	830	0.25	1684	0.10	97755	7.48	1781	0.11
United Democratic Movement	546790	3.42	281748	12.88	18073	1.65	79627	2.15	38080	1.29	15807	1.40	3092	0.94	42643	2.57	18574	1.42	49146	3.07
(UDM)																				
Vryheidfront																				
Freedom Front (VFPP)	127217	0.80	6822	0.31	19210	1.75	40782	1.10	6044	0.20	14687	1.30	5229	1.59	8835	0.53	15106	1.16	10502	0.66
Abolition of Income Tax and Usury Party (AITUP)	10611	0.07	1745	0.08	421	0.04	1146	0.03	3206	0.11	437	0.04	387	0.12	1281	0.08	520	0.04	1468	0.09
Totals	15977142	100	2188184	100	1094776	100	3708318	100	2958963	100	1128648	100	327950	100	1660849	100	1307532	100	1601922	100

6 per cent. At another Phoenix Heights, the DP polled 33 per cent, the ANC 14 per cent and the NNP 26 per cent of the votes. At the third Phoenix Technical School, the DP polled 29 per cent, the ANC 29 per cent and the NNP 14 per cent of the votes. So even in a relatively homogeneous area (by race and class) results differed markedly from one polling station to another. The growth of large, mainly Black, informal settlements contiguous to middle class and upper-middle class suburbs (previously either Indian or White) may be one complicating factor. We would surmise that the now changing racial and class geography of a city like Durban will continue to confound those trying to make sense of election results on simple race-class lines.

Unlike trends in Europe and some parts of Asia, issue and religion-based politics remain peripheral in South Africa. On economic policy there appeared to be little difference among the major parties, with speed and efficacy of policy implementation, the only point of difference. The poor performance of environmentally conscious parties such as the Greens and the religious parties (with the partial exception of the African Christian Democratic Party (ACDP) in the Western Cape) also attests to this. Other religious-based parties such as the Muslim Party which contested the 1994 election did not contest this time. The little known Islamic Convention movement unsuccessfully attempted to persuade Muslim voters to stay away from voting at all, as a form of protest against what it regarded as the injustices of the new society and political system.

#### IMPLICATIONS FOR DEVELOPMENT AND DEMOCRACY

The character of Mbeki's cabinet shows a commitment to redressing gender inequality at the highest level of government, as well as to the delivery of development and social and economic infrastructure, especially to the poorer sections of the population. On the first point, the number of women that have been appointed as ministers and deputy ministers has increased sharply. Eight of the 27 cabinet ministers are women (previously four), while eight of the 13 deputy ministers are women (previously four). The most senior of these is the new foreign minister Nkosazana Zuma-Dlamini, formerly health minister. Illustrative of the second point is the dropping of Pallo Jordan, the previous minister of environmental affairs and tourism and

highly-ranked in the ANC, from the Mbeki cabinet, ostensibly for failing to develop any coherent tourism policy, an area seen as critical for job creation.

On economic policy, no one should remotely expect any public announcement of a backtracking from the macro-economic framework, GEAR, although some changes around the edges may happen without much ceremony. In the press conference to announce his new cabinet, Mbeki made it clear that current "economic policy is very correct", and that he does 'not visualise any changes' to it. This stance was buttressed by the reappointment of Trevor Manuel to the finance ministry and of Alec Erwin to trade and industry. Both are highly respected nationally and internationally and represent continuity and certainty in a potentially volatile global context. The 'market' will no doubt be closely watching the reappointed labour minister to detect signs of support for its position that labour markets should be made more flexible, as a precondition for job creation. It will be watching the new minister of public enterprises for a speedier implementation of the government's privatisation programme. Foreign and local investors, as well as ordinary citizens will be hoping that the

tough-talking, former sports minister Steve Tshwete, will do enough in his new job at safety and security, to reverse the escalating crime rate, and the growing sense, especially internationally, that South African society is being rapidly criminalised. From August 1, markets will be closely monitoring the Reserve Bank's conduct of monetary policy, under the new governor, Tito Mboweni, to ensure that he sticks to the orthodox monetary stance of his predecessor.

However, it must be emphasised that unless investment, both foreign and local, and both private and public, picks up noticeably, there is little prospect that the growth and employment projections of GEAR will come close to realisation. Although GEAR does project a sharp increase in government investment expenditure of 16.7 per cent in 2000, it is debatable whether this will be adequate to re-align actual growth and employment targets with GEAR projections. The South African economy has technically slipped into recession, and there will be great pressure on the new government to deliver on its promises to the poor and the disadvantaged, as long as this situation continues. The debate over economic policy in post-

### SOME CHALLENGING BOOKS

by Paramesh Choudhury

#### 1. **Kashmir to Palestine - Rs. 480.00, P. 380**

Jesus escaped from the Cross to India. Later, he died in India, his ancestral land, where he spent 14 to 30 years of his life, to get lessons on Indian philosophy and religions.

#### 2. **The Aryan Hoax - Rs. 490.00, P. 450**

Know the Truth, speak the Truth!

UNESCO says: 'To speak of an Aryan 'race' or 'people' is a mere myth'. Vivekananda remarked, 'All these monstrous lies are taught to our boys!' Vol. V, P. 537

#### 3. **The India We Have Lost - Rs. 280.00, P. 248**

This is an anthology of essays taken from the Asiatic Researches (1775 to 1804). Discover the India which the British convinced us, did not exist. That India colonised and civilised Greece, Egypt and Mesopotamia, that India was the paradise of the Bible.

#### 4. **N. E. India - The Cradle of the Chinese Nation - Rs. 590.00, P. 625**

Sir William Jones wrote that the Chinese are of Indian origin (Asiatic Researches, Vol. II). The author carried on extensive research to trace out the full history of India's great achievement.

(Mahabodhy Book Agency - 4A, Bankim Chatterjee St., Cal-700 073).



apartheid South Africa has been dominated so far by neo-liberal economists and proponents of a World Bank/IMF philosophy. If economic policy based on these notions fail, an entirely new dynamic, and a new set of economic ideas may yet enter the arena of South African politics and economic policy formulation, stimulated by bold new economic thinking emanating from some divisions of the World Bank, and from various sources in Asia.

What are the implications for democracy and development of what appears to be an increasing centralisation of power in select networks around the new president, and of formal power in the new office of the presidency? Concerns about Mbeki's record as deputy president of setting up structures outside the formal governmental, parliamentary and party system, where key policy issues are debated and discussed, have been raised previously. One example of this is the so-called, black caucus, a grouping of black business leaders and academics, who meet Mbeki at regular intervals. In the South African press, parallels with the notorious *Broederbond*, so critical in the shaping of apartheid policy under the Nationalists, have been raised, although this has been challenged by some insiders and commentators as being an inappropriate example.

All indications are that the president's office, restructured in line with the recommendations of the Presidential Review Commission, will be instrumental in shaping and driving the trajectory and implementation of future policy. A new full minister (Essop Pahad) has been appointed in the presidency. Pahad is a close and trusted friend of the new president, and their association goes back, at least, to the time of their student-days at Sussex University in the early 1960s. Pahad's ministry will in the future be more decisive in the formulation, development, co-ordination and implementation of policy. Reports suggest that Mbeki's office is likely to conduct a thorough assessment of other ministerial policies before they are put to the cabinet for approval. This follows the example of a number of other countries where a central policy co-ordination unit is located in the highest political office.

Whilst this sort of policy co-ordination may well improve the content and implementation of policy, there are fears in some circles that this process may impede debate about the country's policy direction, and more importantly, shut out dissenting

policy views. A further related development that is a matter of some concern is the recent changes in Public Services provisions which give ministers wide ranging powers to appoint and dismiss staff in their departments, and also give ministers a direct say in the internal organisation of government departments (*Saturday Star*, June 12, 1999). However, if the new structures work, i.e. if greater policy co-ordination occurs and a sense of urgency is brought to bear on the implementation of policy, and this results in the speedier delivery of social services, infrastructure and development to the poor and the disadvantaged, then the price (in terms of the implications for the liberal democratic project) may not be regarded in other circles, as being too high.

#### 'AFRICAN RENAISSANCE'

A feature of Mbeki's presidency is likely to be the further articulation and implementation of his vision of an 'African Renaissance'. In practice, this will probably be translated into Mbeki, and South Africa, playing a more defining and visible role in politics, peace negotiations and peace-keeping on the African continent. Africa, Mbeki clearly recognises, has failed miserably, for whatever reason, in achieving the stability, development and democracy which was the promise of the independence struggles of the late 1950s and 1960s. Mbeki appears desperate to want to play a role in reversing this perception of African poverty and chaos. So whereas Mandela's presidency was characterised by his international role and standing, it may well be that Mbeki takes a less high profile international role, but a more focused African profile.

One exception to this position may well be South Africa's relations with the US, which in terms of the existing binational agreement which Mbeki had so much to do with, and Mbeki's extremely cordial personal relations with vice-president Al Gore (possibly the next US president), may well further blossom out into the kind of 'special relation' status which the US has long had with Israel, and Britain. It would be important to follow Mbeki's stance on foreign policy where these are complicated by human rights considerations, an area in which the Mandela government was severely criticised. With South Africa's contentious two-China policy, now a thing of the past, and with moves towards some form of democracy in countries like Indonesia and Nigeria (in both these cases the

Mandela government seemed prone to one disastrous intervention or policy stance after another), this question may well not tax the foreign policy consistency and logic of Thabo Mbeki's government in the near future.

South Africa's second democratic elections has seen a consolidation of the political centre. The ANC now occupies a centrist position in South African politics. Both ostensibly 'left-wing' parties, mainly black, as well as far-right parties, mainly Afrikaner, suffered humiliating defeats. The success of the DP, and to some extent the IFP, also strengthens the middle ground of South African politics. In the process this 'political centre' is becoming very blurred. Thus on many questions including economic policy, one would have to look hard to spot differences in content. If new, clearer lines of cleavage are to appear in South African politics, they may take the form of some re-shaping and re-ordering of this centre, including possibly, but not probably, a breakaway from the ANC of socialist constituencies within the Tripartite Alliance.

The first five years of democratic South Africa were characterised understandably by a focus on racial reconciliation, and on creating and nurturing a fledgling democracy. So the restructuring of institutions, the development of new institutions (including the Truth and Reconciliation Commission), and the (racial) transformation of institutional structures (army, police, courts, the Reserve Bank, etc) occupied centre stage. The policy of racial reconciliation appears to have had some success, as exemplified by the ANC's much improved performance in areas such as the Western Cape and Northern Cape with relatively large coloured majorities.

Thabo Mbeki has repeatedly emphasised that the second five years will have to be about the speedier delivery of development to the poor, the disadvantaged, the 'ordinary people' whose 'firm hands' have carried the ANC into power, again. If Mbeki achieves this goal without seriously undermining other important national goals such as the consolidation of democracy, the promotion of a truly non-racial society, and within the framework of an essentially neo-liberal economic orthodoxy, he will have confounded his critics and detractors, yet again.

Ladies and Gentlemen,

At the outset may I request you to observe silence for a minute as a mark of respect to our valiant soldiers who have made the supreme sacrifice to defend our country in the Kargil operations

I have great pleasure in welcoming you all to the Forty-sixth Annual General Meeting of your company. The Directors' Report and the Audited Accounts for the Year ended 31<sup>st</sup> March 1999, have been with you for sometime and, with your permission, I shall take them as read

#### ECONOMIC SCENARIO

For the Indian economy 1998-99 turned out to be a difficult year, marked by recessionary demand conditions in most industrial sectors. This was despite a good monsoon and record foodgrain harvests. Exports were hampered by the lingering after-effects of the East Asian crisis, resulting in a significant current account deficit, notwithstanding depressed international crude oil prices. Rising fiscal deficits at both the Centre and the States and the lack of progress in spending in key infrastructure areas, added to the woes of industry. Inflation remained high (over 8%) until the third quarter, driven mainly by the spurt in prices of primary agricultural products.

However, certain developments in the economy during the last quarter, have given room for optimism. The Government resumed its reforms agenda with purpose and vigour. Aided by the bountiful foodgrain harvests, inflationary trends moderated and the wholesale price index dipped below 5% by March 1999. The growth oriented budget presented by the Finance Minister, with its thrust on housing, infrastructure and the revival of capital markets had a salutary effect in improving sentiment. The RBI's Monetary and Credit Policy added to the positive sentiment, focussing on structural issues and facilitating the flow of credit to productive sectors of the economy. The emphasis was on continued low interest rates, recognising the need to provide impetus to industrial growth and investment. This was coupled with further progress on financial sector reforms in the areas of capital adequacy, prudential norms and disclosure requirements. The year thus ended on an optimistic note, with hope for revival of demand in the coming months, but with a recognition that substantial further progress was needed in the areas of financial sector reforms and other structural reforms.

#### WORKING RESULTS

The continued economic downturn in 1998-99, affected the performance of several key sectors including the medium and heavy commercial vehicle segment, the industry posted a negative growth of 16% in production and 12% in sales. Your company's performance needs to be viewed against this backdrop. During the year, the total disbursements of your company in hire purchase and leasing amounted to Rs 817 cr as compared to Rs 956 cr in the previous year, a drop of 14.54%. However, it is gratifying to note that the company improved its market share in almost all the segments of its operations while achieving further improvement in the quality of new assets added. The cumulative receivables under hire purchase and leasing stood at Rs 1957 cr as against Rs 2102 cr in the previous year. The profit before depreciation and tax was Rs 177.72 cr as against Rs 177.52 cr. Profit after tax decreased to Rs 63.31 cr from Rs 76.59 cr for the previous year mainly on account of provisions on write offs and tax outgo.

Your company mobilised fresh deposits to the tune of



## Sundaram Finance Limited

Regd & Head Office: 21, Patullos Road, Chennai 600 002. Phone: 8521181

Rs 148 cr and renewed deposits aggregating to Rs 267 cr posting a gross mobilisation of Rs 415 cr. Total public deposits outstanding as of March 1999 amounted to the same level as in the previous year at Rs 775 cr. Considering lower offtake of credit your company suspended the acceptance of fresh deposits with effect from 1<sup>st</sup> January 1999. Your company's deposit programme continues to enjoy the highest credit rating of FAAA by CRISIL and MAAA from ICRA. I wish to express my grateful thanks to the depositors for the faith and confidence reposed in your company and to reassure them of our resolve to maintain the highest standards of safety, liquidity and service in handling their funds.

Your directors recommend a higher tax free dividend of 5% as against 55% last year, on the paid-up capital of Rs 24 cr. The quantum of distribution including tax on dividend amounts to Rs 17.24 cr. Your company's earnings per share, price-earnings and price to book value ratios continues to be the highest amongst Equipment Leasing and Hire Purchase Companies (EL/HPs).

The capital adequacy ratio as on 31.03.99 was at a comfortable level of 20.74%, well above the stipulated minimum of 12%. Standard assets, according to RBI's classification, stood at 94.50% of the total business assets. After provisioning, the net non-performing assets stood at 3.76% of the total business assets.

#### YEAR 2000 READINESS

In June 1998, your Company initiated steps to achieve Y2K readiness. Through detailed planning and a dedicated team of software professionals, all business applications covering hire purchase, leasing, deposits and financial accounting have been made Y2K ready before April 1999. Other smaller and non-critical applications have been made Y2K compliant this month. The servers, networking products and



Speech delivered by  
Shri T. S. SANTHANAM, Chairman  
at the Forty-sixth Annual General Meeting  
of Sundaram Finance Limited held on  
28th July, '99 at Chennai

operating systems located at Head office, Regional Offices and branches have been certified by the vendors as Y2K ready. All business applications and database servers have also been tested by independent Systems Auditors and certified as Y2K compliant.

#### ROAD TRANSPORT INDUSTRY

For many years now, I have been dwelling upon the neglect of the road network and road transport sector by the policy makers. Road transport continues to account for 80% of the passenger and 60% of the goods transport in our country. Freight and passenger traffic is expected to increase to

800 Billion Ton Km and 3000 Billion-Passenger Km respectively by the year 2001. While road traffic has been growing at a rapid pace, matching investment in the road sector has not been forthcoming, presumably due to the competing demands from other sectors. This has led to a large number of deficiencies in the network, and the resulting inadequacies and imbalances threaten to constrain economic growth and the quality of life in both urban and rural India. The Indian automobile industry is among the most highly taxed in the country. While the industry and the consumers paid Rs.31,714 cr by way of revenues to the exchequer, the Government expenditure on roads was only Rs 6,740 cr. **The Government should allocate the entire revenues contributed by the transport sector for the development and maintenance of roads.**

Our country has a road network of over 2.9 million Kms of which the primary road system covering National Highways, constituting less than 2% of the total network, carries nearly 40% of the total road traffic. Only 46% of the roads are paved and only 20% of the paved roads are estimated to be in good condition. Maintenance of roads should be given overriding priority with increased emphasis on higher maintenance standards.

The Government of India constituted a Task Force on

infrastructure to formulate an Integrated Transport Policy. A massive programme of upgradation of the High Density Corridors in the highways involving about 12,000 kms has already been announced. Within this programme, the development of the major corridors of the golden quadrilaterals linking the four metro cities is given the highest priority. I welcome these measures and urge that steps be taken for their speedy implementation.

**I repeat my call for more roads, better roads and better surfacing of roads consistent with the industrial development and growth in vehicle population.**

#### **NON-BANKING FINANCIAL COMPANIES (NBFCs) REGULATIONS**

The Reserve Bank of India, on 18.12.1998, announced changes in the regulatory framework for Non-banking Finance Companies based on the recommendations of the Task Force appointed by the Central Government. The focus of regulatory attention is on NBFCs accepting public deposits. I am happy to inform you that many of the suggestions made by me in this forum last year were accepted by the Reserve Bank of India.

I welcome these measures which are aimed at the development and consolidation of registered NBFCs on sound and healthy lines and for protection of depositors' interests. By these processes, registered NBFCs have become an integral part of the financial sector. I now make a fervent plea to the Central Government and other authorities that whenever any development and regulatory measures are announced in respect of Banks and Development Financial Institutions, the same shall automatically be extended to registered NBFCs also without any loss of time. The following anomalies, *inter alia*, require urgent correction.

Banks and Development Financial Institutions enjoy

tax deductibility both on provisioning and income deferrals. Additionally, amounts transferred to Special Reserve by Banks and Development Financial Institutions also qualify for tax deductibility. EL/HP Companies, while being subject to all the rigours of regulation, are denied the matching benefits. This situation should be rectified immediately by suitable amendments to the Income-tax Act, 1961.

The existing Civil Court procedures are cumbersome and do nothing to deter willful defaults. The Board of Industrial Finance and Reconstruction has been very ineffective in reviving sick industries. On the other hand, this forum is being increasingly used by defaulters to thwart the legitimate recovery efforts of the lenders.

**An exclusive and effective judicial mechanism needs to be urgently put in place for ensuring recovery of the dues of EL/HP companies, to begin with, on similar lines as Debt Recovery Tribunals.** This measure is a *sine qua non* to enable regulated EL/HP companies to play their pivotal role in the financial services sector and to ensure the protection of investors.

#### **PROSPECTS**

India continued to feel the effects of the severe East Asian crisis as also the turbulent and unfavourable economic environment in the world economy. In addition to this, our country was also confronted with economic sanctions in the wake of the Pokhran Nuclear test. As a consequence, industrial growth remained sluggish for the second year in succession. Key sectors such as steel and textile continued to perform badly. There are now, however, some early signs of recovery in certain sectors like Cement, Steel, Construction, Commercial Vehicles and Passenger cars which may signal a reversal of the recessionary trends experienced over the last two years. With another normal monsoon being forecast, we can expect an up-turn in demand from the second half of the current financial year.

The overall compounded growth rate of heavy commercial vehicles and passenger cars is forecast to approximate 11% till 2001-2002. With the various

changes that have happened in the market place over the past two years, the number of finance companies active in this market segment has come down. Competition in the commercial vehicle segment will be confined to manufacturer owned finance companies, multi-national finance companies, select Banks and EL/HP companies. Similarly, in car financing, foreign banks and multi-national finance companies are the main competitors.

Given the changing face of competition, margins are likely to come under greater pressure. Your company, with the distinct advantages of customer knowledge, speed of response, a wide network and highly skilled and dedicated manpower, is in a position to meet the competition by adopting appropriate strategies and achieve growth in disbursements.

#### **MERGERS**

The Hon'ble Madras High Court by an Order dated 18<sup>th</sup> June 1999 has directed your company to hold a meeting of members today to consider the Scheme of Amalgamation of India Equipment Leasing Limited and Aparajita Group of Companies with your Company.

#### **DIVERSIFICATION**

Your Company formed a Joint Venture Company with Fidis, S.p.A., Italy – a financing arm of FIAT in the name of Fiat Sundaram Auto Finance Limited for financing FIAT products. The initial paid-up capital of the company will be Rs 23 crore. Your company had subscribed 49% of its paid-up capital at par while the remaining 51% was contributed by Fiat Finance, Netherlands, a subsidiary of Fidis, S.p.A. at an aggregate premium of Rs 42 crore to be completed in two tranches. The new company obtained permission from the Reserve Bank of India and commenced its operations from the current financial year.

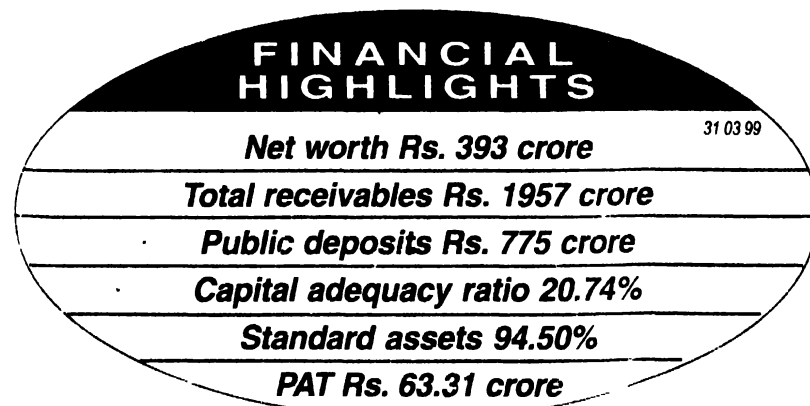
Pursuant to the decision to enter housing finance, 'Sundaram Home Finance Limited' was incorporated on 2<sup>nd</sup> July 1999. Necessary steps for establishing the new company are being taken and it is likely to commence its operations before the end of this year.

It may be recalled that your company had signed a Letter of Intent with Winterthur Swiss Insurance in October 1996 to enter General Insurance. However, in January 1998, Winterthur Swiss Insurance was merged with Credit Suisse as a result of which their business focus has undergone a complete reassessment. Consequently they have informed us of their desire to call off the arrangement.

Taking into consideration the above fact and looking to the proposed entry norms and regulatory framework prescribed for new insurance companies, your company has decided not to go ahead with the proposed diversification into general insurance business, as it would not be in the best interests of your company.

#### **ACKNOWLEDGEMENT**

On behalf of the Board and on my own behalf, I take this opportunity to thank our depositors, customers, vehicle manufacturers and dealers, bankers, financial institutions and all the shareholders for the co-operation and assistance extended to your company and look forward to their continued support. I also place on record my appreciation of the good work done by all the employees of your company.



**ENDURING VALUES. NEW AGE THINKING.**

[www.sundaramfinance.com](http://www.sundaramfinance.com)

Note: This does not purport to be a record of the proceedings of the Annual General Meeting of the Company.

# Indian Democracy: Exclusion and Communication

Dipankar Sinha

*The politics of identity, a dominant feature of post-colonial India, is an outcome of a process which reveals both commonality and continuity between two contending and antagonistic entities – the state and the market. The state and the market in the mainstream development mode, which characterises this process, interact almost exclusively with the upper, visible and dominant segments of the society, subjecting vast number of people lower down the hierarchy to silence. The politics of identity manifests itself either as a protest or as a protective response to these exclusionary parties of both the state and the market.*

A pochard and porcupine, defying the grammarians,  
Combined to form a porcochard, unmindful  
of their variance

– Sukumar Ray, 'Hotch Potch'  
(tr S Chaudhuri)

THE nineties produces a globally-mobile 'new reality' characterised by a relatively steady retreat of the state and the simultaneous ascendance of the market. A significant feature of such reality is the coexistence of forces of homogenisation and fragmentation, which through an interesting dialectics poses serious challenge to the Indian democracy by threatening many set perceptions and 'reliable' predictions. The gravest challenge in this regard comes in the form of growing assertion of identity, based on categories<sup>1</sup> like region, religion, caste, language, ethnicity and so on. Such assertions have long been officially regarded as 'fundamental obstacles' to the growth and sustenance of democratic spirit, and also, as the 'vanishing traits' of the soon-to-be-integrated Indian society. The challenge emerging from the *politics of identity* is all the more significant because the state, the sole custodian of post-colonial India's development path for almost five decades, tended to treat such eruptions as inimical to the 'nation's progress'. With the state giving more and more space to the market, the politics of identity which continues to intensify, raises new questions.

The thrust of the argument in this paper is that the politics of identity, as noted, is an outcome of a process which reveals both commonality and continuity between two 'contending and antagonistic' entities – the state and the market. The process

manifests itself in the 'communicative dynamics' of the mainstream development mode in which both the state and the market fail to establish a communication network wide enough to take into account and to involve people from all segments of the society. The process relates to a specific type of communicative reason in which interactions are made almost exclusively with the upper, visible and dominant segments of the society. On the other hand, it subjects vast number of people, belonging to the lower, invisible segments to silence (which is communicative) or at best, to superordinate, unilateral 'communication'.<sup>2</sup>

## I

The democratic process in India, as it is formally initiated in legal-institutional terms since the independence, is quite impressive. The introduction of the Constitution of India, the establishment of the republic (in which the people become the ultimate repository of power), the right to equality, the abolition of untouchability, the introduction of universal adult franchise, the centrality of parliament as a debating arena of representatives of the people – all show how people, irrespective of their ascriptive identities, are given an array of rights and freedoms. The democratic roots are further strengthened by having an efficient army which shows little inclination to replace the civilian rule even in times of worst crises. On the economic front, the main plank of the five-year plans, at least theoretically, was redistributive justice which despite its controversial relations with democracy, remains an essential condition for

establishing a democratic ambience in the third world states. The idea of the 'mixed economy', characterised by the public sector "as a national project",<sup>3</sup> was a realistic strategy to initiate eradication of economic inequality among the citizens<sup>4</sup> of a newly independent country, based, as it was, on attempt to utilise the potential of both the state and the market.

Well-being, however, does not necessarily lead to well-being. Having such enumerated rights and privileges is impressive only in an apparent sense unless it is supplemented by their equitable exercise in reality. The gulf between the process of enumeration and that of implementation widens to a dangerous level if the state, amidst ritualistic tributes to democracy, effectively caters to the interests of the few at the cost of many. Taking cue from the point, one can note that even in adopting various policies in the 'interests of the common people', the state does so unilaterally without paying much heed to the felt needs of those for whom they are meant. Being armed with the legitimating rationale of 'nation-building', described by a veteran commentator as "a polite term for cultural and ideological homogenisation",<sup>5</sup> the state (more specifically, those who wield its power) feels little need to reach out to the people 'down below' by way of a valid and extensive process of communication which would induce involvement of people and develop their empathy for the activities of the state. Though the common people remain at the centre of the statist discourse of governance, they are largely treated in terms of amorphous macro-collectivity. The state's communicative dynamics – constitutive of its voice, and feedback in the form of the voice of the people – remain half-formed, with the majority of people remaining silent and inactive in the business of governance. This blocks consolidation of democracy and prevents its organic integration with society.

The evidences of people, interestingly dubbed as the 'silent majority', being silenced through a range of exclusionary communication, are many. Let us confine ourselves to some significant instances.

One of the earliest instances of the pathetic deficiency of the state to establish communication with the ordinary citizens concerns the failure of the Community Development Programme which was initiated with much publicity, under the auspices of the then prime minister Nehru, with active assistance from Chester

Bowels, the scholar-cum-diplomat on October 2, 1952. The purpose of the programme could not be better: to enlist active co-operation and participation of the people at community level in development programmes and projects. However, the policy-makers ignored the obvious point that such effort, required to address the notion of 'community'. In conceiving the 'community' as a monolith which having existed from 'time immemorial' is regarded as self-defining. This resulted in misconception, by the policy-planners, of a concept that defies simplistic interpretations. Such conceptualisation was combined with a communication network that either remained too detached from the people, or in cases where it was not so, it overwhelmed them by sheer one-way diffusion. In such a paternalistic mode, people were treated as 'passive clientele', which destroyed the spirit of the programme. Such paternalism 'overpowered' individuals like S K Dey who were definitely aware of the need to impart a people-centric base to the programme. Ironically, the programme which was introduced on the birthday of Gandhi, lacked what was Gandhi's main strength – the power to communicate with common people.

The paternalistic mode combined with exclusionary communication yet again to make land reforms a stunted venture. The reforms which began at the right moment with the proclaimed objective of restructuring the political and economic equations in rural India, were opposed by the state and local level leaders of the Congress. A distinguished scholar confirms<sup>6</sup> the point by noting that by the Third Plan it was quite clear that the central authorities had failed to convince the local leaders (including the Congress chief ministers) – who either opposed agricultural reorganisation openly or adopted the course of cautious resistance – that the reforms should be seen as a positive step. As a consequence, the power-base in rural India could only shift from the hands of the zamindars to the rich, and in some cases middle peasantry. Here again, it became quite evident that the policy-makers undermined the importance of a communication network which could make themselves familiar with the 'reality' at the grass roots level.

The imagined placidity of rural India in particular could have been disturbed, to a great extent, by the effective functioning of the panchayati raj institutions in India. With the Balwantrai Mehta Committee Report,<sup>7</sup> which studies the failure of the community level projects, giving a strong verdict in favour of democratic

decentralisation with special reference to "public participation in community works", a step towards a more communicative state could be achieved. The publication of the report was followed by that of the Aśoka Mehta Committee Report<sup>8</sup> which visualised, along the Gandhian idea of gram swaraj, reorganisation of the panchayats as a major means of linking the state and the society organically, a process which had to have its base in rural India. However, the recommendations of the two committees contained little references to the possible ways of creating an effective communication network between the rulers and the ruled. The point is of significance because the functioning of the panchayats in the states like West Bengal, Kerala and Karnataka shows that despite various possibilities of co-optation the 'voice of the voiceless' could be heard, in some cases loud and clear. The author's ongoing field study,<sup>9</sup> conducted in some remote areas of West Bengal (the Sundarbans of south Bengal and Naxalbari in north Bengal) reveals that assertion, or even aggressive stance, by the 'habitually passive' local people of very low social and economic status is not a rare phenomenon. One major reason for such change has been the demystification of bureaucracy as a result of the increasing role of the local representatives of the local people. Again, while such change has its limitations, especially when it occurs within a political establishment steeped in electoral politics, it shows that the panchayats, even as the 'satellites' of the state, can create ripples throughout the country in terms of creating channels of communication for citizens who were hitherto regarded as 'dumb'.<sup>10</sup>

A very significant instance of unilateral, top-down diffusion of data, information and images, mixed with liberal doses of censoring, concerned of green revolution. After years of misdirected attempt at industrialisation not suitably premised on generation of agricultural surplus, the state-sourced publicity blitz came up with the promise of 'revolutionary' restructuring of the agricultural sector in the quickest possible manner with the help of the state-of-the-art technology. The barrage of information on the 'incredible benefits' from the revolution, found its place in the official pronouncements. Such communication managerialism, quite deftly carried out by the state, did not inform people of the disastrous effects of the revolution on fertility of land, environment and agricultural self-sufficiency, or of the 'politics of dependency' that it seeks to enforce. However, the counterpoint to the state's

tactics could be found in the 'dissident'<sup>11</sup> literature in which it was argued that the differentiating logic inherent in the 'technological wonder' would not only accentuate but also widen the disparities among the people, and in a more specific vein, would lead to the dispossession of the small farmers who would not be able to 'afford' to reap its benefits. A more recent attack on the 'violence' of the green revolution came from Vandana Shiva who pointed out<sup>12</sup> that the mantra of the 'revolution' – monocultures (which have biological, economic, political and cultural varieties) – tend to reduce alternatives and options by enforcing a "limiting and limited framework of homogenisation".

The superordinate communication took an interesting turn when it constructed and disseminated the *garibi hatao* (banish poverty) slogan. A populist slogan par excellence, it was directed towards the excluded and the marginal segments of the population. It at the same time both mythified and mystified poverty by bringing it to the centrestage of the state-sponsored discourse of development, but at the same time, kept the related articulations very general and abstract. This was done by providing the thrust on the 'immediate need' for solving the crisis that was part of the everyday life of the people, but at the same time, avoiding any specific references to the means of solution. In functional terms, the coinage of the slogan, incorporated in the Fifth Plan, had much to do with the ensuing parliamentary election.<sup>13</sup> On a different plane, it was a 'classic instance of 'interpellation'<sup>14</sup> which, having evolved in a 'specific ideological domain', facilitates, through absorption and neutralisation of resistance, the hegemony of the dominant segments of the society. The 'garibi hatao' slogan which is a 'brainchild' of the state, and not of the poor people themselves, gave rise to abstract populism; it also neutralised potential antagonism by transforming poverty into a simple issue that was to be done away with.

Without an effective communication network which is a part of the broader ambience of democratic communication (which shall be discussed in Section II), people remain less aware of their rights and freedoms so extensively crafted in the Constitution. Lack of awareness of one's existing rights and freedoms obviously leads to lack of assertion of the same by the people. On the other hand, it gives rise to a situation in which rights and freedoms are violated by the state, in the form of 'custody deaths' and 'encounters' in the name of maintenance of law and order. In

a number of cases, the 'maintenance of national security' results in sheer state terrorism. On an extensive scale, citizens' fundamental rights are violated by the 'developmental zeal' of the state, which causes displacement of a vast number of 'oustees' who are uprooted from their social, cultural and economic roots, that too without any effective rehabilitation policy.<sup>15</sup> In this case, the communication that reaches the 'oustees' is based on an exaggerated and perverted notion of 'national progress'. The increasingly vigorous call for greater transparency regarding displacement and resettlement through public debate is in a way a direct call for greater communication in this respect.<sup>16</sup>

On the cultural front, in which communication has particular significance, the 'omnipotent' state seeks not only to construct but also to disseminate 'national culture' which has an invincible statist core, even if its form may be contingent upon the character of the regime which happens to possess state power. The state's control over 'culture' was evident, though in a subtle form, in the then newly independent India, with the establishment of academies for various cultural activities, by distribution of rewards, and in later years, by arranging cultural festivals. As part of its intervention, rather initiative, in determining the broad contours of 'culture',<sup>17</sup> a notoriously ill-defined idea/way of life, the statist discourse periodically mentions the rationale of a 'national cultural policy'. The continuing reluctance of the successive regimes to provide full autonomy to Akashvani and Doordarshan testifies to the fact that irrespective of political affiliations of the rulers, their patronising instincts induce them to retain and manipulate the potential of the state-owned mass media. In 1975, Indira Gandhi, the then prime minister, mentioned in her characteristic aggressive style that "she did not understand what the concept of 'credibility' implied, since there was no doubt that AIR (All India Radio) was a department of (the) government and would remain so".<sup>18</sup> Being obsessed with the possession of such high potential agencies of communication, and at the same time, by refusing to widen the base of its communication network, the state produces an interesting paradox. With Indira Gandhi's 'straightforward' approach being replaced at present with lip-service to the question of autonomy, the situation has changed very little.

With the promulgation of the Emergency (1975-77), the state made an open display of its cruder face. During the period,

the state's commanding tone reached new height. For instance, the widely-disseminated slogan "work more, talk less", which was constructed to discipline loquacious citizens with a view to orient them to work culture (again undefined), was symptomatic of the *dictat* of a coercive state, defiant of norms of democratic governance. This was notwithstanding the argument that the state tended to embark on the path of compromise at a later stage of the Emergency by being relatively lenient.<sup>19</sup> The Emergency at the same time revealed the 'twilight zone' of the 'benign' and the repressive faces of the state in facilitating crass violation of the rights of the citizens in the name of 'social welfare'. In promoting family planning through forced sterilisation the state crushed the resistance of the people who were marked as the 'target'. To achieve the purpose, the state manipulated its resources and organisations (including the media) so that 'random sterilisation' could be the fate of the poor and powerless citizens.<sup>20</sup>

Obviously, the state during the Emergency was entwined with the personality-promotion of Indira Gandhi. Here lies an interesting paradox. The state, despite being so overbearing during the period, also became a victim of personalisation of power. The familiar slogan of the era, "India is Indira, Indira is India", coined by the then Congress president, D K Barooah, revealed how an elected leader of the people can transcend her party-identity, and can almost become identical with the state. The process was helped to a great extent by Indira Gandhi's successful role in the Bangladesh war which led her to be described as 'Asia's Liberation Sun'. To refer back to the Emergency, even if the apparent reasons cited for its proclamation were 'national interest' (maintenance of unity and integrity of India) and economic/financial (to keep inflation in check), its hidden (or not-so-hidden) agenda was to put a lid on any critical discussions and debates on Indira Gandhi's rule. So it was inevitable, as one commentator explains,<sup>21</sup> that the era would witness decline in ideology, and devaluation of political speech, leading in turn to the end of its discursive techniques. It was an era when the state went out of its way to monopolise communication.

However, Indira Gandhi's over-dependence on the state-sourced communication led to her downfall. The 'hangers-on' and the 'pet' political analysts who were in charge of information-processing were too eager to please her with all sorts of 'positive' data, which crippled an effective feedback.<sup>22</sup> It also made Indira Gandhi

very complacent and prevented her from indulging in populism with greater force. It was for the same reason that Indira Gandhi did not hesitate to set a date for the parliamentary election which led to her defeat by the people of India. Ironically, a more cautious Indira Gandhi at an earlier stage was very successful in outflanking the opposition of both the Right and the Left variety by invoking populism on the basis of a combination of 'patriotism' (Bangladesh war) and 'radicalism' (garibi hatao).<sup>23</sup>

Some observations related to the preceding discussion merit consideration at this point of discussion. First, in all cases, be it in an era in which the state was projecting its 'benevolent' face, or when it was unleashing open repression, its communication with the excluded, marginalised segments of the society was stunted in one way or the other. This of course leads to the point, as noted earlier, that the two 'opposing faces' of the state need not necessarily be treated in black and white terms. It may well be the case that a 'benevolent' state has a hidden cruder face which it does not bring out in the open for tactical reasons. Such blurring of distinction becomes evident in cases where the state in effect adversely affects the interests of the people in the name of serving them. The critics of the liberal reforms in India may, for instance, cite it as a typical case where the state adopts the measures in the 'interest of the people' but in the process let the common people suffer because of the withdrawal of subsidy, contraction of social sector and so on. Second, the exclusionary nature of communication is linked to the development mode which, in its churning process, leaves out a very large 'sedimentation' in the form of people who are not expected to be communicative, even if they are systematically deprived of the 'fruits of progress'. Third, with the development mode having a very narrow base and the related process of communication being so restricted, the retention of various forms of identity—both ascriptive and constructed—among the people of the sedimented segments becomes easier, and the people often tend to fall back upon such identity.

We shall mention more about citizens' communication at the grass roots level in the next section. Here, a 'prelude' can be made by stating that the way out of the oppressive hierarchical and inequitable interaction process imposed from the macro-level (state/market) can be explored through dialectic and polycentric micro-level interactions. The initial response to the suggestion of countering the onslaught



of the 'macro' through the might of the 'micro' may instantly generate disbelief and downright pessimism. However, there is no other alternative through which people can find themselves in a situation in which they can express their own opinion – right or wrong, good or bad, practical or impractical – on issues which affect their life. Within such micro-level acts one can look for 'spaces' of sabotage. 'People's power' can spring many surprises, some of great significance, by taking advantage of the segmentations in the macro-level entity and of the general tendency to undermine the synergy of the micro-level assertions. When people give their verdicts against powerful rulers like Indira Gandhi or when a globally popular brand fails to convince the Indian consumers, it only shows that people can communicate, sometimes very decisively.

## II

Historically, horizontal communication remains a blindspot in the mainstream development mode. A detailed account of the mode is beyond the purview of this paper. However, it needs to be mentioned that in it development is perceived to be a "linear arrangement"<sup>24</sup> by which some countries will make progress before others, and the 'lessons' gained by the advanced countries would be transmitted to their underdeveloped counterparts which would avoid the repetition of the hazards experienced by the former. Such perception of development, in hindsight, seems to be simplistic. It is at the same time extremely 'undemocratic' because it visualises concentration of development 'at the top' from which it is expected to trickle-down to the lower segments, both internally (within the society) and externally (from the advanced to the underdeveloped countries). Such contention makes communication with the lower segments redundant, and even illegitimate. Such perception gains ground because even if the mainstream development mode, propelled by classical industrialism, produced poverty in the western countries, the 'visibility' of such dispossession was very weak. In fact, the 'visibility' increased with the admirable theoretical contribution of the 'Latin American perspective' (Gunder Frank et al) which introduced the 'development of underdevelopment' thesis.

The history so scripted should not, however, lead one to undermine the significance of communication in establishing a dynamic linkage between the state and the people, from which democratic governance gets its food. Such significance is to be attributed to the fact that in matters

of common collective welfare and equitable distribution of social benefits, citizens need to interact among themselves, and with those in power, as free and open 'entity'. Citizens' communication has been described as the 'barometer of democracy'. A communication-friendly state, coupled with communicative citizenry, can develop a sense-making, meaning-generating ambience, a pluralist and sustainable interactive environment. It would let citizens nurture and develop their own opinions, ideas and attitudes, and create avenues for their expression in some way or other. In the process, the 'fibres of civil society' – voluntary associations, clubs, folk media and so on – can play a contributory role. However, at its base such interactive environment is to have spontaneous, even diffused, face-to-face discussions and debates, and even satires and gossips. Elsewhere I have stressed the vital role of face-to-face interactions as a component of informal and random channels of people-centric communication.<sup>25</sup> Satires, for instance, in various forms can make people adopt a more 'realistic' attitude by diminishing excessive awe or admiration of public figures. Gossip, on the other hand, is "a means of public transgression whereby the people are kept informed of the private actions of public personages"<sup>26</sup> At the same time, it has been pointed out that in the Indian context where the distinction between 'public' and 'private' spheres is comparatively blurred, especially vis-a-vis the west, "news or information often circulates in the form of gossip".<sup>27</sup>

In the 1960s, in a pioneering study<sup>28</sup> of the development-communication interface, Lucien Pye made us aware of the indispensable role of communication which performs an "amplifying function" by transforming the "man-sized acts" to "society-sized acts". In emphasising that a political system must provide people with a sense of identity and of fundamental membership in a larger community, Pye pointed out that a common fund of knowledge and information, directly contingent upon communicative endeavour, can lead to "sensible debates and collective actions" at a level which keeps people from being unduly naive or excessively suspicious about political motives and actions.

Thus, a healthy communication network, born out of the interactive environment described above, can prevent citizens from being, at least unknowingly, acquiescent to manipulative acts. It also, by implication, makes the state aware of the dangers of indulging in assistencialism, which

includes placation and superficial consultation, and domestication, which involves 'informing' and therapeutic acts.<sup>29</sup> One needs to be conscious of the possibilities of co-optation and aggression that remain integral part of creation and retention of the interactive environment we are referring to, but the point remains that in its absence, and the consequent absence of articulated, widespread conception of common welfare and social meaning, 'democracy' and 'development' would be branded as discriminatory processes. It is also obvious that the citizens, once they are convinced of their lack of empowerment to effect institutional decision-making, will steadily alienate themselves from the political process by which we measure consent of the governed.

That the communicative reason of the post-colonial state in India would be what it is can be attributed to the overwhelming legacy of the colonial state. The way the latter used to administer the "command of the sovereign", with the larger purpose of maintaining the colonial order (along with the specific purpose of maintaining law and order, and collection of revenues), it was quite natural that a typical one-way, vertical flow of information would be the order of the day. Ironically, the post-colonial state continued to perpetuate the 'tradition' of the colonial era. This is despite the fact that its emergence was directly linked to a freedom movement which had a fairly wide communication base.<sup>30</sup> One interesting manifestation of the post-colonial state carrying on the legacy of the colonial state can be found in some key areas of public administration, such as, the postal and telecommunication services, the railways and the police. In these services there are a number of rules and laws which, despite being enacted in the colonial era, are still in existence.<sup>31</sup> The point is all the more interesting because the Indian state, having emerged in response to an anti-colonial movement, has a strong streak of national identity attached to it. However, the shadow of the colonial state could loom large over the post colonial state because, as a noted scholar suggests,<sup>32</sup> "it was not subject to democratic pressures". Was it at the same time a question of (non)communication? Significantly enough, the same scholar mentions<sup>33</sup> the "problem of intelligibility of the political institutions of the (S)tate" that remains "at the heart of the Indian democratic system". Even such tacit and indirect acknowledgement of the vital role of communication is important considering the fact that the mainstream analyses of Indian state steer clear of the communicational dimensions

and stress overwhelmingly on institutional mechanics,<sup>34</sup> as if the two are separable.

### III

In the 1990s the Indian democracy finds itself in a sensitive and somewhat uncertain position with the gradual ascendance of the market to a position which was previously held by the state. The Indian state, like many of its counterparts in the world, is going through a 'slimming session', true to the neo-liberal dictum "slim state is a better state". In this era, when democracy is being made synonymous with liberalisation, privatisation and deregulation, for the sedimented segments of the society, which have been victims of exclusionary communication of the state till the other day, the chances of being 'uplifted' through market-induced churning process is rather remote.

The 'transactional' relations promoted by the market turn citizens into consumers who are subject to a wider and more efficient communication network. Such network, however, is constructed and administered by the consideration of maximisation of profit.<sup>35</sup> When the market enthusiasts visualise<sup>36</sup> what is known as the '20:80 society' – where the top 20 per cent of the population will be showered with wealth and power in return for their role in running the world economy, and the bottom 80 per cent will be kept in check by doses of "tittytainment", composed of food and entertainment – it becomes evident that the market, with its professed thesis of limited liability, would ensure the survival of the fittest without explaining the process by which some acquire 'fitness' and others are destined to remain 'unfit'. If that is not enough, the market-sourced development path seeks to put an end to politics by putting subtle but severe restrictions on critical debates and discussions which can question the discriminatory and inequitable nature of such course of action.

How does one relate the market-sourced communication process to the politics of depoliticisation? Before we explain in the process, it should be mentioned that the steady rise of the market generates mounting optimism among many that, with homogenisation reaching its peak in the 'global village'/'global neighbourhood' which is round the corner, 'tribalism' will soon be a thing of the past. The global spread of the market, coinciding as it does with the spectacular advance of information technology reinforced such high optimism which borders on illusion. But the belief that in the market era, the identity-differentiating factors will be eliminated

is problematic indeed. As the following observation goes:

One of the problems...is of adopting a totalising logic and assume some master process of global integration is under way which is making the world more unified and homogeneous.<sup>37</sup>

The high tide of optimism about an impending homogenised world ignores the point that the transactional relations treat the issue of 'fragmentation' as of secondary importance as long as it does not come in the way of profitable seduction – luring potential consumers with superabundance of commodity-signs, and with prolific production of commodities with a view to create a consumer culture. The market in this endeavour certainly creates a degree of homogenisation in terms of sets of practices, body of data, information and knowledge, and of course, norms and lifestyles, but it does so at a cultural level which for its operation does not necessarily require elimination of descriptive and constructed identity. In some cases, the market may also go to the extent of taking advantage of such identity to serve its own ends. Thus, for instance, when a multinational soft drink company (which incidentally describes itself as 'multilocal' in advertisements in some western countries) puts its product and Lord Jagannath side by side in a temple-town like Puri, the hoarding itself reflects a subtle attempt to appeal to the religious instincts of the potential consumers in a particular context.

To explain further, until and unless such differentiating identities reach a threshold point, a point beyond which there would be chaos (arising out of civil war, for instance) the market would leave the issues relating to politics of identity to the custody of the state which, under the present circumstances, would be happy to act in the market's favour. It is also a reason why the market-induced communication should be treated with greater caution. The market in many cases subtly communicates through the 'voice of the state', which makes its operation less transparent in a relative sense. The problem becomes all the more serious because in our 'received' knowledge we tend to treat the market and the state in binary opposition, and remain less conscious of the 'new reality' in which the state provides filip to the market.<sup>38</sup>

To refer back to the politics of depoliticisation which reveals the disastrous impact of the market-sourced communication on the sedimented segments of the society, we should highlight the deft communication managerialism of the market, by which it seeks to attain a 'divine status'. Let us

clarify the point with a couple of instances. After India's initiation to the liberalisation experiment, it has become almost impossible to question the rationale of the process itself. In the official discourse, the "market can do no wrong" idea reinforces itself in such phrases as "the fundamentals remain strong", thereby implying that even the disasters caused by the market are to be attributed to some superficial features of the market operations. A more familiar phrase is "correct value of Rupee" which justifies the successive devaluation of the Indian currency in terms of 'correctness' determined by the market. On a broader scale, the politics of depoliticisation takes firm roots in the 'bubble of consensus' which keeps debates on market reforms restricted to 'secondary' or 'subsidiary' issues like the degree and terms of withdrawal of subsidy (without raising doubts about the rationale of the withdrawal process itself) or on the number of phases of privatisation of nationalised companies (without raising questions about the rationale of the process of privatisation). In other words, a specific pattern of exclusionary communication is at work to put the liberalisation process beyond the arena of debate, as a result of which it acquires a 'sacrosanct' status. Moreover, in all the cases described above, the distributive irrationalities of the market are relegated to a zone of silence.

The continuity and commonality that mark the state- and the market-sponsored exclusionary communication results in the state losing an opportunity to democratise<sup>39</sup> its communication network in the event of the market's inability or unwillingness to do the same. Such opportunity could be availed on one major ground. The state still had the chance to take advantage of its still-large legitimacy in order to initiate a process of self-amendment. It can be argued that even during the Emergency or during demolition of the Babri masjid – the two darkest periods of Indian democracy – the discourse of resistance had not the state but the regimes that made it so repressive and repulsive, under attack. Even in many instances of assertion of identity, the challenge is more directed to the modus operandi of the state, rather than the legitimacy of the state. With certain exceptions, the general tendency of the politics of identity is to demand fair share of resources and opportunities, linked to 'our share' of the state patronage. On the other hand, the state, despite being responsible, in cases like its entente with religious revivalism, for being accommodative toward politics of identity, adopts an apparently embarrassed stance with



regard to eruptions of such politics. In relying on the bogey of 'national integration', that finds expressions in slogans like "One Nation, One Life, Unity", the official discourse, for a long time, presents an image of India which is cleansed of such 'negative developments'. In doing so, the Indian state came much closer to the erstwhile Soviet state which used to claim that ethnic, religious and other differences in the former Soviet Union had withered away. Here again, the state fails to take notice of the fact that to many citizens, such constructions in the official discourse make the discourse itself meaningless and absurd.

When the state fails to democratise its communication network, its implications for the politics of identity is all the more dangerous. In case of the failure of the state, those who could not make it in the stiff competition, could at least vent their frustration and anger against the state – the less mysterious, more familiar entity<sup>40</sup> which is at the same time more transparent than the market. With the state abdicating power in favour of the market, it is time for the 'open competition' thesis to gain ground in reality. In the market era, the life of ordinary people would be more difficult in view of the fact that in view of a new conceptualisation of 'distributive justice', measured in terms of economic efficiency and nothing else, those who fail to make it in the competition would be branded as 'laggards'. The problem for the deprived and the dispossessed will be greater because they will have to struggle against an unfamiliar and elusive market which prefers to govern by remote control.

Being a discussion of an ongoing process – the dialectics of the state and the market vis-a-vis the politics of identity – the paper lacks a conventional conclusion. However, some observations can be made in lieu of it.

First, the time has come for the 'global village' – romantics to realise that the globalisation project itself does not ensure transformation of the world into a homogeneous space in which all differential identities are levelled out. The 'new reality', mentioned at the outset, is making us aware that globalisation is linked to 'local cosmopolitanism' which questions the assumption of totalistic integration, and embodies assertions of diverse local identities. Second, the politics of identity, which in the Indian context is not to be delinked from the politics of nation-building, is to remain a reality, however 'embarrassing' it may be. It is because community mobilisation, based on assertion of constructed and ascriptive identity is

to continue, and even intensify, either as a protest or as a protective response to exclusionary practices of both the state and the market. Lastly, despite the politics of identity having its own limitations which emerge from internal weaknesses and the external forces of appropriation, it is to acquire a 'nuisance value' in the sense of being a warning to those who tend to deny that the pattern of communication has a crucial role in determining where democracy can go or cannot go.

## Notes

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- 1 Some of the categories (such as, caste and religion) are ascriptive while some (like region and ethnicity) are 'constructions'.
- 2 Here we put *communication* in quotes, keeping in mind the technicality that communication cannot be a one-way affair.
- 3 The idea that underlies it is that the national elite plays a benevolent role in developing the public sector as an integral part of the task of nation-building.
- 4 We use the term 'citizen' in a general sense, not attributing to it any technicality that is associated with it.
- 5 Ashis Nandy, 'State' in Wolfgang Sachs (ed), *The Development Dictionary*, Orient Longman, New Delhi, 1997, p 353.
- 6 Francine R Frankel, *India's Political Economy 1947-1977*, Oxford University Press, Delhi, 1978, pp 183-84.
- 7 Report of the Team for the Study of Community Projects and National Extension Service, Planning Commission, New Delhi, 1959.
- 8 Report of the Committee on Panchayati Raj Institutions, department of rural development, New Delhi, 1977.
- 9 Project on "People's Participation in Local Development: Comparative Study of Two 'Interventions' in West Bengal", UGC-Calcutta University, 1998-99.
- 10 For optimistic assessment of the panchayats in West Bengal, G K Lietaen, *Development, Devolution and Democracy: Village Discourse in West Bengal*, Sage, 1996; also, Prabhat Datta, *Major Issues in Development*, Kanishka, New Delhi, 1998. For a critical study which points to fading enthusiasm, N Mukarji and D Bandyopadhyay, *New Horizons for West Bengal Panchayats*, department of panchayat, government of West Bengal, 1994.

- 11 Writings of H P Sharma, Harry Cleaver, Cliff Wharton among others can be mentioned. Sharma, in his focus on increasing class-polarisation of the Indian peasantry caused by the green revolution, discusses the possibility of it paving the way for a Left-led revolution. Hari P Sharma, 'The Green Revolution in India: Prelude to a Red One?' in Kathleen Gough and H P Sharma (eds), *Imperialism and Revolution in South Asia*, Monthly Review Press, New York, 1973, pp 77-102.
- 12 Vandana Shiva, 'Monocultures of the Mind – Understanding the Threats to Biological and Cultural Diversity', *Indian Journal of Public Administration*, July-September, 1993, pp 237-48. Then there is Shiva's admirable work, *Violence of the Green Revolution*.
- 13 The invention of the slogan was also directly or indirectly related to several other issues, limited impact of the green revolution, increasing unemployment, electoral reverses of the Congress and factionalism in the party, Indira Gandhi's self-promotion on the basis of populism and rhetorics, debate on food aid and so on.
- 14 In an essay on 'Toward a Theory of Populism', Laclau, inspired by the Althusserian notion of "ideological interpellation", explains how populism can induce ruling classes to invent means with a view to bring into existence non-class contents on which class ideological practices operate. Ernesto Laclau, *Politics and Ideology in Marxist Theory*, Verso, London, 1987 (reprint), p 161.
- 15 For a critical review of the rehabilitation process, Michael M Cernea, 'Public Policy Responses to Development-Induced Population Displacements', *Economic and Political Weekly*, June 15, 1996, pp 1515-23.
- 16 See for instance, Smitu Kothari, 'Whose Nation Is It? The Displaced as Victims of Development', *Lokayan Bulletin*, March-April, 1995, p 8.
- 17 The process is being continued at present with powerful ministers of the union government – L K Advani, Murli Manohar Joshi and Uma Bharati among others – producing suggestions, like renaming of the Red Fort, to taking measures for making the Indian youth aware of the 'Indian culture' to introduction of sartorial codes.
- 18 P C Chatterjee, *Broadcasting in India*, Sage, New Delhi, 1991, p 106. Chatterjee, incidentally was the director-general of the AIR during the Emergency.
- 19 Such compromises were made in economic and political spheres. For discussion, Max Jean Zins, 'The Emergency 1975-77' in Zoya Hasan et al (eds), *The State, Political Processes and Identity*, Sage, New Delhi, 1989, pp 176-77.
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- 21 Sudipta Kaviraj, 'Indira Gandhi and Indian Politics', *Economic and Political Weekly*, September 20-27, 1986, p 1699.
- 22 Ashis Nandy, *At the Edge of Psychology*, Oxford University Press, Delhi, 1980, p 115.
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- 24 Such formulation, of course, has its epistemological roots in the west-centric 'idea of progress' as well as in the positivist construction of 'subject-object relationship'
- 25 Dipankar Sinha, 'Public Communication in Information Age: Time for a Requiem?', *Economic and Political Weekly*, September 17, 1997, pp 2326-29.
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- 27 Ibid
- 28 Lucien Pye, 'Introduction' in Pye (ed), *Communications and Political Development*, Princeton University Press, New Jersey, 1963, pp 3-23. Pye's approach here is utterly west-centric and functionalist. Still his observations on the communicative aspects cannot be underestimated
- 29 Shirley A White, 'The Concept of Participation: Transforming Rhetoric to Reality' in White et al (eds), *Participatory Communication: Working for Change and Development*, Sage, New Delhi, 1994, p 17.
- 30 It is well known that many leaders of the movement in their differing ways were excellent communicators. The examples of Gandhi, Nehru and Subhash Bose show how it was
- 31 Take for instance, the Indian Telegraph Act of 1885, an act which is still an important reference point for the media, including the Doordarshan
- 32 Sudipta Kaviraj notes that the democratic institutions in India did not offer scope for debate in vernaculars and in terms which could reach the ordinary citizens. See his 'The Modern State in India' in Martin Doornbos and Sudipta Kaviraj (eds), *Dynamics of State Formation: India and Europe Compared*, Sage, New Delhi, 1997, pp 232-33
- 33 Ibid, p 232
- 34 I thank T V Sathyanurthy for a stimulating discussion on the point
- 35 Even Bill Gates in his 'magnum opus' admits that the whole communication network will be geared with profits in mind. Bill Gates, *The Road Ahead*, Viking, New York, 1995, p 100
- 36 The formulation can be found in Hans Peter Martin and Harold Schumann, *The Global Trap*, Zed Books, London, 1997
- 37 Mike Featherstone, *Undoing Culture*, Sage, London, p 102
- 38 Even the *World Development Reports* have begun to stress on the 'vital role' of the state. The Report of 1997, which has 'The State in a Challenging World' as its theme, mentions how the legitimacy and power of the state can serve the state-market partnership. *Source: World Development Report 1997*, World Bank, Oxford University Press, New York, 1997
- 39 Here we are exploring a regenerated and reformed state as a possible counterpoint in the developing states to a 'unregulated' (but having 'centre' in the developed world) market
- 40 By such familiarity we mean that those who govern through the machinery of the state are more recognisable than those who govern through the market and keep the state as a 'proxy'

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# Trade, Technology and Industrialisation

## A Developing Country Perspective

Nagesh Kumar

**Trade and Industrialisation** (ed) Deepak Nayyar; Oxford University Press, Delhi, 1997; pp Xv+326, Rs 545.

THERE are two broad alternative strategies of development. One emphasises 'the virtues of openness and markets' as represented by the Washington Consensus. The Washington Consensus is used to cover the structural adjustment and stabilisation programmes administered by the two Washington-based institutions, namely, the World Bank and IMF. The other stresses the importance of protection and government intervention at least selectively in the process of industrialisation of developing countries particularly in early phases of it. Although the weight of opinion has tended to shift gradually in favour of the former, there have been 'voices of dissent'. This book coherently puts together this dissent and questions the conventional wisdom by highlighting the implicit assumptions in economic theory. The book is a collection of six essays written by eminent economists on different aspects of trade and industrialisation in the context of large developing economies like India.

In the first and introductory essay, Deepak Nayyar, the editor of this valuable volume, provides a detailed analysis of the treatment of the interrelationship between openness and industrialisation in the literature and highlights the dissent. In particular, he builds a strong case for questioning the assumptions of the Washington Consensus that emphasises on the role of markets and trade in development and frowns upon governmental intervention. Nayyar argues that the orthodoxy is rooted in micro-theoretic analytical foundations and lacks a macro-perspective. Besides, a number of assumptions are often violated such as market prices failing to reflect social costs and a country's trade being large enough to influence world prices. Role of technological capability in shaping the gains from trade is not recognised by the Washington Consensus. Globalisation has changed the context as new players, namely, large multinational enterprises (MNEs) have come to dominate technology, investment and trade in the world economy. The new

international regime for trade is highly asymmetric and favours the established players. World financial flows are controlled by international banks and financial intermediaries. The Bretton Woods institutions act as watchdogs and protect the interests of moneylenders in the international capital markets. These themes have been further elaborated in the subsequent contributions by Sen, Lall, Chandra, Singh and Chandrasekhar. Below we provide an overview of select major themes addressed by the volume to highlight the main contentions of the book.

### TRADE LIBERALISATION AND INDUSTRIALISATION

The case for free trade is not as unequivocal as it is often made out to be and deviations from free trade have indeed been accepted in the literature. For instance, the case for infant industry protection is justified because of market failures. Similarly, strategic trade theories show that in an oligopolistic market, strategic support for domestic firms can raise national welfare at the cost of trade partners. Furthermore, in his contribution Abhijit Sen argues that drawing upon new trade theories and endogenous growth theory one can show that greater integration with the world economy through trade may serve to strengthen existing patterns of technological leadership. Hence, countries with small knowledge bases may attain higher long-run growth by avoiding premature exposure to world competition. Sen also reviews the existing empirical evidence on trade liberalisation and growth. He concludes that "it can indeed be very costly to ignore exports but the literature provides little support to the claim that trade liberalisation improves economic performance". The profession-at-large too has begun to question the conventional wisdom and the evidence offered in support of it. Many of the cross-country studies on the subject have suffered from serious errors of measurement and other methodological problems, as has been shown in a recent paper by Rodrigues and

Rodrik (1999). After examining the four major and influential studies on the subject including Sachs and Warner (1995), Rodrigues and Rodrik find "little evidence that open trade policies – in the sense of lower tariff and non-tariff barriers to trade – are significantly associated with economic growth".

### TECHNOLOGICAL AND INDUSTRIAL CAPABILITY AND THE ROLE OF GOVERNMENT

The role of technological capability in shaping a country's growth performance and international competitiveness is recognised in the new growth theories and neo-technology theories respectively. While liberal access to imported technology is important, an industrialising economy must be able to follow these imports by further effort to absorb, adapt, improvise and eventually accumulate ability to innovate, at least in selected sectors. The role of government intervention is emphasised (most forcefully by Nayyar and Lall) in the area of building technological capability because of market failures as private investors are not able to capture all the returns. Market discipline does not restrain firms from repeated imports.

Governments need to play a crucial role not only in planning for technological development across sectors and time but also in the facilitation and promotion of enterprise-level technological effort. But for strategic intervention by their respective governments, the Japanese and Korean successes in automobiles and consumer electronics would not have been possible. The supportive role of the government is thus a necessary condition for the development of technological capability in late-comers to industrialisation.

In this context, one may refer to the trends of governmental intervention in the area of technology in OECD countries. Kumar and Siddharthan [1997: Chapter 2] have summarised evidence on extensive government support to R and D activities in the most advanced countries. For instance, the government accounts for 49 per cent of total R and D expenditure in France, 47 per cent in the US, 37 per cent in Germany and 34 per cent in the UK. Furthermore, governments support in all these countries also takes the form of direct subsidisation of research by business enterprises. In the US, for instance, over 28 per cent of corporate R and D expenditure was directly contributed by

the government (ibid, p 25). Besides national government support, European enterprises receive substantial R and D funding from the European Commission under the Framework Programmes which have been set up to strengthen their competitiveness in high technology industries. Rubeek (1990) has used the term 'technology race' to describe the aggressive manner in which different OECD countries compete among themselves to promote the technological competitiveness of their national enterprises.

Sanjaya Lall provides case studies of east Asian countries, India and Mexico on the patterns of governmental invention for building technological and industrial competence. These countries have followed different paths to build up capability. While in Hong Kong government invention has been of a non-selective and functional type covering provision of education and training, subsidised land, export information, technical services, etc, in Korea, the government has intervened heavily to build capabilities of its enterprises in selected sectors. The Korean government has directed subsidies and other resources to infant industries in selected industries which have received prolonged periods of protection. Besides its own heavy investments in education,

technical training and technological infrastructure, the government has forced enterprises to invest in employee training, technology absorption and R and D. Indigenous enterprises and technological capabilities were protected by restricting FDI inflows. As a result of the sustained strategic intervention by the government, Korea now has a research and manufacturing base that is able to copy, adapt and build upon state-of-the-art industrial technologies. That gives it a "competitive capability that is probably unmatched, especially in advanced manufacturing" (p 66). There is a great deal to learn from the experience of Korea in building technological capability. However, it would be much more difficult to replicate the Korean success story now in an environment of stricter international protection of intellectual property, among other developments. We revert to this later.

Nirmal Chandra also refers to India's ability to build technological capability in sectors such as petrochemicals, fertilisers, industrial machinery, telecom switching, supercomputing, etc, as vouched for by the World Bank teams, under the protected regime. These capabilities, however, have been threatened by the indiscriminate liberalisation and lack of preferential treatment. He argues the case for technological self-reliance in heavy and

technology-intensive capital goods sectors for a large developing country such as India.

Ajit Singh focuses on the role of stock markets in industrial development. He finds no evidence of deregulation of financial markets having a significant effect on the rate of savings or investment or long-term dynamic efficiency. On the other hand, financial deregulation may lead to a number of harmful effects such as speculation and short-termism.

#### FDI REGIME AND INDUSTRIALISATION

There is optimism in the ability of expanding inflows of FDI facilitated by liberalisation of investment regimes to lead to greater capital accumulation, generation of employment and sustain infrastructure investment. Besides, FDI is expected to help in transfer of technology and facilitate exports. Sen finds that none of these expectations are fulfilled without qualifications. FDI inflows are highly concentrated in a handful of economies with just the top 10 recipients accounting for nearly three-fourths of all FDI inflows received by developing countries. Recent quantitative analysis questions the ability of policy liberalisation in the poorer countries to expand the magnitude of FDI inflows [Kumar 1999 forthcoming]. Sen observes that a substantial proportion of

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FDI inflows, such as those taking place by way of privatisation, does not lead to significant creation of new capacity, technology transfer or export generation. The same applies to acquisition of local enterprises that is fast becoming an important mode of MNE entry in developing countries, including India. Furthermore, the investments that have gone into infrastructure are normally accompanied by sovereign guarantees, that is, the host governments share much of the risk in the projects. Hence, Sen argues that these investments are more akin to foreign borrowings. Finally, technology diffusion or knowledge spillovers from FDI are relatively limited in the cases of indiscriminately liberal regimes such as Hong Kong and Singapore compared to Taiwan and Korea which pursued a more restrictive and selective regime for trade and investments. Sen infers that benefits from FDI like those of trade openness do not seem to be linked strongly to a general liberalisation of trade and investment regimes. The success depends upon the ability of the economy "to generate internal growth impulses to which desirable FDI will respond" and on its ability to assimilate possible spillovers. Interestingly, a recent analysis of trends in FDI outflows in major source countries to examine the prospects for development of relatively poorer countries also reached very similar findings [Kumar et al 1998].

Similar conclusions on the role of FDI in growth are also reached by C P Chandrasekhar. He observes that the recent boom in FDI inflows is accompanied by a qualitative shift in the nature of FDI. This is because the liberal trade regime puts no pressure on MNEs to invest in productive capacity in developing countries unlike in a protected regime. In the current phase, relocation of world-market-oriented production to the most appropriate sites seems to be one of the motives for FDI. The relocated production, however, is of a footloose type and moves to other sites when the competitiveness of the existing one is eroded. Chandrasekhar reviews the literature and patterns of export-oriented FDI in Asian countries to understand the possible determinants of export-oriented FDI. A recent quantitative attempt made to analyse the determinants of export-oriented FDI by US and Japanese MNEs across a sample of 74 countries in seven branches of manufacturing found home-market-oriented and third-country-oriented export-platform investments to be governed by different factors [Kumar 1998]. This study reported that home-market-bound FDI was favoured by low

cost labour, good infrastructure and trading facilities. Geographical proximity and preferential trade relations with the home country have also helped in attracting home-market-oriented FDI. Third-country-oriented FDI, on the other hand, have been influenced more by strategic and geopolitical factors than factor costs. Countries participating in regional trading blocks have enjoyed a definite edge over others for this type of production. Third-country-oriented investments were more sensitive to openness of trade regime and quality of infrastructure. Interestingly, export obligations imposed by host governments on MNEs at the time of entry prove to be an effective means of pushing MNEs to export more from countries with relatively large domestic markets.

The book also covers FDI in R and D activity. Chandra reviews the recent literature on the globalisation of R and D activity of MNEs and wonders whether the developing world can benefit from a relocation of R and D activities of MNEs. He does not get a clear answer. The prospects for developing countries in the relocation of R and D was subject of a recent study [Kumar 1999] and it may be appropriate to summarise its main findings here. The study found that although increasing over time, R and D is still the least internationalised of MNEs' value-adding activities. The bulk of the R and D activity is still conducted in the home countries and the leading edge research in the core technologies of companies is hardly ever relocated abroad. Overseas R and D is primarily motivated to support foreign production to take advantage of cheaper R and D manpower available abroad and to benefit from competitors' R and D in other countries. The overseas R and D is highly concentrated in the technologically advanced countries and developing countries host a minor part of it. In the leading technologically-industrialised countries, such as the US, R and D expenditure of foreign-owned MNEs generally exceeds what home-based MNEs relocate abroad. Hence, they may be net recipients of the flow of overseas R and D expenditure. A few developing countries that have created considerable national institutional infrastructure for innovative activity and are endowed with cheap R and D manpower, such as India, have also attracted some R and D investments and research contracts from MNEs. But there are very few developing countries with those types of advantages. A quantitative analysis of the factors explaining the locational pattern of overseas R and D by US and Japanese MNEs tended to

corroborate the contention that only countries that are characterised by a large-scale of technological activity and abundant cheap but qualified R and D manpower are likely to play host to MNEs' overseas R and D activity. The size of the domestic market also helps in attracting R and D activity because of economies of scale involved. Policy factors, such as the strength of patent protection offered or the relative openness of the economy, are of peripheral importance, if at all. In the light of these findings the study concluded that the trend of internationalisation of R and D hardly appears to be contributing to a more even distribution of innovative activity in the world.

#### GLOBALISATION AND EMERGING ASYMMETRIES

With the liberalisation of trade and investment regimes and the opening up of capital, financial and foreign exchange markets across the world, the context for conducting economic activity has changed considerably. In this globalised world economy, Nayyar highlights in his opening chapter, large MNEs, international banks and other financial intermediaries have emerged as powerful players. Since most of these corporations originate in the industrialised countries, their governments see the convergence of their interests with those of these corporations. Hence, these governments use their clout in the multilateral institutional framework to protect their interests. This framework comprises of the WTO, World Bank and IMF.

The international trading system that has evolved with the WTO setting the rules of the game is highly asymmetric and perpetuates the interests of the industrialised countries, argues Nayyar. For instance, it seeks access to the markets of developing countries without corresponding access to technology to develop their industries. Similarly, mobility of capital is sought while restricting labour mobility. The World Bank and the IMF defend the interests of international capital by imposing conditionalities on countries seeking their assistance. These conditionalities seek to harmonise policies and institutions across countries that are consistent with globalisation.

The emerging international regime, therefore, restricts the freedom of developing countries to promote their economic interest by policy interventions. It is much more difficult to protect local industry now than earlier. The new intellectual property regime does not allow

reverse engineering and process adaptations that were the sources of much of the technological learning by Korean enterprises. The emerging international regime on investment seeks to take away the freedom of host governments to select and screen FDI proposals. The conditionalities attached to structural adjustment and stabilisation programmes include deregulation and liberalisation. Hence, strategic interventions for fostering industrialisation have become difficult.

Despite these constraints, Nayyar feels that governments still have some margin for manoeuvre. Within these margins, the state should provide conditions for 'industrial capitalism'. It should bargain with large MNEs for bringing their activities in tune with the host country's developmental goals. Finally, the state must participate actively and try to influence the process of international rules-making to make the 'playing field less uneven'.

The book thus covers a large ground. It is also timely. Against the backdrop of the Asian meltdown, questions have been raised on the virtues of economic liberalism. This book serves the useful purpose of cautioning against excessive faith in the ability of markets to deliver industrialisation and development. It would prove valuable to students and practitioners of development policy and industrialisation. A few of the essays, however, could have been made crisper for improving readability. One essay, for instance, runs into 80 pages with only five headings breaking the running text. This, however, does not diminish the value of the book and Nayyar deserves all praise for delivering it.

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# Girl Child in the Family

K A Parvathy

**Loved and Unloved** by Jasodhara Bagchi, Jaba Guha and Piyali Sengupta, STREE, Calcutta 1997, ppx xii + 212 (Distributed by Bhatkal Books International, Mumbai, Calcutta, Delhi, Pune).

NEGLECT of the girl child in India has continued even after 50 years of independence. The girl child suffers deprivation from 'womb to tomb'. A complex set of socio-economic and cultural factors deprives the girl child of its natural claim to childhood and the love and affection that she is entitled to. She is underfed, undernourished, kept illiterate and burdened with marriage and family life even before she is physically and mentally prepared to undertake such a burden. She is not only subject to neglect in the family but is also discriminated outside. The neglected girl child has been a subject of several seminal works right from the pre-independence days. But the retrogressive forces that operate within a family to perpetuate the neglect and deprivation of the girl child have not been fully explored. The book under review is a good attempt in this direction. The book is the outcome of a survey sponsored by the ministry of human resource development, government of India and carried out for the state of West Bengal by the authors working at the School of Women's Studies of the Jadavpur University. The focus of the study is the girl child in her family environment. The study is based on a primary survey of a cross-section of 600 girl children in the age group of 7-18 years (stated as 6-18 years on page 42). The study is based on the information collected from the girl child, her mother and the household.

Chapter I of the study attempts to place the Bengali girl child in the historical setting. The chapter traces the 'social construction of the girl child' through the process of social change that characterised the colonial period in Bengal. The portrayal of the status of girl child during this period reflects the anxieties of the newly emerging middle class. The status of the girl child "was articulated mostly along the lines of her legal and marital status, negotiating several religious orthodoxies to make room

for a school-going, game playing girl child" (viii). The second chapter reviews briefly the literature on the girl child that appeared after 1974. Most of the studies that appeared after 1974 had a developmental perspective, and therefore, concentrated on the deprivations of the girl child – a girl child drawn not from the dominant middle class but from the poorer deprived sections of society. What is emphasised is the threat that society poses against itself by subjecting the girl child to multiple deprivations in the family. The review points out that the neglect of the girl child could be seen as an important cause for the demographic imbalance as indicated by the secular decline in the sex ratio. The major finding of the study of Amartya Sen and Sunil Sen Gupta that girls are more undernourished if they are fed only within the family highlights the retrogressive forces that work against the girl child in the family. The review of the three representations of the girl child in three different media (cinema – drama – novel) bringing out the multiple facets of the gender-based exploitation practised in the Bengali families is unique. Most of the other studies reviewed in the chapter provide statistical information on the status of the girl children in Bengal and add to our understanding of the impact of family environment on the status of the girl child. This part of the book will be useful as a good source of reference for scholars working in the area of gender studies.

Chapter III describes the sample frame and the methodology of the study. On the basis of a four stage stratified random sampling, the study selected 600 girl child households from four villages and two urban wards in West Bengal. Two villages were selected from the relatively developed Bardhaman district and the other two villages were in underdeveloped 24 parganas. The 1981 female literacy rate was used as the main basis for the identification of the villages. From each



district, a village with a high female literacy and another with a low female literacy rate were selected as were two municipal wards from Jadavpur municipal area, one with a high female literacy rate and the other with a relatively low female literacy rate. From the selected villages and wards, 600 households were identified, using the method of systematic random sampling. From each of the 600 households, one girl child in the age group of 6-18 years was selected at random.

From the sample design, one gets the impression that the study would focus on the status of the girl child in different socio-economic contexts – the rural and the urban areas and the relatively developed and the underdeveloped villages. But the analysis of the data generated from the 600 sample households has been done at the aggregate level blurring the distinction between girl children in different regional development settings. The study does not make any effort to delineate the status of the girl child in the relatively developed districts and the less developed districts. Nor does it bring out the differences in the status of the girl child in the rural and the urban areas. More importantly, the study does not analyse the status of the girl child in different social groups like the scheduled castes, the scheduled tribes and others.

#### FAMILY ENVIRONMENT

The family environment is a critical determinant of the status of the girl child. The socio-economic status of the family, the attitudes and the aspirations of the parents in general and the mother in particular have an important bearing on the quality of life of the girl child. Chapter IV of the study is designed to assess the impact of the family environment on the girl child. The study examines the family environment of the 600 girl child households with reference to well known parameters such as the major occupation of the households, their asset and income status, housing and other living conditions such as access to drinking water, toilet facilities, electricity and cooking fuel. The nature of the family and the size of the households were also examined as a part of this chapter. The health and the educational status of the mothers, their role in familial decision-making and their attitudes and aspirations also influence the growth of the girl child. These aspects are also analysed briefly in the chapter. The major lacuna of the chapter appears to be its failure to bring out the processes through which the family environment influences the status of the girl child on the basis of

the sample. While the socio-economic characteristics of the households are analysed individually, their cumulative impact on the girl children is not traced. For example, the bulk of the sample households are agricultural/sharecropping/agricultural labour households with low and unstable incomes. The asset base of most of these households is so marginal that nearly 50 per cent of them live in kutcha houses without adequate access to basic amenities such as adequate living space, drinking water, toilet facility and electricity. The low income families cannot afford modern cooking fuels such as gas, kerosene or coal. The larger size of most of the households (76 per cent of families had up to seven members), given the limited incomes and the inadequate housing facilities, resulted in the marginalisation of the girl children. The poor health and educational status of the mother aggravated the misery of the girl children. For example, with nearly 50 per cent of the mothers being illiterate one cannot expect a very high enrolment of girls nor a drastic reduction in the drop-out ratio. Similarly, if 75 per cent of the mothers are housewives dependent on the earnings of the male members, then what kind of an attitude or outlook would they have towards the education and development of the girl children? The low educational status of the mother in turn influences her preference for the number and gender of her children, her attitudes towards the small family norm and her perceptions with regard to the future of her children. Thus, the socio-economic and cultural environment of the family influences the development of the girl child in many ways. The study fails to highlight these processes in an integrated way. On the contrary, the study examines different aspects of the family environment of the sample households in isolation.

The core of the study is presented in Chapter V entitled 'The Girl Child: Some Statistics'. Four important dimensions of the status of the girl child, viz, health, education, work status and socialisation have been analysed on the basis of aggregative sample data. Here again, each aspect is analysed in isolation without examining the impact of the underlying internal family and the external environmental factors on the status of the girl child. Secondly, the interrelationships between different aspects of the girl child are not examined either. But the study brings out certain interesting findings. For example, if the observation that more than 40 per cent of the respondent girl children had not received any kind of immunisation is correct, then it dispels the popular belief

that the left government in West Bengal is better in the delivery of basic health services. Secondly, the observation that the utility of public schools is seriously jeopardised by ineffective teaching, leakages in the supply of educational materials and poor infrastructure is equally distressing.

The other conclusions of the study concur with most of the findings of the earlier studies in this area. For example, the study observed the following with regard to the health aspects of the children: no case of amniocentesis was found in the sample mothers; about 43 per cent of the mothers were not given ATS and 44 per cent did not have any check-up during pregnancy; and inadequate breastfeeding was not a problem, but the nutritional deficiency of lactating mothers is the real problem. In respect of educational status of the girl child too the study has come to important conclusions. The major reasons responsible for non-enrolment of girl children according to the study were: poverty and the need to earn income (33 per cent of the non-enrolled girls), housework and care of siblings (22 per cent of the non-enrolled); traditional girl's role and the consequent lack of interest in the girl's education; and vices of parents. Similar reasons were identified as being responsible for the high drop-out ratio among girl children. These and the other reasons have been identified as the principal causes for the non-enrolment of girls as well as the high drop out ratio among them by several studies. The study would have done well to examine the public policy implications of these conclusions.

The analysis of the perceptions of the girl children is quite interesting. It is heartening to note that most of the girls see education as an effective instrument to come out of the shackles of the socio-economic bondage. What is more striking is that a majority of them see education as a means to personal development, gaining self-confidence, and not merely job opportunities. From the public policy perspective, this observation of the study assumes crucial importance. Greater public involvement in girls' education which could widen their horizon is a policy imperative that flows from the study. Apart from education, audio-visual media can play a significant role in changing the perceptions, the thinking and the personality of the girl child. With appropriate changes in the programme format, electronic media can bring about desired changes in the attitudes and aspirations of the girl children. The skills of the girls and their work pattern suggest that there is a

vast potential that could be exploited productively through appropriate educational interventions. This is reflected in the case studies presented in the study as well.

Chapter VI presenting the profiles of 13 girl children forms the major part of this book making up for one-third of its size. The case studies bring out clearly the different forms of discrimination faced by the girl child within the family and the environment in which she grows. They, however, being descriptive in nature do not provide an in-depth analysis of the situation and its impact. All case studies, however, bring out the established fact of "discrimination of the girl child". The chapter straightaway starts with the profiles not caring to provide an introduction to the purpose and the methodology used in the selection of the case studies. Though in the preface it has been mentioned that the case studies show the extent of influence of the mother's attitudes and status on the personality of the girl, this has not been clearly brought out. Neither does this chapter indicate the attitudinal changes over generations. On the whole, though the chapter sensitises one about the situation/status of the girl child, it does not allow one to draw generalisations.

Chapter VII presents a brief outline of three 'entry point' awareness programmes undertaken by the study team to build up rapport with the village community and to carry conviction with them. The first one was an informal literacy-cum-socialisation programme for the less fortunate boys and girls in kushtia village. The programme was very successful largely because, it was informal, flexible and interactive. The immunisation camp and the karshak sabha arranged at the less developed Phulmalancha village were equally successful because they were demand-driven and participatory in nature. The apparent success of the so-called action programmes emphasises the need for the flexible demand-driven programme which could evoke effective participation of the benefiting community.

The study is not oblivious to its limitations. The last paragraph of the book reproduced here frankly admits most of these limitations

The data collected in our survey have not been adequately utilised as yet. The analysis is fully aggregative. Even variations which may exist between different groups within the sample, such as those based on income, occupation, religion, caste, and so on, have not been worked out. A study of the girl child-to-household link, with a view to identifying the progressive and retrogressive factors that operate on the life of the girl child,

has not been carried out. Many questions remain unaddressed. All these questions cannot be analysed on the basis of present survey, but many can. The data have been collected and provide us with material for future research in relevant areas.

It is precisely these questions that need to be answered to identify the progressive and retrogressive forces that operate on the life of the girl child and to suggest suitable interventional strategies. One would only hope that the authors with the wealth of data at their disposal take up these questions for further study. The study is in fact a trend setter in several ways. It has been undertaken in the true spirit

of women's studies, an eclectic discipline. The three authors belong to three different specialities – English, Economics and Gender Studies. They apparently represent three generations – a retired professor, a professor and a research student. The book is a testimony to the successful collaborative research that transcends traditional disciplines. It has an inter-temporal dimension, too. It traces the status of the Bengali girl child through the colonial and the post-independence period, finally bringing out several existential aspects of the girl child. The book is a significant addition to the literature on women's studies.

### **Faculty Upgradation Program in Environmental Economics October 11-November 5, 1999**

**Indira Gandhi Institute of Development Research, Mumbai**

Applications are invited from faculty of universities, post-graduate departments and research institutions for a four week advanced teaching program in Environmental Economics between **11th October and 5th November, 1999** at the Indira Gandhi Institute of Development Research. This program is funded by the World Bank, Coordinated by the Madras School of Economics, Chennai, and implemented by the Ministry of Environment and Forests, Govt. of India.

#### **Eligibility:**

- i. M.A in Economics (with a minimum of 55% of marks) and/or teachers who are teaching Environmental Economics at Master's level;
- ii. At least 5 years of teaching and research experience and knowledge of quantitative techniques; and
- iii. Upper age limit is preferably 45 years (as on 1st October, 1999).

#### **Cost:**

The entire cost of selected candidates will be met by the Institute. This shall include either 1st class or 2nd AC travel by train, or bus fare, boarding and lodging and supply of course material.

#### **Application:**

Applications from the prospective participants in the program with a full Curriculum Vitae providing details about educational qualifications, teaching and research experience, institutional/University/College affiliations, etc., should reach before **3rd September, 1999** to:

Dr. B. Sudhakara Reddy  
Program Director,  
Indira Gandhi Institute of Development Research  
Gen. A K Vaidya Marg, Goregaon (East)  
Mumbai - 400 065, India.  
Ph: 022-840 0919, 20; Fax: 022-840 2752  
e-mail: bsreddy@igidr.ac.in

The application must be accompanied by

- (i) statement of 500 words on a topic in Environmental Economics which can be later developed by the candidate as a short discussion paper to be presented in a group discussion during the program; and
- (ii) information about the course(s) taught and important books prescribed and consulted during the last five years.

Dr. B. Sudhakara Reddy and  
Dr. Manoj Panda  
Program Directors



# Indian Macro-Economic Data Base in a Consistency Accounting Framework (1950-51 to 1997-98) – I

## Identifying Sectoral and Economywide Budget Constraints

M J Manohar Rao  
Archana P Samant  
Nina L Asher

*This study presents for the first time in the Indian context a consistent set of annual macro-economic data from 1950-51 to 1997-98 by integrating the national accounts statistics of the CSO with the balance of payments and the monetary data of the RBI as well as with the fiscal data of the government of India.*

*Despite certain minor problems of definitions and measurements left unresolved by this exercise, the resulting integration helped us to detect the structural changes that have occurred in the real and financial sectors of the Indian economy over the entire sample period, in general, and between the pre- and post-liberalisation phases, in particular. In such a context, we have identified many important empirical patterns and regularities, notably the existence of business cycles, the counter-cyclical nature of inflation, the cyclical variations in income distribution, the twin deficits problem, the impact of absorption on reserves, the evolution of the debt-income ratio, the relationship between real interest rates and growth, the sustainability of the fiscal stance, amongst others, which could act as theoretical guideposts for the formulation of issues in the role and conduct of macro-economic stabilisation policy.*

*In this first part, we use a consistency accounting matrix which specifies the linkages between sources and uses of funds as well as between institutional sector accounts. It is seen that the resulting framework ensures the numerical consistency of data drawn from different sources in such a way that both the sectoral budget constraints as well as the overall economywide budget constraints are simultaneously satisfied.*

Is consistency the hobgoblin of little minds?

– Ralph Waldo Emerson

### I Introduction

THE consolidated accounts of the nation presented by the Central Statistical Organisation (CSO) in their National Account Statistics (NAS) is a system of statistical statements depicting values of final products originating in different industries and those of income generated and outlays expended in the personal and private and also public sectors, which are consolidated with sources and uses of finance or accumulation accounts and closed with accounts of external transactions. Based upon this CSO data set, the Economic and Political Weekly Research Foundation (EPWRF) has since 1996 brought out annually a comprehensive publication which presents the latest available statistics on the national accounts aggregates. However, their latest study *National Accounts Statistics of India: 1950-51 to 1996-97* [EPWRF 1998] notes (p 6) that, "Incidentally, because of

the independent nature of estimates for different macro-aggregates based on separate methods and separate sources of data, the consolidated accounts of the nation presented in the NAS contain large mismatches, discrepancies or errors and omissions." As it is difficult to pinpoint the specific sources of the discrepancies, no attempt is made, either by the CSO or by the EPWRF to adjust any of the estimates to achieve balance in different accounts; and, consequently, these differences are retained as discrepancies or errors and omissions. Needless to say, these mismatches would be all the more magnified if one attempted to integrate the NAS data with the other three major specialised statistical systems, namely, balance of payments accounts, money and banking data and government finance statistics. Thus, a major, and long pending, need of the hour is to bring about harmonisation of all these four accounts and thereby promote the integration of various economic and related statistics.

In such a context, an attempt is made in this study to present a comprehensive and consistent set of macro-economic data

for the Indian economy integrating the national accounts statistics of the CSO with the balance of payments and monetary data of the Reserve Bank of India (RBI) as well as with the fiscal data pertaining to budget financing operations of the Ministry of Finance (MoF), Government of India, for the 48-year period from 1950-51 to 1997-98 (with efforts being made to preserve continuity in the later estimates in view of the recent base change and methodological revision announced by the CSO). This is done by specifying an alternative system of presenting the data generated in the national and related accounts in the form of a consistency accounting framework which is a flexible way of rearranging the data in a matrix form elaborating the linkages between sources and uses of funds as well as between institutional sector accounts. Such an accounting framework seeks to ensure the numerical consistency of data drawn from different sources in a way that the sectoral budget constraints are simultaneously satisfied for all the participants of the economy implying that the overall economywide budget constraints are also observed.

This study initially discusses the elements of such a consistency accounting macro-economic framework based on five principal accounts, i.e., national accounts, government sector accounts, private sector accounts, external sector accounts and monetary sector accounts, which are then integrated through a matrix of income, expenditure, savings, and asset and liability accumulation. The matrix describes the sources and uses of funds for these five sectors wherein the equality of sources and uses of funds (as distinguished between current and capital accounts) is emphasised. The methodology for estimating the individual elements of such a consistency accounting matrix for the Indian economy is then discussed and a comprehensive and consistent macro-economic database for the years 1950-51 to 1997-98 is provided. In line with the inter-linkages between these four systems, the statistical statements presented in the study cover the following broad six time-series data sets: consolidated accounts of the nation encompassing expenditure on gross domestic product (GDP) – as per the Keynesian macro-economic identities – and the relationship between national income and other key macro-economic aggregates, appropriation of national and private sector disposable income, the capital finance account and the financial sources for gross accumulation, financing of government budgetary operations, consolidated BOP accounts comprising current and capital account transactions, and the balance sheet of the consolidated banking system.

While the integrated system accepts most the official series as given, the use of such a consistency framework implies that the 'Errors and Omissions' – which, as noted earlier, are invariably used in standard practice to balance and reconcile the various macro-economic identities – are precisely apportioned between certain aggregates thereby treating them as residual items. It needs to be noted that the basis of our conceptual framework lies almost squarely within the UN-SNA, i.e., the United Nations System of National Accounts (United Nations 1968), except for certain deviations which are primarily due to marginal methodological differences. Suffice it to say, despite these and certain other minor problems of definitions and measurements left unresolved by this exercise, the success achieved by us, at times with some compromises on the purity of concepts and theories, in integrating the basic time-series on national accounts with related aggregates should help to depict the growth of, both

the real and financial sectors of the Indian economy, as also its structural changes, over the years. In such a context, the identification of certain empirical patterns and (ir)regularities could facilitate translation of certain important theoretical constructs on structural adjustment problems into various policy relevant solutions and interrelationships.

## II

### Need for Consistency

Because consistency is often tedious to enforce, it is important to remember for what purpose it is required in macro-economics. Consistency is simply the requirement that budget constraints be observed for all participants of the economy. Budget constraints appear at the economy-wide level in the form of four familiar macro-economic identities, viz., the national accounts identity, the fiscal identity, the balance of payments identity and the monetary sector identity. A basic consistency framework requires that all these four identities – as well as the private sector budget constraint – be simultaneously satisfied. If one or more of the identities is left out of an economic projection, the implicit values for the components of the missing identity may take unrealistic values. Even if all identities are included, they may be satisfied in an inconsistent way. For example, as is often the case, one estimate of the change in foreign exchange reserves might be used in the balance of payments identity while a completely different one might be used for the monetary sector identity.

Consider the following hypothetical, albeit relevant, example which illustrates the consistency problems that are likely to arise if an integrated framework is not used. Suppose that the Planning Commission envisages an increase in the real growth rate from 5 per cent to 7 per cent over a five-year planning horizon, without any reliance on foreign capital inflows. To support this increase in growth, the investment rate is projected to increase from 25 per cent to 35 per cent of GDP, thereby assuming that the incremental capital output ratio (ICOR) remains unchanged at 5; and in order to preempt crowding out, both public investment and public consumption are expected to stay constant at their existing levels of 10 per cent and 15 per cent of GDP, respectively. At the same time, the Ministry of Finance projects that the fiscal deficit of 6 per cent of GDP is gradually reduced to zero over the plan, financed entirely by taxes; while the CAD is reduced from 2 per cent to

1 per cent of GDP. Finally, in such a context, the RBI intends to hold the annual inflation rate constant at 6 per cent over the plan.

While the above projections are certainly consistent, they are entirely unfeasible because they imply unrealistic private sector behaviour. The private investment rate must increase from 15 per cent to 25 per cent of GDP, since total investment is increasing while public investment is remaining constant. To finance the higher investment with the lower current account deficit, private savings must increase from 19 per cent to 24 per cent of GDP, while public savings must increase from 4 per cent to 10 per cent of GDP. However, as the higher public savings is financed by increasing taxes, this will decrease private disposable income from 81 per cent to 75 per cent of GDP. Thus, private savings as a per cent of private disposable income will have to increase from an average rate of 23.5 per cent to 32 per cent. Given the growth and inflation projections, this would imply a staggering marginal propensity to save of almost 44 per cent over the plan. It is difficult to conceive of any reasonable policy measures that would elicit such a powerful response in private savings.<sup>1</sup>

These values of savings and investment also have implausible implications for financial aggregates. Supposing that 60 per cent of private savings goes into financial asset accumulation; and also assuming that the income velocity of money and the interest rate remain constant at their existing levels of 1.5 and 10 per cent, respectively. Then the resulting increase in savings and money growth rates would imply that government borrowings would have to be stepped up from 4 to 5.7 per cent of GDP. The initial ratio of financial assets to GDP which is 100 per cent, being the steady state value consistent with the initial savings and growth rates, would rise to 107 per cent, implying that the debt-GDP ratio would increase from 33 to 40 per cent. This, in conjunction with the given interest rate, would imply that the initial primary deficit of 2.7 per cent of GDP would need to be converted into a primary surplus of 4 per cent. Since the public deficit is being reduced, the implications for credit allocation would be equally strong. Over the plan, the ratio of private sector credit to GDP would more than double from 7.4 to 15.4 per cent of GDP; while that of the public sector would decrease from 2 per cent of GDP to -5.7 per cent, implying that the latter would end up by being a net creditor to the banking system.<sup>2</sup>

TABLE 1 CONSISTENCY ACCOUNTING MATRIX

Sources (Across and Uses (Down))	Current Account of					Capital Account of					Total
	(C1) National Accounts	(C2) Government Sector	(C3) Private Sector	(C4) External Sector	(C5) Monetary Sector	(C6) Government Sector	(C7) Private Sector	(C8) External Sector	(C9) Monetary Sector	(C10) Total Investment	
National Accounts (R1)		Government Consumption (Cg)	Private Consumption (Cp)	Exports of goods and services (X)		Gross Govt Investment (Ig) or ( $\delta K_g$ )	Gross Private Investment (Ip) or ( $\delta K_p$ )			Total Investment (Gross) (I) or ( $\delta K$ )	GDP at market prices plus Imports (Ymp+Z) = Cg + Cp + X + Ig + Ip + Z
Government Sector (R2)	Net Operating Surp of G plus Dep <sub>g</sub> plus Indirect Taxes less Subs [OSg + Dg + (Ti-Sb)]		Direct Taxes (Td)	Net Transfers from E to G (NTReg)							Total Government Revenue = (Yg) = OSg + Dg + (Ti - Sb) + Td + NTReg
Private Sector (R3)	Wages plus Net Profit accruing to P plus Dep <sub>p</sub> [(W + $\pi$ ) + Dp]	Net G transfers to P & Interest on Dom Debt [NTRep + NFPep]		Net transfers and factors payments from E to P [NTRep + NFPep]							Total Pvt Sector Income (Yp) = (w + $\pi$ ) + Dp + NTRep + INTep + NTRep + NFPep
External Sector (R4)	Imports of goods and services (Z)	Inv inc of E from G including interest payment (INVge)	Inv inc of E from P including interest payment (INVpe)								Current Expenditure or Payments (Abroad) = INVge + INVpe + Z
Monetary Sector (R5)											
Savings and Borrowings of											
Government Sector (R6)		Gross Government Savings (Sg)					Net change in G borrowings from P ( $\delta B$ )	Net change in Foreign borrow- ings of G ( $\delta F_g$ )	Change in Domestic Credit to G ( $\delta DC_g$ )		Govt Savings plus $\delta$ Govt Borrowings = Sg + $\delta DC_g$ + $\delta B$ + $\delta F_g$
Private Sector (R7)			Gross Private Savings (Sp)					Net change in E borrowing of P ( $\delta F_p$ )	Change in Dom Credit to P ( $\delta DC_p$ )		Pvt Savings plus $\delta$ Pvt Borrowings = Sp + $\delta DC_p$ + $\delta F_p$
External Sector (R8)				E Savings or CAD of the Domestic Economy					Change in Foreign Exchange Reserves ( $\delta R^*$ )		External Savings plus $\delta$ Reserves = CAD + $\delta R^*$
Monetary Sector (R9)						Change in Broad Money plus other liabilities ( $\delta M$ )					$\delta$ Domestic Liabilities of the Monetary Sector = $\delta M$
Total Savings (Sum of 4 Rows) (R10)		Gross Government Savings (Sg)	Gross Private Savings (Sp)	Current Account Deficit (CAD)							Domestic plus Foreign Savings = Sg + Sp + CAD
Total	GDP at Market Prices + Imports = Ymp + Z = OSg + Dg + (Ti-Sb) + (W + $\pi$ ) + Dp + Z	Total Govt Current Uses = CEXPg + Sg = Cg + NTRep + INTep + INVge + Sg	Total Pvt Current Uses = CEXPp + Sp = Cp + Td + INVpe + Sp	Total Current Foreign Exg Receipts X + NTRep + NFPep + CAD		Government Investment = Ig	$\delta$ Assets of Pvt Sector = Ip + $\delta B$ + $\delta M$	Change in Foreign Borrowings = ( $\delta F$ ) = ( $\delta F_g$ + $\delta F_p$ )	$\delta$ Assets of Monetary System = ( $\delta DC_g$ + $\delta DC_p$ + $\delta R^*$ )	Total Investment (Net of $\delta K$ ) = Ig + Ip	

Notes: (1) G, P and E refer to Government Sector, Private Sector and External Sector respectively

(2) The ' $\delta$ ' preceding any variable indicates a one period change in that variable, i.e.  $\delta DC = DC_t - DC_{t-1}$

While such an outcome is not mathematically impossible, it is very unlikely that the set of policy actions, private sector responses and external conditions would all be sufficiently strong to generate these results in any country. What initially seemed like a reasonably feasible projection becomes highly unlikely when it is analysed in a consistency framework. Thus, while a consistency framework is not in itself a model such as could be used to make projections, by providing a generic check on any projection done by an explicit or implicit behavioural model, it can be used as the foundation for the construction of a model.

### III Elements of a Consistency Accounting Framework

From the viewpoint of an economy or an economic agent, production, income and expenditure (or savings) are linked together by three basic relationships: between production and income, between income and expenditure, and between savings and asset acquisition. These three notions are linked since budget constraints must be adhered to by all sectors (or agents) in the economy. This implies that for any sector, income from production plus net transfers is equal to the acquisition of physical and financial assets. For the economy as a whole, the value of production must equal the value of income generated. These concepts are briefly explained below.

For any producing unit, the value of production must be equal to the value of income that the unit generates. A similar argument holds for the macro-economy as a whole: the value of domestic production must be equal to the value of income – excluding transfers – that is domestically generated. This income, however, may accrue to either resident economic agents or to foreign residents. Similarly, domestic economic agents may receive factor payments from abroad. Income accruing to nationals or national income therefore equals gross domestic product less factor payments from abroad.

For any economic agent, income earned (regardless of whether the source is domestic or foreign) plus transfers received finance expenditure. Income plus transfers, however, need not be equal to expenditure. Savings, which may be positive or negative is the balancing item. The basic relationship linking income and expenditure is therefore as follows: for any economic agent, income plus transfers must be equal to expenditure plus savings.

TABLE 2: METHODOLOGY FOR ESTIMATING A SET OF CONSISTENT MACRO-ECONOMIC DATA FOR THE INDIAN ECONOMY

Step	Cell	Variable	Components	Source(s)	Comments
1	R2C1	$Ymp_g =$	$OS_g$ $+ D_g$ $+ Tl$  $- Sb$	CSO, EPWRF:24[Item 2.1] EPWRF:4A [Col 14] EPWRF:2 [Col 9], QE:9 [Item B.10] EPWRF:2 [Col 10], QE:9 [Item A.3]	See Appendix I
2	R2C3	$Td =$	$Td_c$ $+ Td_h$ $+ MR$	EPWRF:2 [Col 23] EPWRF:2 [Col 25] EPWRF:2 [Col 26], QE:9 [Item B.11]	
3	R2C4	$NTR_{cg}$		RBI:1 [Item II7(i)], CF:BOP [Item A:II b(vi)]	
4		$Y_g = Ymp_g + Td + NTR_{cg}$			Total of Row 2
5	R3C2	$NP_{gp} =$	$NTR_{gp}$  $+ INT_{gp}$	EPWRF:2 [Col 19], QE:9 [Item A.4] EPWRF:2 [Col 17], QE:9 [Item A.2]	
6	R4C2	$INV_{gc}$		RBI:10 3	See Appendix II
7	R6C2	$S_g$		EPWRF:4A [Col 13]	
8	R1C2	$C_p =$	$Y_g - NP_{gp} - INV_{gc} - S_g$		Derived residually
9	R3C1	$Yfc_p =$	$(W + \Pi)_{gp}$	$(NYfc - OS_g)$	Derived residually
10	R3C4	$NER_{cp} =$	$+ D_p$ $+ NTR_{cp}$  $+ NFP_{cp}$	EPWRF:4A [Cols. 8 + 11] RBI:1 [Item 7(ii)], CF:BOP [Item A:II b(vii)] RBI:10 5	See Appendix III
11		$Y_p = Yfc_p + NP_{gp} + NER_{cp}$			Total of Row 3
12	R4C3	$INV_{pc}$		RBI:10 3	See Appendix I:
13	R7C3	$S_p =$	$S_{ph}$ $+ S_{pc}$	EPWRF:4A [Col 7] EPWRF:4A [Col 10]	
14	R1C3	$C_p =$	$Y_p - T_d - INV_{pc} - S_p$		Derived residually
15	R4C1	$Z_p =$		RBI:1, CF:BOP	See footnote (i)
16		$CEA = Z + INV_{gc} + INV_{pc}$			Total of Row 4
17	R1C4	$X$		RBI:1 and CF:BOP	See footnote (i)
18	R8C4	$CAD =$	$CEA - X - NTR_{cg}$	$- NER_{cp}$	See footnote (ii)
19	R8C5	$\Delta R^* =$	$\Delta R$  $+ (IMF + SDR)$	RBI:1 [Item H], CF:BOP [Item E(ii)], RBI:18 [Item 9 and 11], CF:BOP [Item E(i)] RBI:18 [Item 7], CF:BOP [Item 2 (a)]	
20	R6C8	$\Delta F_g =$			
21	R7C8	$\Delta F_p =$	$CAD + \Delta R^* - \Delta F_g$		Derived residually
22	R6C9	$\Delta DC_g$		IEJ, CF:MS	
23	R7C9	$\Delta DC_p$		IEJ, CF:MS	
24	R9C7	$\Delta M =$	$\Delta DC_g + \Delta DC_p + \Delta R^*$		See footnote (iii)
25	R6C7	$\Delta B =$		PG:3 5, CF:Borr	See Appendix IV
26	R1C6	$I_g =$	$S_g + \Delta F_g + \Delta DC_g + \Delta B$		See footnote (iv)
27	R1C7	$I_p =$	$S_p + \Delta F_p + \Delta DC_p - \Delta B - \Delta M$		Derived residually

Notes: (i) Data on imports (exports) of goods and services were computed by adding up debits (credits) on the merchandise and invisibles accounts excluding, in the process, investment income, external transfers and payments (receipts) for professional and technical services (See Appendix III for details on estimation of payments (receipts) for professional and technical services).

(ii) It was seen that the values of CAD thus computed matched exactly with those reported by the RBI

(iii) It needs to be noted that these estimates of  $\Delta M$  differ from those reported by the RBI in two very important respects: (a) They absorb changes in total liabilities (i.e., government currency liabilities and net non-monetary liabilities) and therefore indicate the total change in broad money supply inclusive of other liabilities; and (b) They reflect the change in foreign exchange reserves as derived from the BOP constraint, i.e.,  $\Delta R^*$ , and not the change in net foreign exchange assets (NFEA), which also include valuation changes, as is done in the balance sheet of the banking system. These two methodological changes are vital as it is the only way to preserve the link between the external and monetary sectors without which it is not possible to ensure overall macro-economic accounting consistency. However, it is seen that, despite these revisions, there is not much difference between our estimates of  $\Delta M$  and the corresponding RBI estimates, although they do differ considerably in level terms.

(iv) This method was used to compute  $I_g$  only upto 1989-90. The methodology used to compute  $I_p$  for the subsequent period has been discussed in Appendix IV.

A third basic relationship links savings and asset acquisition: for any economic agent, savings plus borrowings must equal asset acquisition. These assets may either be physical assets (excluding consumer durables) or financial assets. There is no presumption about savings or borrowings being positive or negative. Specifically, either or both can be negative, and the relationship will still hold.

The ensuing framework is based on five accounts corresponding roughly to the macro-economic identities mentioned above. These five accounts are: (1) national, (2) government sector, (3) non-financial private sector, (4) balance of payments, and (5) monetary system. These would be

the minimum elements of a consistency framework.

The government is defined as the general government, thereby comprising all levels of government (central, state, district and local) as well as public corporations funded through the government budget. The non-government (private) sector includes the household sector as well as the private corporate sector. The monetary system includes, both the central bank and all other scheduled commercial banks, as well as private savings banks and other public savings institutions. The external sector includes all transactions of non-residents with residents and the consolidated accounts of this sector thus become an

abbreviated balance of payments (BOP) account.

Given such a sectoral classification, the accounts can be presented in two ways. One can either present them as individual accounts or integrate them through a matrix of income, expenditure, saving, and asset and liability accumulation. Although the individual accounts give a comprehensive presentation of the flows in a consistent framework, it is helpful to integrate the accounts so that they are mutually consistent. For this, a useful device is a matrix of sources and uses for the four sectors plus the national accounts. The matrix can be seen as a combination of a flow-of-funds (FOF) matrix and a social account-

TABLE 3: CONSISTENT MACRO-ECONOMIC STATISTICS FOR THE INDIAN ECONOMY (1950-51 TO 1996-97)

Year	OS <sub>g</sub> (1)	D <sub>g</sub> (2)	Yfc <sub>g</sub> (3) (1+2)	T <sub>i</sub> (4)	Sb (5)	(T <sub>i</sub> -Sb) (6) (4-5)	Ym <sub>g</sub> (7) (3+6)	Td <sub>c</sub> (8)	Td <sub>h</sub> (9)	MR (10)	Td (11) (8+9+10)	NTR <sub>cg</sub> (12) (7+11+12)	Y <sub>f</sub> (13) (7+11+12)	NTR <sub>gp</sub> (14)	INT <sub>gp</sub> (15)	NP <sub>gp</sub> (16) (14+15)
1950-51	100	112	212	428	41	387	599	39	192	48	279	2	880	59	37	96
1951-52	105	120	225	531	45	486	711	41	202	43	286	5	1002	59	37	96
1952-53	106	127	233	461	36	425	658	44	204	38	286	11	955	71	37	108
1953-54	114	133	247	473	15	458	705	41	199	42	282	19	1006	76	40	116
1954-55	109	142	251	523	13	510	761	37	200	43	280	22	1063	91	39	130
1955-56	119	158	277	558	17	541	818	37	218	64	319	52	1189	126	46	172
1956-57	143	181	324	646	29	617	941	51	242	65	358	37	1336	142	46	188
1957-58	152	206	358	789	50	739	1097	56	267	49	372	33	1502	150	58	208
1958-59	169	231	400	817	49	768	1168	54	282	59	395	36	1599	160	69	229
1959-60	175	261	436	914	55	859	1295	107	264	61	432	38	1765	189	100	289
1960-61	167	298	465	1040	93	947	1412	111	309	61	481	45	1938	166	59	225
1961-62	200	341	541	1190	110	1080	1621	157	310	71	538	46	2205	191	72	263
1962-63	242	394	636	1408	144	1264	1900	221	353	84	658	77	2635	192	106	298
1963-64	306	457	763	1714	148	1566	2329	274	433	94	801	83	3213	201	116	317
1964-65	302	539	841	1931	147	1784	2625	313	450	109	872	142	3639	226	125	351
1965-66	358	630	988	2273	191	2082	3070	305	470	83	858	92	4020	266	175	441
1966-67	380	729	1109	2594	412	2182	3291	331	501	83	915	108	4314	311	233	544
1967-68	398	817	1215	2778	355	2423	3638	311	548	91	950	70	4658	357	243	600
1968-69	501	896	1397	3013	282	2731	4128	300	610	111	1021	107	5256	431	210	641
1969-70	572	989	1561	3353	294	3059	4620	353	690	129	1172	68	5860	492	252	744
1970-71	633	1120	1753	3864	409	3455	5208	370	721	162	1253	122	6583	578	216	794
1971-72	718	1256	1974	4515	506	4009	5983	472	803	271	1546	116	7645	728	269	997
1972-73	761	1426	2187	5175	643	4532	6719	555	912	146	1613	8	8340	945	347	1292
1973-74	793	1689	2482	5876	823	5053	7535	583	1070	150	1803	1750	11088	909	477	1386
1974-75	1135	2113	3248	7515	1319	6196	9444	709	1259	196	2164	138	11746	1150	340	1490
1975-76	1525	2465	3990	8834	1274	7560	11550	862	1781	197	2840	478	14868	1350	491	1841
1976-77	2307	2727	5034	9926	1568	8358	13392	984	1792	246	3022	383	16797	1547	601	2148
1977-78	2456	3054	5510	10689	1973	8716	14226	1221	1657	239	3117	382	17725	1762	697	2459
1978-79	2689	3446	6135	12735	2425	10310	16445	1251	1806	282	3339	532	20316	2005	934	2939
1979-80	3067	4173	7240	14709	2795	11914	19154	1392	1995	282	3669	495	23318	2392	1008	3400
1980-81	3256	4895	8151	16746	3160	13586	21737	1378	2197	303	3878	592	26207	2835	1524	4359
1981-82	4611	5858	10469	20089	3545	16544	27013	1970	2491	389	4850	448	32311	3370	1911	5281
1982-83	6428	6980	13408	22985	4248	18737	32145	2185	2650	479	5314	380	37839	4008	2713	6721
1983-84	7249	8056	15305	26471	5605	20866	36171	2493	2862	506	5861	392	42424	4640	3739	8379
1984-85	8288	9408	17696	30640	7830	22810	40506	2556	3250	900	6705	574	47786	5733	5008	10741
1985-86	10257	11388	21645	36987	8543	28444	50089	2865	3709	1267	7841	427	58357	6994	6115	13109
1986-87	13555	13098	26653	42714	9795	32919	59572	3160	4168	1183	8511	525	68608	8697	7592	16289
1987-88	14306	14928	29234	49847	11497	38350	67584	3433	4568	1202	9203	532	77319	9973	9678	19651
1988-89	17963	17553	35516	57430	14354	43076	78592	4407	5989	1642	12038	724	91354	12077	11817	23894
1989-90	20495	20864	41359	66749	18590	48159	89518	4729	7159	1971	13859	897	104274	14048	15667	29715
1990-91	24942	23750	48692	76329	18609	57720	106412	5335	7593	2097	15025	827	122264	15641	20233	35874
1991-92	34100	28773	62873	86661	22630	64031	126904	7853	9618	2131	19602	1140	147646	17317	26258	43575
1992-93	38132	33071	71203	95596	20450	75146	146349	8898	11717	3318	23933	1053	171335	19978	30387	50365
1993-94	53062	36454	89516	101126	23251	77875	167391	10060	12925	4362	27347	1155	195893	22641	35783	58424
1994-95	63317	41949	105266	121067	26633	94434	199700	13822	16384	8206	38412	1309	239421	31614	44902	76516
1995-96	65013	47924	112937	142400	27675	114725	227662	16476	20918	7179	44573	1173	273408	35620	49354	84974
1996-97	82340	53477	135817	162666	38076	124590	260407	18812	24071	5409	48792	1457	310156	37241	58249	95490

ing matrix (SAM). The FOF methodology emphasises the equality of sources and uses of funds, distinguished between the current and capital accounts; while the SAM approach presents the standard macro-economic identities (savings-investment and income-expenditure) in a form that shows the participation of each economic sector in the economy. The SAM was traditionally used for analysis of the real economy, as in computable general equilibrium models, and thus covered only real variables. However, it was extended by Easterly (1989) to include real and financial interactions as well.

The consistency matrix has the advantage that it captures the essence of both

the SAM and FOF approaches. The matrix, which is presented in Table 1, has the appealing feature that the row sums must be equal to the sum of the corresponding columns. This allows us to verify that the accounts are consistent. Like the SAM, it also presents the main macro-economic identities in a transparent way. Thus the first row is the conventional GDP identity from the expenditure side, while the first column is the GDP identity from the income side. The 10th row and 10th column provides the savings-investment identity. As in the FOF approach, the matrix stresses the identity of sources and uses, distinguishing between the current and capital accounts.

The upper left-hand 5x5 corner of the matrix presents the current account transactions of each of the five sectors. The remainder of the matrix records the capital account transactions for each sector. The connecting link between the two is the saving of each sector, shown as a 5x5 matrix in the lower left-hand side of the overall matrix. Thus, the first part of the matrix records the identity of current sources and uses, where the latter includes savings. The second part of the matrix, i.e., the lower half and the right half and their intersection, shows the financing identity of each sector, with their borrowing shown across the row and their asset accumulation down the column. This is the identity

TABLE 3 (Continued)

Year	INV <sub>pc</sub> (17)	S <sub>g</sub> (18)	C <sub>g</sub> (19) (13-16-17-18)	(W+I) (20)	D <sub>p</sub> (21)	Yfc <sub>p</sub> (22) (20+21)	NTR <sub>cp</sub> (23)	NFP <sub>cp</sub> (24)	NER <sub>cp</sub> (25) (23+24)	Y <sub>p</sub> (26) (22+16+25)	INV <sub>pc</sub> (27)	S <sub>ph</sub> (28)	S <sub>pc</sub> (29)	S <sub>p</sub> (30) (28+29)	C <sub>p</sub> (31) (26-11-27-30)	Z (32)
1950-51	-1	168	617	8515	252	8767	35	-3	32	8895	26	718	89	807	7783	707
1951-52	-5	252	659	8964	291	9255	42	-3	39	9390	23	621	132	753	8328	1034
1952-53	-9	145	711	8801	315	9116	46	-2	44	9268	18	601	60	661	8303	699
1953-54	-9	127	772	9601	332	9933	40	-2	38	10087	12	709	86	795	8998	649
1954-55	-12	151	794	8943	369	9312	34	-2	32	9474	17	789	114	903	8274	746
1955-56	-16	172	861	9052	388	9440	37	-3	34	9646	16	1128	130	1258	8053	835
1956-57	-22	231	939	10846	430	11276	48	-5	43	11507	14	1217	151	1368	9767	1169
1957-58	-12	245	1061	11045	456	11501	46	-4	42	11751	17	1008	117	1125	10237	1299
1958-59	0	227	1143	12325	541	12866	41	-4	37	13132	20	1046	136	1182	11535	1099
1959-60	8	236	1232	12917	581	13498	40	-5	35	13822	25	1349	180	1529	11836	1003
1960-61	17	425	1271	14147	642	14789	28	-5	23	15037	31	1362	276	1638	12887	1199
1961-62	35	494	1413	14844	712	15556	25	-9	16	15835	33	1284	315	1599	13665	1102
1962-63	47	566	1724	15813	763	16576	26	-13	13	16887	37	1572	338	1910	14282	1198
1963-64	55	709	2132	18064	844	18908	34	-10	24	19249	37	1730	387	2117	16294	1348
1964-65	69	817	2402	21216	924	22140	26	-11	15	22506	39	1937	381	2318	19277	1515
1965-66	86	809	2684	22053	1022	23075	63	-12	51	23567	58	2586	396	2982	19689	1463
1966-67	132	668	2970	25065	1215	26280	53	-14	39	26863	61	3432	414	3846	22041	2123
1967-68	149	667	3242	29605	1367	30972	53	-16	37	31609	61	3431	399	3830	26768	2217
1968-69	157	858	3600	31065	1481	32546	75	-7	68	33255	75	3412	427	3839	28320	1954
1969-70	156	1033	3927	34120	1647	35767	84	-7	77	36588	90	4475	536	5011	30315	1754
1970-71	152	1253	4384	36153	1801	37955	88	-2	86	38835	102	4873	657	5530	31950	2026
1971-72	165	1278	5205	38290	1984	40274	104	-4	100	41371	104	5477	753	6230	33491	2253
1972-73	188	1332	5528	42051	2235	44286	99	-5	94	45672	109	5713	788	6501	37449	2358
1973-74	195	1807	7700	51894	2578	54472	146	-10	136	55994	123	8562	1063	9625	44443	3099
1974-75	107	2676	7473	60446	3345	63791	229	-9	220	65501	141	8610	1440	10050	53146	4763
1975-76	120	3339	9568	63353	3858	67211	441	-9	432	69484	104	10534	1055	11589	54951	5797
1976-77	61	4185	10403	67449	4053	71502	755	-19	736	74386	128	12698	1147	13845	57391	6045
1977-78	49	5108	11049	77526	4315	81841	1102	-43	1059	85359	162	14686	1376	16062	66018	6584
1978-79	-69	4780	12666	82765	4980	87745	1093	-50	1043	91727	196	17747	1611	19358	68834	8484
1979-80	-274	4967	15225	89104	6098	95202	1754	-12	1742	100344	185	17379	2352	19731	76759	10752
1980-81	-458	4654	17652	107084	7192	114276	2125	-28	2097	120732	202	21848	2284	24132	92520	14032
1981-82	-325	7254	20101	124146	8601	132747	2066	-18	2048	140076	135	21847	2496	24343	110748	15747
1982-83	104	7822	23192	136081	9906	145987	2417	-62	2355	155063	219	23044	2908	25952	123578	17599
1983-84	302	6781	26962	160245	11173	171418	2638	-62	2576	182373	242	29341	3172	32513	143757	19282
1984-85	316	6526	30203	178154	12683	190837	2967	-100	2867	204445	680	31705	3947	35652	161407	21361
1985-86	423	8457	36368	197305	14849	212154	2701	-97	2604	227867	527	38158	5318	43476	176023	23652
1986-87	747	8002	43570	216652	16725	233377	2976	-169	2807	252473	503	41587	5212	46799	196660	25331
1987-88	1025	7223	49420	247204	18413	265617	3498	-368	3130	288398	709	56618	5790	62408	216078	29233
1988-89	1593	8101	57766	295822	21368	317190	3842	-357	3485	344569	885	68248	8319	76567	255079	38479
1989-90	2277	7423	64859	342521	24782	367303	3798	-231	3567	400585	1039	83297	11650	94947	290740	46163
1990-91	2501	5436	78453	400677	28445	429122	3711	-246	3465	468461	4231	109623	14940	124563	324642	56174
1991-92	4002	11888	88181	455589	34306	489895	9381	-169	9212	542682	5395	109359	20004	129363	388322	60345
1992-93	4905	10765	105300	519694	39875	559569	11226	-312	10914	620848	5598	124825	19635	144460	446857	82673
1993-94	5008	4557	127904	598260	45098	643358	16514	-1172	15342	717124	5250	149673	29480	179153	505374	97426
1994-95	4036	17191	141378	709363	53390	762753	25417	-1021	24396	863665	6736	195403	34193	229596	588921	128825
1995-96	3607	25195	159632	829687	63662	893349	28660	-1202	27458	1005781	7109	210417	47391	257808	696291	170488
1996-97	3924	24728	186014	939693	73705	1013398	43968	-1095	42873	1151761	7845	259543	49545	309088	786536	196316

(Contd)

of capital sources and uses, with savings again as the balancing item.

Since the row sums must equal column sums in this matrix, this implies that investment plus financial asset accumulation must equal savings plus financial liability accumulation. This is another form of the familiar identity which states that saving minus investment equals net financial asset accumulation for each sector.

#### CURRENT ACCOUNT TRANSACTIONS

In Table 1, the first row and the first column (the national accounts) depict the production account of the economy. As presented, the national accounts group the

activities of all producing units together. Thus, they include the production of all incorporated enterprises (including financial institutions), unincorporated enterprises, producers of government services, and production by households, regardless of the type of good or service produced. Across row 1, the table describes how goods and services that are produced domestically (Ymp) or imported (Z) in the current production period are disposed of between government consumption ( $C_g$ ), private consumption ( $C_p$ ), exports (X), and gross investment of the government and private sectors ( $I_g$  and  $I_p$ , respectively), the last two representing the acquisition of physical assets as distinct from the

acquisition of financial instruments. Here Ymp represents gross domestic product (GDP) at current market prices. Column 1 breaks down this value of current domestic production at market prices by identifying the types of incomes that are generated through the sale (plus own consumption) of domestic production. These incomes are in the form of the net operating surplus of the public sector ( $OS_g$ ), depreciation of capital engaged in public sector's production ( $D_g$ ) and net indirect taxes, i.e., indirect taxes (Ti) less subsidies (Sh) – the sum of the first two items yields  $Yfc_g$ , which is the share of the government sector in GDP at factor cost, while the sum of all the three items yields Ymp, which

TABLE 3. (Continued)

Year	CEA (33) (32+17+27)	X (34)	CAD (35) (33-34-12-25)	ΔR IMF+SDR (36)	ΔR* (37) (36-37)	ΔF <sub>g</sub> (39)	ΔF <sub>p</sub> (40) (35+38-39)	ΔDC <sub>g</sub> (41)	ΔDC <sub>p</sub> (42)	ΔM (43) (41+42+38)	ΔB (44)	I <sub>g</sub> (45) (18+39+41+44)	I <sub>p</sub> (46) (10+40+42-43-44)	I (47) (45+46+18+30+35)
1950-51	732	737	-39	29	0	29	-5	-5	-33	112	108	-4	126	936
1951-52	1052	845	163	-165	0	-165	47	-49	-52	56	-161	-25	222	1168
1952-53	708	713	-60	17	0	17	22	-65	58	-40	35	13	238	746
1953-54	652	642	-47	29	-17	46	-10	9	-5	15	56	-3	109	875
1954-55	751	703	-6	-18	-17	-1	-10	3	110	75	184	111	362	1048
1955-56	835	756	-7	11	-7	18	6	5	186	138	342	83	447	1423
1956-57	1161	768	313	-221	55	-276	27	10	320	161	205	142	720	1912
1957-58	1304	798	431	-260	35	-295	36	100	501	70	276	74	856	1801
1958-59	1119	719	327	-42	0	-42	218	67	330	61	349	227	1002	1736
1959-60	1036	777	186	16	-24	8	175	19	250	144	402	180	841	1951
1960-61	1247	787	392	-59	-11	-48	219	125	-18	238	172	154	780	2455
1961-62	1170	802	306	-6	58	-64	214	28	203	140	279	142	1053	2399
1962-63	1282	838	354	-2	12	-14	343	-3	202	217	405	186	1297	2830
1963-64	1440	984	349	11	-24	35	388	-4	242	259	536	179	1518	3175
1964-65	1623	998	468	-56	0	-56	544	-132	206	250	400	183	1750	3603
1965-66	1587	933	511	48	30	18	475	54	468	286	772	211	1963	4302
1966-67	2316	1325	844	-37	46	-83	822	-61	198	487	602	183	1871	5358
1967-68	2427	1512	808	71	24	47	831	24	247	421	715	199	1944	5305
1968-69	2186	1601	410	38	-59	97	645	-138	443	509	1049	152	2098	5107
1969-70	2000	1621	234	238	-30	268	469	35	29	714	1011	245	1776	6278
1970-71	2280	1627	445	-89	-79	-10	504	-69	510	888	1388	260	2527	7228
1971-72	2522	1807	499	95	75	20	508	11	1170	841	2031	408	3364	8007
1972-73	2655	2242	311	-33	0	-33	377	-99	1351	1399	2717	624	3684	8144
1973-74	3417	2666	-1135	84	62	22	465	-1578	963	2029	3014	636	3871	10297
1974-75	5011	3697	956	7	485	-478	854	-376	1060	1939	2521	700	5290	13682
1975-76	6021	4933	178	830	218	612	1219	-429	630	2884	4126	732	5920	15106
1976-77	6234	6009	-894	1396	-306	1702	1270	-462	1175	3237	6114	1041	7671	17136
1977-78	6795	6478	-1124	1546	-288	1834	882	-172	1923	2371	6128	1388	8361	19106
1978-79	8611	6798	238	1000	-74	1074	455	857	2203	4310	7587	1858	9296	24376
1979-80	10663	7873	553	369	42	327	656	224	4084	5479	9890	2147	11854	25251
1980-81	13776	8873	2214	-516	383	-899	1112	203	5704	5630	10435	2900	14370	31000
1981-82	15557	10222	2839	-1618	635	-2253	746	-160	4915	6821	9483	3272	16187	34436
1982-83	17922	11907	3280	625	1895	-1270	1125	885	4624	7700	11054	4188	17754	37054
1983-84	19826	13542	3316	773	1351	-578	1183	1555	5385	9564	14371	4625	17974	42610
1984-85	22357	16043	2873	926	59	867	1407	2333	9701	10227	20795	4868	22502	45051
1985-86	24602	15615	5956	-707	-265	-442	1676	3838	7978	11850	19386	5885	23996	57889
1986-87	26581	17419	5830	-732	-672	-60	1808	3962	13699	11938	25577	6677	30186	60631
1987-88	30967	21012	6293	-956	-1209	253	2945	3601	12550	12746	25349	7300	29818	75924
1988-89	40957	26338	10410	-1449	-1547	98	3210	7298	12105	20395	32598	10112	33528	95078
1989-90	49479	35185	9830	-1232	-1460	228	3090	6968	20676	23822	44726	9702	40891	112200
1990-91	62906	41245	17369	-2293	2178	-4471	3954	8944	23042	20065	38636	26445	58877	147368
1991-92	69742	57153	2237	9351	2077	7274	7381	2130	18070	16224	41568	20401	57740	143488
1992-93	93176	68445	12764	2481	3363	-882	5739	6143	17975	32142	49235	28430	62909	167989
1993-94	107684	87551	3636	27366	587	26779	5949	24466	27680	17639	72098	37691	75877	187346
1994-95	139597	103309	10583	14575	-3585	18160	4773	23970	18501	54949	91610	47367	88132	257670
1995-96	181204	132966	19607	-9798	-5749	-4049	3302	12256	35359	51925	83235	38207	102063	302610
1996-97	208085	147916	15839	20759	-3461	24220	3970	36089	30842	31659	86721	50922	110462	349655

## DOCTORS FOR RURAL HEALTH PROJECT

Are there no doctors in our country willing to accept a challenging, rewarding and meaningful opportunity to create for themselves a lifestyle in a beautiful, rural, Himalayan environment? Is their only attraction the lucre that cities like Delhi have to offer, notwithstanding the often demeaning struggle to survive and rear a family in filthy, congested and polluted surroundings?

Surely, there are some doctors seeking to improve the quality of their life – both professionally and personally. CHIRAG, an NGO working in Nainital District, U.P. would welcome two such doctors. Genuine interest, motivation and commitment to work in a rural area is a must, preferably with a love for the mountains. Ideally, CHIRAG would like a doctor couple – the husband a pediatrician or physician and wife doing O & G.

Currently, CHIRAG's health project covers about 40 villages and focuses on women and children. There is a clinical facility with three beds and several trained nurses, health workers and midwives. Plans are afoot to build a cottage hospital of around ten beds. The doctors will be responsible for planning, building, commissioning and running the hospital as well as the extension activities in the villages.

Write to

Chairman, CHIRAG, Sitla Village, P.O. Mukteshwar - 263138 Nainital District, U.P.

### CENTRE FOR EDUCATIONAL STUDIES, INDIAN INSTITUTE OF EDUCATION, 128/2, J.P. Naik Path, Kothrud, PUNE 411 029.

1. Applications are invited along with detailed bio-data, for the posts of Professors, Readers and Lecturers to conduct interdisciplinary M.Phil. and Ph.D. programmes in Education. Persons with suitable qualifications in Educational Sociology, Educational Psychology, Social Psychology, Political Science, Communication and Information Technology, Management/Public Administration or a suitable Science degree may apply. Applications should be addressed to the *In-Charge Director, Centre for Educational Studies*, so as to reach on or before **6th September, 1999**.
2. **No. of Posts:** Professors: 2; Readers: 2; Lecturers: 2.
3. **Qualifications:**  
As prescribed by University recognition rules for post-graduate Teachers. **Essential:** Proficiency in conducting and guiding research publications and experience will receive weightage.
4. **Pay Scales:** As per Rules.
5. **Probation Period:** 2 years.
6. a) One post of Reader and one post of Lecturer will be located at the G.D. Parikh Centre, CES, at Vidya Nagari, Kalina, Bombay.  
b) Residential accommodation available at Pune campus of CES.

NOTE: (a) The posts may also be filled by deputation.

(b) Applications must be sent through proper channel along with a 'No Objection Certificate' from the employer.



FIGURE 1.1: PUBLIC SECTOR INVESTMENT

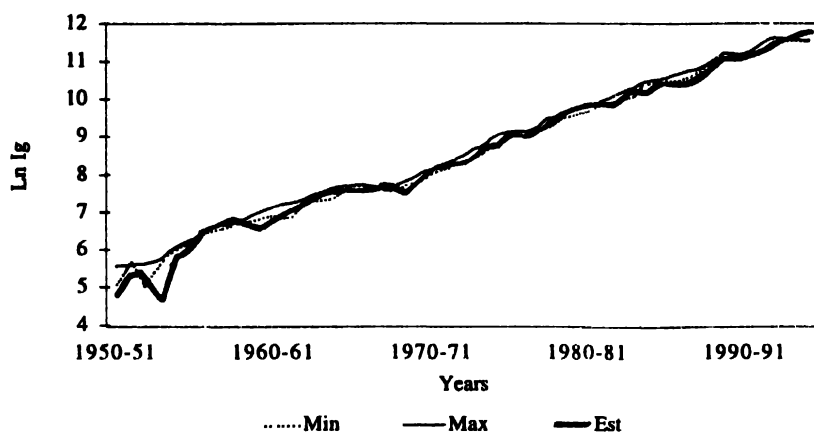
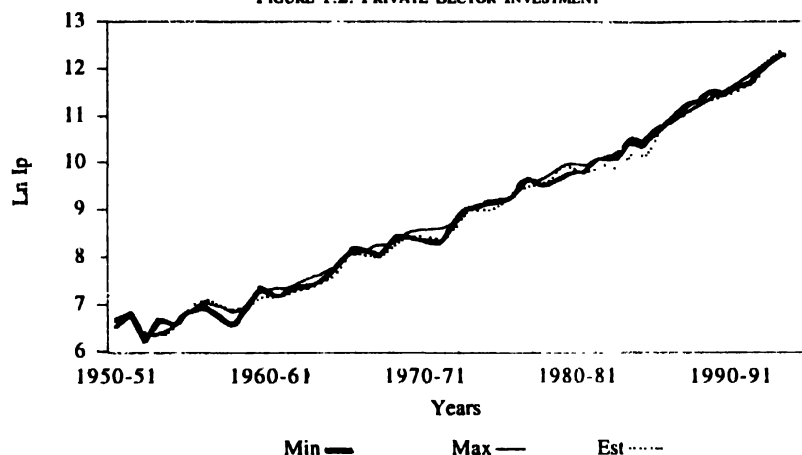


FIGURE 1.2: PRIVATE SECTOR INVESTMENT



is the share of the government sector in GDP at market prices – as well as wages, salaries and incomes of the self-employed and own account producers ( $W$ ), net profits of the private sector ( $\Pi$ ) and depreciation of capital engaged in private sector's production ( $D_p$ ) – the sum of these three items yields  $Y_{fc_p}$  which is the share of the private sector in GDP at factor cost.

Row 2 and column 2 of Table 1 depict the current transactions of the government. Across row 2, the sources of government income ( $Y_g$ ) are identified. These include, as referred to earlier, the share of the government sector in GDP at current market prices, i.e.,  $Y_{mp_g}$ , besides direct taxes ( $T_d$ ) – comprising corporate taxes ( $T_{dc}$ ), direct taxes as paid by households ( $T_{dh}$ ) and miscellaneous receipts of government administrative departments ( $MR$ ) – and net official transfers from the external to the government sector ( $NTR_{eg}$ ). Column 2 details all items of current government expenditures ( $CEXP_g$ ): government consumption of currently produced goods and services ( $C_g$ ) which is the cost of providing government services, net payments from the government to the private sector ( $NP_{gp}$ ) which includes net

transfers to domestic households from the government ( $NTR_{gp}$ ) and interest paid to households on the domestic debt ( $INT_{gp}$ ), and net investment income accruing to the external sector from the government ( $INV_{ge}$ ) – of which the interest paid by the government sector on its external debt ( $INT_{ge}$ ) forms a major component. Government savings ( $S_g$ ) is thus the difference between government income ( $Y_g$ ) and expenditure ( $CEXP_g$ ).

Row 3 and column 3 describe the accounts of the non-government (private) sector. Across row 3, the sources of private sector income ( $Y_p$ ) are identified. They include, as referred to earlier, the share of the private sector in GDP at factor cost, i.e.,  $Y_{fc_p}$ , besides net payments received by the private sector from the government ( $NP_{gp}$ ), and net external receipts of the private sector ( $NER_{ep}$ ) comprising net transfer payments from the external to the private sector ( $NTR_{ep}$ ) and net factor payments from abroad ( $NFP_{ep}$ ). Column 3 describes how private sector income is disposed of: private consumption ( $C_p$ ), payment of direct taxes ( $T_d$ ), and net investment income accruing to the external sector from the private sector ( $INV_{pe}$ )

– of which resource transfers (including interest payments) incurred on account of private sector external borrowings/liabilities ( $INT_{pe}$ ) form a major component. Private savings ( $S_p$ ) is the balancing item and is the difference between total private sector income ( $Y_p$ ) and total current expenditures of the private sector ( $CEXP_p$ ).

Row 4 and column 4 depict the current account balance of the BOP. Across row 4 the sources of income accruing to foreign residents are provided. These include net investment incomes accruing to the external sector from the government ( $INV_{ge}$ ) and the private sector ( $INV_{pe}$ ) as well as the value of imports of goods and services ( $Z$ ). Payments of principal on the external debt are recorded in the capital finance accounts, i.e., "below the line" (see rows and columns 6 through 9), and are thus not included in the current account. Column 4 lists the sources of income accruing from foreign residents. These are in the form of exports of goods and services ( $X$ ), net current (as opposed to capital) transfers to the government sector ( $NTR_{eg}$ ) and private sector ( $NTR_{ep}$ ) as well as net factor payments to the private sector ( $NFP_{ep}$ ). The savings of foreign residents in their dealings with the economy – identical to the current account deficit of the domestic economy (CAD) – is the balancing item between current external receipts and payments.

As a pure intermediary, the monetary system has no independent (own account) current revenues and expenditures. The revenues of financial institutions (service charges, interest on loans, and earnings on investments made with deposits or premiums) less their costs (interest on deposits or claims paid) constitute the value added of these institutions within the monetary system as producing units. As this value added is included in the production account of the domestic economy as income to households or to the government, row 5 and column 5 are therefore empty.

#### CAPITAL ACCOUNT TRANSACTIONS

While rows and columns 1 through 5 describe the current accounts of the economy, rows and columns 6 through 9 describe the corresponding capital account transactions, i.e., the financing of asset acquisition by the government sector, the private sector and the external sector through the intermediation of the monetary system.

In row 6, gross savings of the government sector ( $S_g$ ), along with government borrowings from the monetary system ( $\Delta DC_g$ ), net direct government borrowing

from the private sector ( $\Delta B$ ), and net foreign borrowing by the government ( $\Delta F_g$ ) are used to finance asset accumulation by the government ( $I_g$  in column 6). Asset acquisition is usually of three forms: gross fixed investment (including physical assets, inventories and working capital, as well as intangible non-financial assets); financial assets in the form of loans to the private sector; and the acquisition of foreign assets. However, the last two items have been netted out from government borrowings from the private sector and foreign borrowings of the government, respectively, and therefore these items do not appear explicitly as separate entities in the matrix.

Row 7 and column 7 deal with the private sector. In row 7, gross private sector savings ( $S_p$ ), borrowings by the private sector from the domestic monetary system ( $\Delta DC_p$ ), and net new private sector borrowings from foreign residents ( $\Delta F_p$ ) are used to finance asset acquisition by the private sector. These include the items detailed in column 7 which can be split up into physical asset acquisition, i.e. gross private sector investment ( $I_p$ ), and financial asset acquisition, i.e. net lending to the government ( $\Delta B$ ) and fresh holdings of new issues of money and near money held by the monetary system ( $\Delta M$ ).

Row 8 and column 8 deal with the external sector. Row 8 implies that the savings

of foreign residents or the current account deficit ( $CAD$ ) plus the proceeds from the acquisition of international reserves (inclusive of IMF purchases and SDR allocations) by the monetary system ( $\Delta R^*$ ) are used to finance the items listed in column 8: net foreign borrowings of the government ( $\Delta F_g$ ) as well as the private sector ( $\Delta F_p$ ).

Row 9 and column 9 deal with the monetary system. Row 9 indicates that as an intermediary it acquires liabilities principally in the form of new domestic currency issues, demand deposits and time deposits, as well as other liabilities including treasury bills, and so on ( $\Delta M$ ). Column 9 implies that it, in turn, acquires assets in the form of loans to the government and the private sectors ( $\Delta DC_g$  and  $\Delta DC_p$ , respectively), as well as net foreign assets or international reserves ( $\Delta R^*$ ).

Finally, row 10 and column 10 deal with the overall savings-investment balance at the macro-economic level. Row 10 shows that total domestic savings, i.e. the sum of government savings ( $S_g$ ) and private savings ( $S_p$ ), plus foreign savings, i.e. the current account deficit ( $CAD$ ), must finance total investment ( $I$  in column 10), i.e. the sum of government investment ( $I_g$ ) and private investment ( $I_p$ ).

Thus, reading across rows in Table 1 provides the sources of finance for each sector while reading down columns indicates the uses of finance. *Ex post*, each

sector's deficit must be financed and, as such, the sum of the rows is always equal to the sum of the columns. *Ex ante*, these balances become constraints for modelling the sectoral behaviour, be it financial or non-financial, of the government, private, external and monetary sectors. Each of the first three sectors involves income as well as financial transactions, whereas the income transactions of the monetary system are considered to be negligible. An increase in the deficit or a reduction in the non-financial net savings of a sector will result in either an increase in its financial liabilities or a decrease in its holdings of financial assets or both. Furthermore, given its non-financial savings or deficit, a sector can acquire more of one financial asset only at the expense of accumulations to its holdings of one or more alternative financial assets or in exchange for increases in one or more financial liabilities. At the end of each period, usually a year, each sectoral account has to be balanced.

The fundamental difference between the flow-of-funds and the market equilibrium approaches while formulating a model is that sectoral balances are treated as constraints in the former while the latter treats market equilibria as constraints. In the case where market forces and instantaneous adjustments co-exist, these two types of constraints are equivalent since when all sectoral accounts are balanced, all

TABLE 4: CONSISTENCY ACCOUNTING MATRIX FOR THE INDIAN ECONOMY (1997-98)

Sources (Across) and Uses (Down)	Current Account of					Capital Account of					Total
	(C1) National Accounts	(C2) Government Sector	(C3) Private Sector	(C4) External Sector	(C5) Monetary Sector	(C6) Government Sector	(C7) Private Sector	(C8) External Sector	(C9) Monetary Sector	(C10) Total Investment	
National Accounts (R1)		$C_g = 225491$	$C_p = 866975$	$X = 163711$		$I_g = 128467$	$I_p = 246873$			$I = 375340$	1631517
Government sector (R2)	$Ymp_g = 283818$		$Td = 69931$	$NTR_{cp} = 1305$							355054
Private sector (R3)	$Yic_p = 28693$	$Np_{gp} = 111292$		$NER_{cp} = 42639$							1282624
External sector (R4)	$Z = 219006$	$INV_{gc} = 2358$	$INV_{pc} = 10846$								232210
Monetary sector (R5)											
<i>Savings and borrowing of</i>											
Government sector (R6)		$S_g = 15913$					$\delta B = 67201$	$\delta F_g = 3353$	$\delta DC_g = 42000$		128467
Private sector (R7)			$S_p = 334872$					$\delta F_p = 37856$	$\delta DC_p = 55882$		428610
External sector (R8)				$CAD = 24555$					$\delta R^* = 16654$		41209
Monetary sector (R9)							$\delta M = 114536$				114536
Total savings (sum of rows 4 rows) (R10)		$S_g = 15913$	$S_p = 334872$	$CAD = 24555$							375340
Total	1631517	355054	1282624	232210		128467	428610	41209	114536	375340	

Note: See Appendix V on the methodology used for estimating some of the components of the above matrix.

markets must be cleared. However, any market imperfections and lag adjustments would create a situation where sectoral balances are not equivalent to market equilibria. For instance, when credit rationing is in force, the money market cannot be in equilibrium by definition. The resulting disequilibria in the money market must co-exist with the disequilibrium in at least one other market in the economy. In such cases, sectoral balances yield more reliable constraints.

#### IV Macro-economic Identities and Sectoral Budget Constraints

In effect, therefore, Table 1 summarises the current and capital account transactions of the four principal transactors in an economy, and can be used to formally demonstrate that the national income accounting identities are no more than a series of sectoral budget constraints.

##### THE NATIONAL INCOME ACCOUNTING IDENTITY

GDP at market prices or the value of goods and services that are produced by the domestic economy can be derived from the basic macro-economic relationship which states that the value of domestic production must be equal to the value of incomes that are domestically generated. From Table 1, two different approaches can be adopted for estimating GDP: the expenditure approach or the value-added approach. From row 1 and column 1, we have:

$$C_g + C_p + X + I_g + I_p = OS_g + D_g + (Ti - Sb) + W + \Pi + D_p + Z \quad \dots(1)$$

GDP at market prices (Ymp) is given by the sum of private consumption ( $C_p$ ), public consumption ( $C_g$ ), gross private investment ( $I_p$ ), gross public investment ( $I_g$ ) and net exports of goods and services ( $X - Z$ ). Therefore, we have:

$$Ymp = C + I + (X - Z) \quad \dots(2)$$

where  $C (= C_p + C_g)$  is total consumption; and  $I (= I_p + I_g)$  is total investment.

GDP at factor cost (Yfc) is given by the sum of factor incomes accruing to the private and government sectors, i.e. wages plus profits ( $W + \Pi$ ) and net operating surplus of the public sector ( $OS_g$ ), as well as depreciation of capital engaged in each sector's production:

$$Yfc = OS_g + D_g + W + \Pi + D_p \quad \dots(3)$$

Substituting eqs (2) and (3) into equation (1) yields:

$$Ymp = Yfc + (Ti - Sb) \quad \dots(4)$$

which implies that GDP at market prices is equal to GDP at factor cost plus net indirect taxes, i.e. indirect taxes ( $Ti$ ) less subsidies ( $Sb$ ).

Equation (2) can be rewritten as follows:

$$Ymp + (Z - X) = C + I = A \quad \dots(5)$$

which indicates that the total availability of goods and services in the domestic economy, as given by the sum of output (Ymp) plus the excess of imports (Z) over exports (X) should equal domestic absorption (A) which is equal to consumption (C) plus investment (I). Equation (5) can also be rewritten as follows to reveal one of the many guises of a trade deficit:

$$Z - X = A - Ymp \quad \dots(6)$$

implying that a trade deficit reveals itself in the form of an excess of domestic absorption over domestic production. Equation (6) is of particular interest because it also reveals that if we assume GDP and exports to be fixed in any accounting period, then an increase (reduction) in absorption comes through as an increase (reduction) in imports.

##### GOVERNMENT BUDGET CONSTRAINT

The basic relationship that must exist between the income and expenditure of any economic agent leads to the derivation

of the government budget constraint. Equating the sum of the entries in row 2 with the sum of entries in column 2 yields:

$$OS_g + D_g + (Ti - Sb) + Td + NTR_{eg} = [C_g + NTR_{gp} + INT_{gp} + INV_{ge}] + S_g \quad \dots(7)$$

which can be rewritten as:

$$Y_g = CEXP_g + S_g \quad \dots(8)$$

implying that the current revenue of the government [ $Y_g = OS_g + D_g + (Ti - Sb) + Td + NTR_{eg}$ ] is equal to current government expenditure ( $CEXP_g = C_g + NTR_{gp} + INT_{gp} + INV_{ge}$ ) plus government savings ( $S_g$ ).

Equating the sum of entries in row 6 and column 6 indicates:

$$S_g + \Delta DC_g + \Delta B + \Delta F_g = I_g \quad \dots(9)$$

which basically expresses the savings, borrowings and asset acquisition relationship (or the savings constraint) for the government sector: government savings plus net borrowings is identical to the (physical) assets acquired by the government during the accounting period. It needs to be noted that the government's acquisition of foreign assets as well as domestic financial assets (such as loans to the private sector) are netted out from

TABLE 5. THE DIFFERENT SOURCES OF DISCREPANCIES IN THE GDP AND EXPENDITURE ACCOUNT

(Rs crore)

Year	Discrepancies (CSO) (1)	Apportioned between						
		$C_g$	$C_p$	$I_g$	$I_p$	X	Z	
		(2)	(3)	(4)	(5)	(6)	(7)	
1960-61	-444 (-2.7)	199 (18.6)	-555 (-4.1)	-362 (-31.7)	234 (16.2)	3 (0.4)	-37 (-3.0)	
1965-66	-463 (-1.8)	394 (17.2)	-734 (-3.6)	-253 (-11.4)	128 (5.8)	1 (0.1)	-1 (-0.1)	
1970-71	-554 (-1.3)	546 (14.3)	-595 (-1.8)	-281 (-10.0)	13^ (2.8)	-144 (-8.1)	210 (11.6)	
1975-76	-1996 (-2.5)	2187 (29.6)	-2871 (-5.0)	-1663 (-22.0)	363 (4.1)	121 (2.5)	133 (2.3)	
1980-81	915 (0.7)	4568 (35.0)	-5608 (-5.7)	2603 (22.1)	-56 (-0.3)	-156 (-1.7)	-156 (3.2)	
1985-86	-422 (-0.2)	7194 (24.7)	7194 (-0.5)	-5421 (-18.4)	-132 (-0.4)	664 (4.4)	1898 (8.7)	
1990-91	16291 (3.0)	16674 (27.0)	-5729 (-1.7)	6726 (12.9)	5486 (6.6)	610 (1.5)	7476 (15.4)	
1991-92	25379 (4.1)	18722 (27.0)	6434 (1.7)	1203 (2.1)	2217 (2.7)	899 (1.6)	4096 (7.3)	
1992-93	33174 (4.7)	26704 (34.0)	16677 (3.9)	146 (0.2)	-1813 (-1.7)	1133 (1.7)	9673 (13.3)	
1993-94	54501 (6.7)	37978 (42.2)	11994 (2.4)	6354 (9.1)	8460 (8.2)	1441 (1.7)	11726 (13.7)	
1994-95	53262 (5.5)	40880 (40.7)	18504 (3.2)	1383 (1.6)	14908 (9.6)	1702 (1.7)	24115 (23.0)	
1995-96	70859 (6.3)	43675 (37.7)	52856 (8.2)	13586 (15.4)	-15956 (-7.4)	2233 (1.7)	25535 (17.6)	

Notes: (i) The above series could not be extended further because the CSO has not come out with estimates of X, Z and discrepancies for the subsequent years. (ii) The figures in parentheses beneath each discrepancy indicate the corresponding discrepancy as a percentage of GDP at market prices. (iii) The subsequent figures in parentheses indicate the percentage change in the corresponding variable as a result of its adjustment.

foreign borrowings and from domestic borrowings, respectively.

Substituting equation (8) into equation (9) and rewriting the result as follows reveals the sources of financing a government fiscal deficit:

$$(CEXP_g + I_g) - Y_g = \Delta DC_g + \Delta B + \Delta F_g \quad \dots(10)$$

where the expression on the left-hand-side of eq (10) is the gross fiscal deficit of the government. The sources of financing such a fiscal deficit are, therefore, foreign borrowings, direct borrowings from the private sector (provided there is a well-developed capital market) and borrowings from the monetary system.

Equation (10) reveals two possible sources through which excessive government borrowings as a result of high fiscal deficits can crowd out the private sector. Assuming that government borrowing from external sources is restricted in some way, for example, through an IMF conditionality or problems related to creditworthiness or economic sanctions. Under the circumstances, crowding-out can occur either through government borrowing from the private sector because, apart from directly reducing the funds available for private sector investment, this would increase the interest rate or through government borrowing from the monetary system. The latter presumes that there is a ceiling on overall credit expansion of the monetary system, which is often the case in anti-inflationary stabilisation programmes. This explains as to why, in addition to overall domestic credit ceilings, structural adjustment programmes often have sub-ceilings on bank credit to the government in order to prevent crowding-out of private sector investment.

#### PRIVATE SECTOR BUDGET CONSTRAINT

The private sector budget constraint can be derived by equating the sum of entries in row 3 and column 3 as shown below:

$$W + \Pi + D_p + NTR_{gp} + INT_{gp} + NTR_{cp} + NFP_{ep} = [C_p + T_d + INV_{pc}] + S_p \quad \dots(11)$$

which can be written as:

$$Y_p = CEXP_p + S_p \quad \dots(12)$$

implying that total private sector income ( $Y_p = W + \Pi + D_p + NTR_{gp} + INT_{gp} + NTR_{cp} + NFP_{ep}$ ) equals private consumption ( $CEXP_p = C_p + T_d + INV_{pc}$ ) plus private savings ( $S_p$ ).

Equating the sum of entries in row 7 and column 7 yields:

$$S_p + \Delta DC_p + \Delta F_p = I_p - \Delta B + \Delta M \quad \dots(13)$$

Substituting equation (12) in equation (13) yields the required private sector budget constraint given by:

$$(Y_p - CEXP_p) + \Delta DC_p + \Delta F_p = I_p + \Delta B + \Delta M \quad \dots(14)$$

which states that private sector income plus borrowings less current outlays equals private sector asset acquisition in the form of money (currency plus demand and time deposits), fixed investment and lending to the government.

#### EXTERNAL SECTOR BUDGET CONSTRAINT

Equating the sum of entries in row 4 with the sum of entries in column 4 yields:

$$Z + INV_{gc} + INV_{pc} = X + NTR_{eg} + NTR_{ep} + NFP_{ep} + CAD \quad \dots(15)$$

Equating the sum of entries in row 8 with the sum of entries in column 8, and re-writing it in terms of the current account deficit yields:

$$CAD = \Delta F_g + \Delta F_p - \Delta R^* \quad \dots(16)$$

which indicates that a CAD – or positive savings of the external sector – must be financed either by drawing down international reserves or by an increase in net capital inflows (implying an increase in international indebtedness of the domestic economy)

Substituting equation (16) in equation (15) yields:

$$(Z + INV_{gc} + INV_{pc}) - (X + NTR_{eg} + NTR_{ep} + NFP_{ep}) = (\Delta F_g + \Delta F_p - \Delta R^*) \quad \dots(17)$$

where the expressions in parentheses are, respectively, current receipts, current outlays and asset acquisition of the external sector (or, equivalently, negative asset acquisition of the domestic economy). This external sector budget constraint, therefore, states, as expected, that current receipts of the external sector less current outlays equals its asset acquisition.

#### ASSETS AND LIABILITIES OF MONETARY SYSTEM

As mentioned earlier, because the banking system, being an intermediary, has no independent current revenues or expenditures, row 5 and column 5 are empty. The monetary system does not face a budget constraint per se but rather a balance sheet accounting identity. Equating the sum of entries in row 9 with the sum of entries in column 9 shows:

$$\Delta DC + \Delta R^* = \Delta M \quad \dots(18)$$

where:  $\Delta DC = \Delta DC_g + \Delta DC_p$

which states that the assets of the monetary system, in the form of foreign assets (international reserves) as well as credit to the government and the private sectors are equal to its liabilities, in the form of broad money (inclusive of other liabilities of the monetary system).

Equation (18) can be rewritten as follows:

$$\Delta R^* = \Delta M - \Delta DC \quad \dots(19)$$

which states that the change in foreign exchange reserves is equal to the change in the nominal demand for money (assuming that the money market is in continuous flow equilibrium) less the change in total domestic credit. This equation suggests that if the demand for money is held constant, then increases in domestic credit are offset by decreases in reserves on a one-to-one basis. Alternatively, it implies that given a desired level of reserves, and with the demand for money exogenously determined, the required change in domestic credit can be estimated.

#### SAVINGS-INVESTMENT BALANCE

Summing up the budget constraints of the government and private sectors, i.e., equations (9) and (13), yields:

$$S_g + S_p + \Delta DC_g + \Delta DC_p + \Delta F_g + \Delta F_p = I_g + I_p + \Delta M \quad \dots(20)$$

or, equivalently:

$$S + \Delta DC + \Delta F = I + \Delta M \quad \dots(21)$$

TABLE 6 NATIONAL DISPOSABLE INCOME AND ITS APPROPRIATION

(Rs crore)

Year	National Disposable Income					National Income Appropriation		
	NYmn (1)	NTR (2)	NFP <sub>ep</sub> (3)	INV (4)	Total (5=1+2+3+4)	C (6)	NS (7)	Total (8=6+7)
1990-91	483339	4538	-246	6732	480899	403095	77804	480899
1991-92	553720	10521	-169	9397	554675	476503	78172	554675
1992-93	632972	12279	-312	10503	634436	552157	82279	634436
1993-94	729197	17669	-1172	10258	735436	633278	102158	735436
1994-95	867114	26726	-1021	10772	882047	730299	151748	882047
1995-96	1009425	29833	-1202	10716	1027340	855923	171417	1027340
1996-97	1146623	45425	-1095	11769	1179184	972550	206634	1179184
1997-98	1269198	45069	-1125	13204	1299939	1092466	207473	1299939

Substituting the external sector budget constraint, given by equation (16), into equation (21) above yields:

$$S + \Delta DC + CAD + \Delta R^* = I + \Delta M \quad \dots(22)$$

Invoking the balance sheet accounting identity of the monetary system, given by equation (18), yields the savings-investment balance:

$$I = S + CAD \quad \dots(23)$$

which states that aggregate domestic investment ( $I = I_g + I_p$ ) is financed by domestic savings ( $S = S_g + S_p$ ) and foreign savings, the latter being synonymous with the current account deficit (CAD). Equation (23) above is identical to the result obtained by equating the sum of entries in row 10 and column 10, thereby indicating that the overall savings-investment balance is a macro-economic budget constraint obtained by summing up all the four individual sectoral budget constraints.

## V

### Data Sources and Methodology

In this section, we describe the methodology as well as indicate the data sources for computing each of the individual elements of the consistency accounting matrix for the Indian economy over the period 1950-51 to 1997-98. These are then presented, both, in the form of time-series estimates in Table 3 (from 1950-51 to 1996-97) and in matrix form for illustrative purposes in Table 4 (only for 1997-98). It needs to be mentioned that the elements of this flow-of-funds matrix for 1997-98 are provisional estimates – in view of the recent base change and methodological revisions announced by the CSO – although every effort has been made to make them comparable, and thereby preserve continuity, with the earlier time series data.

In such a data gathering process, it is important to recognise some of the practical problems involved in estimating the elements of the consistency accounting framework using a wide variety of macro-economic data which usually conflict with each other. This is because, as mentioned earlier, these statistics draw on four different sets of accounts, i.e., national accounts, fiscal accounts, monetary accounts and BOP accounts, each of them using different accounting methodologies. We therefore have had to choose between competing estimates of the same concept, implying that some items – notably consumption expenditure and gross capital formation – had to be computed as residuals which automatically absorb the measurement errors and methodological

inconsistencies in the accounts in order to preserve inter-sectoral consistency. However, it is seen that the differences between the estimates of these elements, when computed as residuals, and their corresponding actuals, as reported by the various data sources, lay within the ranges suggested by their corresponding 'discrepancy' (for consumption) or 'errors and omissions' (for investment), thereby testifying to the overall robustness of the underlying methodology.

### DATA SOURCES

The two major sources used to generate the required data were: (1) The National Accounts Statistics (NAS) of the CSO and (2) The Currency and Finance (CF) of the RBI. However, the following qualifications need to be mentioned: (i) To the extent that the statistics published by the EPWRF (1998) is based entirely on the CSO data set, we have used this single source as the definitive one as far as the national accounts are concerned, supplemented by relevant issues of the NAS, as well as the recently released Press Note on the Quick Estimates of National Income (1997-98), only as and when necessary. However, and this is important, we have not used the CSO/EPWRF estimates of the current account deficit because of certain important methodological differences which persist between the CSO and the RBI in defining the CAD.<sup>1</sup> As such, we have used the RBI sources to obtain estimates of the current and capital account components of the BOP. (ii) In a similar vein, to the extent that the BOP statistics published by the RBI (1993) are based entirely on the RBI data set, we have used this single source as the definitive one as far as BOP statistics are concerned, supplemented by relevant issues of the CF only for the period 1990-91 to 1997-98 which is not covered by the RBI compendium. (iii) Similarly, to the extent that the data on government budgetary operations published by Chandhok et al (1990) are based

entirely on the MoF data set, we have used this single source as the definitive one as far as statistics on government (including state) borrowings are concerned, supplemented by relevant issues of the CF only for the period 1990-91 onwards which is not covered by these Policy Group volumes. (iv) Finally, to the extent that comparable data on the components of money stock from 1950-51 to 1970-71 is available only in Vasudevan (1980), we have used this source to supplement the relevant issues of the CF which publish these components on a regular basis.

The exact sources of data – comprising, both, the specific sources detailed above as well as general sources – used in the estimation of the requisite statistics for the Indian economy are given below (The alphanumeric characters in parentheses after each concerned table/statement refers to the code used to indicate the source later on in Table 2).

### Specific Sources:

- 1 CSO (1999), *Quick Estimates of National Income, Consumption Expenditure, Saving and Capital Formation (1997-98)*, Press Note, Department of Statistics, Ministry of Planning, Government of India
  - Statement 9: Income and Outlay of Administrative Departments (QE:9).
- 2 EPWRF (1998), *National Accounts Statistics of India - 1950-51 to 1996-97*:
  - Table 2: Relationship of Gross Domestic Product and other Macro-economic Aggregates at Current Prices (EPWRF:2).
  - Table 4A: Gross and Net Domestic Savings by Type of Institutions at Current Prices (EPWRF:4A)
  - Table 24 Factor Incomes: Summary Results Broadly by Institutions (EPWRF:24)
- 3 RBI (1993), *India's Balance of Payments - 1948-49 to 1988-89*
  - Table 1: India's Overall Balance of Payments (RBI:1)

TABLE 7: CAPITAL FLOWS, CREDIT EXPANSION AND DOMESTIC ABSORPTION

(Rs crore)

Year	Y (1)	ΔF (2)	A (3)	Total (4=1+2+3)	AM (5)	ΔDC (6)	Total (7=5-6)
1950-51	9375	-10	9336	29	108	79	29
1955-56	10344	11	10337	18	342	324	18
1960-61	16221	344	16613	48	172	220	-48
1965-66	26164	529	26675	18	772	754	18
1970-71	43117	435	43562	-10	1388	1398	-10
1975-76	79447	790	79625	612	4126	3514	612
1980-81	138958	1315	141172	-899	10435	11334	-899
1985-86	264324	5514	270280	442	19386	19828	-442
1990-91	533094	12898	550463	4471	38636	43107	-4471
1995-96	1138926	15558	1158533	-4049	83235	87284	-4049

- Table 10.3: Investment Income (RBI:10.3).
- Table 10.5: Miscellaneous (RBI:10.5).
- Table 18: Financing of Current Account Deficit (RBI:18).

4 Chandhok, H/L/The Policy Group (1990), *India Database: The Economy*, Vol 1:

- Table 3.5. Combined Net Capital Receipts of the Centre, States and Union Territories (PG:3.5).

5 Vasudevan, A (1980), "Monetary Stock and Its Components in India, 1950-51 to 1979-80: A Statistical Account", *Indian Economic Journal*, Vol 28, No 1 (IEJ).

*General Sources:*

1 CSO, *National Accounts Statistics* (various issues).

- Statement: Factor Incomes of Public Sector/Factor Incomes of Public Sector by Type of Economic Activity and by Type of Institution (CSO).

2 RBI, *Report on Currency and Finance* (various issues):

- Statement: Overall Balance of Payments in Rupees (CF:BOP).
- Statements: On Sources and Components of Money Stock (CF:MS).
- Statement: Capital Budget of the Government of India/Capital Receipts of the Government of India (CF:BORR).

#### BASIC METHODOLOGY

Since the exact adjustment of errors and omissions amongst different elements was not known a priori, only the values of those elements which were known with some degree of precision were substituted initially, and the balancing elements were computed as residuals in order to ensure consistency between row and column totals. The sequential steps followed in estimating the different elements of the flow-of-funds matrix is summarised in Table 2 where each cell has been labelled according to its position in the matrix. Thus, the term R6C2 refers to the cell belonging to the 6th row and 2nd column of the consistency accounting matrix, i.e.,  $S_g$ . This methodology was used to estimate all the elements of the flow-of-funds matrix for the years 1950-51 to 1996-97 which have then been presented in time series form in Table 3.

The flow-of-funds matrix for 1997-98 presented in Table 4 provides an extension of the time-series estimates and is based on the quick estimates released by the CSO in February 1999. Taking into consideration the base change (from 1980-81 to 1993-94) and methodological revisions (by widening the scope and coverage of sectors included for the computation of

national income and its components), many of these quick estimates were not compatible with the earlier ones. Therefore, we have used only those quick estimates (indicated in Table 2) which are comparable with the earlier ones. In other cases, we have made every effort to preserve the original methodology and extend the original series thereby attempting to ensure comparability of these latest estimates with their earlier counterparts. The nature of these changes have been spelt out clearly in Appendix V. (It needs to be noted that all estimates in Tables 3 and 4 are at Rs crore at current prices).

#### VI Consistency Checks

As referred to in Section I, the consolidated accounts of the nation presented in the NAS attempt to summarise the transactions which take place in the economy in the form of production, household and government consumption expenditures, income and outlay, capital formation and capital finance, with the system being closed by the account on external transactions of the nation. However, the Indian NAS presents only partial aspect of the capital finance account (SNA Account 5) in as much as it gives only the details of gross accumulation and its financing but does not incorporate the transactions of financial assets and liabilities. Although the RBI does provide comprehensive annual data on flow-of-funds accounts in this respect (see RBI 1998), because of the independent nature of estimates for macro-economic aggregates based on separate methods and divergent sources of data, it is found that the various accounts do not balance. As it is difficult to pinpoint the specific sources of discrepancies, no attempt is made by the CSO or the RBI to adjust any of the estimates to achieve balance between the different accounts and consequently, the differences are retained as discrepancies or errors and omissions.

In such a context, with the completion of the presentation of the series on all the relevant current and capital account macro-economic aggregates, we now have to ascertain how successful the integration of the various accounts has been. Considering that there are three types of discrepancies in the three main accounts of the SNA,<sup>4</sup> viz, (i) gross domestic product and expenditure account, (ii) national disposable income and its appropriation account, and (iii) the current and capital finance account, we shall need to examine each

of these accounts individually in order to substantiate our claim regarding the overall consistency of our macro-economic accounting framework.

#### GROSS DOMESTIC PRODUCT AND EXPENDITURE ACCOUNT

In the first consolidation of accounts of the nation (SNA Account 1), estimates of GDP at current market prices ( $Y_{mp}$ ) based on production are linked with the key expenditure components of GDP comprising government and final consumption expenditure ( $C_g$  and  $C_p$ ), public and private sector gross capital formation ( $I_g$  and  $I_p$ ), and the net exports of goods and services ( $X - Z$ ). However, these two sets of estimates have invariably exhibited large and growing discrepancies and it has been noted that the estimate of GDP based on the production and income methods which is treated as the controlling total generally tends to exceed total expenditures on consumption, capital formation and net exports – all derived through the expenditure method. Though there is some overlap, the two sets of data are largely independently estimated and there is no way of locating the exact sources of these discrepancies. Neither is there any firm way of stating that one set of estimates is necessarily superior to the other. Thus, in the consolidated accounts of the nation, the discrepancies are retained and no attempt is made to apportion these errors amongst the individual components.

We therefore replicate this account using our data series and the results (Table 5) highlight that once GDP derived from the production and income methods is assumed to be the controlling total, then our methodology indicates how the CSO discrepancies can be precisely apportioned between public and private consumption, public and private investment, and exports and imports of goods and services. The following broad patterns which are seen to emerge as a result of such an apportionment should hopefully suggest guidelines for future refinements and improvements in data collection and methodological revisions.

The first pattern is that discrepancies, after declining continuously from -2.7 per cent of GDP in 1960-61 to -0.2 per cent of GDP in 1985-86, have started increasing rapidly, amounting to 6.3 per cent of GDP in 1995-96.<sup>5</sup> This reflects poorly on the methodology used by the CSO in estimating GDP based on production and income methods, and suggests the use of alternative controlling totals. Second, it is seen that public consumption has been underestimated to an average extent of

almost 35 per cent since 1990-91 which is extremely alarming, considering that even the former (under)estimates of  $C_g$  bordered on profligacy and warranted a fiscal correction. The extent of upward adjustment in the case of imports is also considerable (averaging almost 15 per cent since 1990-91) which however could be because of the differences between the RBI and the CSO in estimating its components. However, interestingly enough, in the case of exports, despite suffering from the same methodological limitations, the error component seems to have stabilised at about 1.7 per cent.

Thirdly, it needs to be noted that as far as gross investment is concerned, the CSO obtains its controlling total by aggregating gross domestic savings and the CAD. However, as has been noted in EPWRF (1998:16), "... it is this adjusted estimate of GDCF that is treated as the official estimation of aggregate gross investment each year, though assetwise and institutionwise distributions of GDCF continue to be based on the unadjusted series because there is no plausible way of distributing the 'errors and omissions' amongst assets or sectors". However, it is noticed that our methodology does seem to be a plausible way of distributing the 'errors and omissions' amongst the two sectors, public and private, although not amongst assets. It is seen that since 1990-91, the CSO estimates of public and private sector investment have been largely biased downwards, requiring an average upward adjustment of about 7 and 3 per cent, respectively. What is important in this context is that the noise component for both the series seems to have increased substantially over the last three years although, to an extent, the discrepancies for the more recent period would be corrected as additional information becomes available.

Finally, as far as private consumption is concerned, the pattern indicates that  $C_p$  has been persistently overestimated by the CSO right from 1960-61 to 1990-91, with the downward adjustment reaching a trough of -8.5 per cent in 1978-79. This phenomenon, first noticed by Minhas and Kansal (1989, 1990), also corroborates the conclusion reached by the EPWRF (1998:37), "Thus, the PFCE estimates thrown up by the national accounts represent, to the extent of the divergence, overestimates of private consumption expenditure". However, and this is important, such a pattern of divergence undergoes a complete switch after 1990-91 what with the results indicating that thereafter  $C_p$  has been persistently underestimated by the

CSO from 1991-92 to 1996-97, with the upward adjustment reaching a peak of 8.2 per cent in 1995-96. This dramatic *volte face*, largely a reflection of the fact that after liberalisation the estimates of GDP obtained from the income/production side, which are used as the controlling total, have persistently and ever-increasingly outstripped the estimates of GDP obtained from the expenditure side, is an indicator that unless the superiority of this controlling total is clearly established, the CSO could be seriously overestimating GDP. On the other hand, if the controlling totals are indeed accurate, then unless we adjust  $C_p$  upwards by using the above methodology, then we could be seriously underestimating consumption and therefore domestic absorption which is a key determinant of reserve accretion.

#### NATIONAL DISPOSABLE INCOME AND ITS APPROPRIATION

In the second consolidation of accounts (SNA Account 3) relating to national disposable income and its appropriation, estimates of NDP at market prices combined with factor incomes plus current transfers from abroad are linked to the total of final consumption and net savings. However, these two estimates have also exhibited discrepancies of about the same order of magnitude as that in SNA Account 1, and it has been noted that the former estimate which is treated as the controlling total has generally tended to exceed the latter estimate. This is because in the estimation procedure, net savings include household savings in financial assets as well as public sector and corporate sector savings whose estimates are independent of the components appearing in the first consolidation. As there is no firm way of asserting which set of estimates is superior to the other, the discrepancies are retained while presenting the consolidated accounts of the nation by the CSO. Before replicating such an account using our data series in order to establish the possible sources of error, we initially derive the components which link national disposable income and its appropriation.

To do so, we add eqs (7) and (11) together and equate the sum of the left-hand-side elements with the corresponding sum of the right-hand-side elements, to obtain:

$$NYmp + NTR + NFP_{ep} - INV = C + NS \quad (24)$$

where  $NYmp [= OS_g + (W + \Pi) + (Ti - Sb)]$  is NDP at current market prices,  $NTR (= NTR_{eg} + NTR_{ep})$  is total net transfers from abroad,  $INV (= INV_{gc} + INV_{pc})$  is total

net investment income,  $C (= C_g + C_p)$  is total consumption expenditure and  $NS [= (S_g - D_g) + (S_p - D_p)]$  is net savings. The consistency of equation (24), which states the exact nature of the relationship between total disposable income and its appropriation, is illustrated for recent years in Table 6.

It has been noted that the statistical discrepancies reported by the CSO in their SNA Account 3, i.e., the excess of national disposable income (NDI) over its appropriation components ( $C$  and  $NS$ ), have increased from 1.8 per cent of GDP in 1990-91 to 7.6 per cent of GDP in 1995-96 (see EPWRF 1998, Exhibits 6(B) and 6(E), pp 52-53). The above consistency check helps to identify the three sources which have contributed to these rising discrepancies: (i) the CSO uses unadjusted estimates of total consumption ( $C_g + C_p$ ) which are about 8.5 per cent lower than their adjusted counterparts. This underestimate automatically imparts a downward bias to the appropriation component of NDI and is the single largest contributor to the overall statistical discrepancy. (ii) the CSO uses estimates of 'property and entrepreneurial income from the rest of the world' instead of net investment income (which is a more accurate indicator of resource outflows from government and private sector incomes largely on account of interest payments on government sector external debt and private sector external liabilities, respectively). As the former estimates are about 10 per cent higher than the latter, this biases the CSO estimates of NDI downwards. (iii) the CSO does not include  $NTR_{eg}$  in their computation of NDI<sup>6</sup> and therefore their estimates of NTR in eq (24) above includes only  $NTR_{ep}$ . As NTR is about 40 per cent higher than  $NTR_{ep}$ , this further biases the CSO estimates of NDI downwards. Because of error components (ii) and (iii), it is seen that our estimates of NDI are marginally (about 0.8 per cent) higher than those of the CSO. Once this upward adjustment is made in the controlling total, then the use of our adjusted estimates of total consumption indicates that the two totals must invariably balance.

#### CAPITAL FINANCE ACCOUNT

In the third consolidation of accounts (SNA Account 5) which concerns the capital finance account, the financial sources for gross accumulation (domestic savings and capital inflows from abroad) are linked to the total of institutionwise (public sector, private corporate sector and household sector) estimates of gross



domestic capital formation (GDCF) which are derived independently. Because the former estimate ( $I = S + CAD$ ) is decidedly superior on theoretical considerations, it is treated as the controlling total although the difference between these two estimates, which is described as 'errors and omissions', is retained as a separate entity by the CSO while presenting the consolidated accounts of the nation because of its inability to actually adjust the latter sectorwise estimates of investment on the basis of the controlling total. However, as shown in Table 5, our methodology does provide a plausible way of apportioning these errors and omissions amongst the public and private sectors.

In this section, we provide an empirical (as opposed to theoretical) consistency check on these estimates by examining their robustness. In order to do so, we adopted the following methodology. For each year of the sample period, we initially used the CSO unadjusted estimate of public sector gross domestic capital formation and then added to it the corresponding total errors and omissions for that year (derived in the manner described above<sup>7</sup>) in order to obtain two estimates of sectoral GDCF for each year which automatically provided a range demarcated by its minimum and maximum bounds.<sup>8</sup> We then examined whether or not our independently derived estimate of public sector gross investment lay within these bounds. The same procedure was repeated for private sector investment.

This exercise was carried out for each year of the sample period and the results are plotted on a logarithmic scale in Figure 1.1 (public sector investment) and Figure 1.2 (private sector investment), where the shaded gray lines indicate the minimum and maximum bounds for each year and the dark black line indicates our estimate of sectoral gross investment. With overall GDCF fixed by its controlling total, any variation in  $I_g$  was mirrored by  $I_p$  implying that an overprediction in any one sector implied an underprediction in the other, and vice versa. The results show that, apart from a brief zone of instability during the early 1950s when estimated  $I_g$  lay far below its minimum bound, there have not been any other extreme outliers in either series. Overall, it is seen that estimates of both  $I_g$  and  $I_p$  lay exactly within their designated ranges for 21 out of the 48 years of the sample period, with the average error ranging from -11.1 percent to +5.2 per cent for  $I_g$ ; and from -1.5 per cent to +6.7 per cent for  $I_p$ , thereby

testifying to the overall robustness of our methodology.

These minor discrepancies notwithstanding, one significant implication of these adjusted investment estimates is that it does serve to define the size of gross investment in the country on which there has been considerable debate because it has been argued [Rakshit 1983] that the actual level of investment should be obtained residually as the difference between GDP on the one hand, and government and household consumption combined with net imports on the other, i.e.,  $I = Y_{mp} - C_g - C_p + Z - X$ . Our methodology not only shows that doing so would result in serious overestimates of GDCF, but also suggests a superior alternative which establishes that by appropriately adjusting the expenditure components of GDP (as indicated in Table 5), the above indirect estimate of investment would be exactly identical to its controlling total (i.e.,  $S + CAD$ ), and therefore it makes no difference as to which procedure we adopt in order to estimate gross investment.

#### CAPITAL FLOWS, CREDIT EXPANSION AND DOMESTIC ABSORPTION

In this final consistency check, we provide a fourth possible consolidation of accounts, not attempted by the CSO, where estimates of GDP at market prices combined with factor incomes plus current transfers from abroad less net investment income are linked to capital inflows, domestic absorption and credit expansion. The derivation of these linkages is obtained by adding together equations (6) and (17), re-arranging terms, and then using equation (19). This yields the following relationship between the current and capital accounts of the nation:

$$(Y^* + \Delta F) - A - \Delta M - \Delta DC = \Delta R^* \quad \dots (25)$$

where:

$$Y^* = Y_{mp} + (NTR_{eg} + NTR_{ep} + NFP_{ep}) - (INV_{gc} + INV_{pc})$$

$$\Delta F = \Delta F_g + \Delta F_p$$

$$A = (C_g + C_p) + (I_g + I_p)$$

The expression in parentheses on the left-hand-side of equation (25) indicates the total resources available for domestic consumption and investment. The above equation thus indicates that domestic absorption (A) will exceed total available resources ( $Y^* + \Delta F$ ) by the amount that domestic credit expansion ( $\Delta DC$ ) exceeds the flow demand for (equal to the supply of) money ( $\Delta M$ ). The identity also reveals

that with total resources as well as the flow demand for money remaining fixed, any reductions in domestic credit will automatically improve the BOP, i.e., increase reserves, by reducing absorption. In Table 7, we have examined the consistency of the above equation for a few selected years of the sample.

Table 7 indicates very clearly that whenever domestic absorption has exceeded total available resources, foreign exchange reserves (denoted in col 7 by the difference between  $\Delta M$  and  $\Delta DC$ ) have decreased, and vice versa. This inverse relationship between domestic absorption, comprising consumption and investment, and reserve accretion, implies that any underestimation of these expenditure components would, by overpredicting reserve accretion, conceal the possibility of a BOP crisis until it is too late. This clearly highlights the need for a more careful monitoring and estimation of the expenditure components of GDP.

#### VII Conclusions

This study presents for the first time in the Indian context a consistent set of annual macro-economic data from 1950-51 to 1997-98 by integrating the national accounts statistics of the CSO with the BOP and monetary data of the Reserve Bank of India as well as with the fiscal data of the government of India. This is done by using a consistency accounting matrix which specifies the linkages between sources and uses of funds as well as between institutional sector accounts. It is seen that the resulting framework ensures the numerical consistency of data drawn from different sources in such a way that, both the sectoral budget constraints as well as the overall economywide budget constraints are simultaneously satisfied.

In this context it needs to be noted that the base change and methodological revisions carried out by the CSO in February 1999 has, to a very large extent, rendered the revised national accounts statistics from 1993-94 onwards incompatible with their corresponding estimates for the earlier period. Because of the complexities involved in backcasting the impact of these methodological revisions, the CSO intends to extend the new series backwards only until 1980-81, implying that henceforth we would have a truncated series on the national accounts; one from 1950-51 to 1979-80 with 1980-81 as the base, and the other from 1980-81 onwards with 1993-94 as the base, with no way of reconciling these two sets of estimates,



apart from using a statistical 'blow-up' factor, because of the methodological incompatibilities between them. Under the circumstances, this could be the last possible complete and compatible data set on the national accounts with a common base and methodology.

Despite certain problems left unresolved by our exercise, we have to a large extent succeeded in integrating the various macro-economic aggregates which, in turn, can help to detect the structural changes that have occurred in the real and financial sectors of the Indian economy over the entire sample period, in general, and between the pre- and post-liberalisation phases, in particular.

This would hopefully enable researchers to translate the implied interrelationships into various policy relevant solutions for some of the urgent structural adjustment problems confronting the Indian economy currently.

With many developing countries irrevocably committed to liberalisation, the issues of the optimal sequencing of reforms, in general, and the manner in which the real and financial sectors can be expected to interact with and respond to the domestic and external sectors, in particular, is becoming increasingly important. Only when all these interactions are well understood will it be possible to predict the effects of policy-relevant variables such as interest rates, exchange rates, capital inflows, amongst others, on key macro-economic outcomes such as inflation, international reserves, savings, investment, fiscal deficits, BOP, income distribution and, above all, economic growth, keeping this in mind, we have compiled the data and, in the second part of the paper (to be published in the forthcoming issue of the *EPW*), we have carried out detailed investigations in order to identify certain relevant empirical patterns and regularities in the estimated data series. In concluding, we do hope that our effort in providing a consistent set of macro-economic data provokes interest in this relatively neglected area of methodological research. After all, this is the only plausible way to determine objectively the success or otherwise of any set of macro-economic stabilisation and structural adjustment policies that have been implemented.

## Appendix I

### Estimating Net Operating Surplus of the Government

The estimates of net operating surplus of the government ( $OS_g$ ) were obtained from two different sources: (i) EPWRI

(Table 24: Item 2.1) for the period 1980-81 to 1995-96 and (ii) various issues of the CSO (*Statements: Factor Incomes of Public Sector/Factor Incomes of Public Sector by Type of Economic Activity*) for the period 1960-61 to 1983-84. However, these two data series were incompatible with each other because the CSO revised the methodology for computing  $OS_g$  in 1985 and thereafter published only the revised series (from 1980-81 onwards) which has been reproduced in the EPWRI. Thus, there existed no comparable estimates of  $OS_g$  for the period 1960-61 to 1979-80; and, indeed, no estimates whatsoever for the period prior to 1960-61. To obtain a comparable and consistent data series on  $OS_g$  for the entire period 1950-51 to 1997-98, we resorted to the following methodology.

Initially, the two series were spliced together by regressing the new series of  $OS_g$  expressed as a percentage of net domestic product at current factor prices (NDPfc) on the corresponding estimates based on the old series of  $OS_g$  using data for the period 1980-81 to 1983-84 (i.e., the only four years for which overlapping data on  $OS_g$  using, both, the old and new methodologies were made available by the CSO). The estimated equation was then used to interpolate the revised  $OS_g$ /NDPfc ratios for the period 1960-61 to 1979-80 based upon which comparable estimates of  $OS_g$  for this period were derived by using the actual estimates of NDPfc for each of these years.

Then, in order to extrapolate the estimates of  $OS_g$  for the period 1950-51 to 1959-60, we assumed that there existed a long-run stable relationship between  $OS_g$  and NDPfc, with the short-run dynamics of  $OS_g$  being governed by an error correction mechanism (ECM). The estimated backward-recurrence equation – using sample data over the period 1960-61 to 1973-74 (during which time the ratios  $OS_g$ /NDPfc were relatively stable as they varied only within a narrow range of 1.2 to 1.8 per cent) and invoking the Engle-Granger (see Engle and Granger 1987) method<sup>9</sup> – was given by:

$$OS_g(t) = 0.2950 OS_g(t+1) + 0.011578 NDPfc(t) + 0.000939 NDPfc(t+1) - 39.34 \dots (A1.1)$$

Equation (A1.1) was used to extrapolate  $OS_g$  backwards in time, for the period 1959-60 to 1950-51, using data on  $OS_g$  for 1960-61 as the initial condition, along with the data on NDPfc over this period.

Finally, as the new series of  $OS_g$  was available only up to 1995-96, we had to generate forecasts for the subsequent years as well. To do so, we estimated a forward-recursive ECM (using sample data over

the period 1980-81 to 1995-96) which was given by:

$$OS_g = -0.3184 OS_g(t-1) + 0.0929 NDPfc(t) - 0.0170 NDPfc(t-1) - 7102.6 \dots (A1.2)$$

Equation (A1.2) was used to extrapolate  $OS_g$  forwards in time, for the period 1996-97 and 1997-98, using data on  $OS_g$  for 1995-96 as the initial condition, along with data on NDPfc for these two years (It needs to be noted that the CSO quick estimate of NDPfc for 1997-98 could not be directly utilised for this purpose because the methodological revisions carried out made it incompatible with the earlier ones. The details of computing a comparable estimate of NDPfc for 1997-98 is described in Appendix V).

## Appendix II

### Estimating the Intersectoral Distribution of Investment Income

The estimates of net investment income of the government sector ( $INV_{gc}$ ) and the private sector ( $INV_{pc}$ ) were available only for the period 1956-57 to 1989-90 (Source: RBI – Table 10.3) because the RBI discontinued publishing this data after 1989-90 due to methodological difficulties. Thus, although there existed estimates of net aggregate investment income (INV), i.e., the difference between total payments (PINV) and total receipts (RINV), there were no data on the intersectoral break-up of this net outflow of resources into  $INV_{gc}$  and  $INV_{pc}$  for the two phases 1950-56 and 1990-98.

To obtain this data, we initially assumed that the payments component of  $INV_{gc}$ , denoted by  $PINV_{gc}$ , was a function only of interest payments on the external debt ( $INT_{gc}$ ) which was a reasonable assumption considering that  $INT_{gc}$  is the largest component of government payments under this category. We then used data over the period 1956-57 to 1963-64 and estimated the following backward recurrence ECM:

$$PINV_{gc}(t) = -0.1724 PINV_{gc}(t+1) + 0.9190 INT_{gc}(t) + 0.2567 INT_{gc}(t+1) + 2.0261 \dots (A2.1)$$

Equation (A2.1) was used to backcast  $PINV_{gc}$  for the period 1955-56 to 1950-51 using data on  $INT_{gc}$  (Source: Chandhok – Table 3.24: *Burden of Foreign Debt in India*) over this period. This series was then subtracted from total investment income payments abroad, i.e., PINV (Source: RBI: 1. *Item II.4-Debits*) to derive time series estimates of investment income payments by the private sector to the external sector, i.e.,  $PINV_{pc}$  ( $= PINV$

–  $PINV_{ge}$ ). On the basis of trends prevailing during the period 1956-57 to 1962-63, it was assumed that private sector investment income receipts from abroad, i.e.,  $RINV_{ep}$ , would be around 30 per cent of total investment income receipts from abroad, i.e.,  $RINV$  (Source: RBI: 1, *Item II.4-Credits*). The resulting estimates of  $RINV_{ep}$  ( $= 0.3 RINV$ ) were then deducted from total investment income receipts to arrive at estimates of government investment income receipts from abroad, i.e.,  $RINV_{eg}$  ( $= RINV - RINV_{ep}$ ). The series of investment income receipts from abroad of both the government as well as the private sector derived in this manner were then deducted from their corresponding payments estimates to compute the series of net investment income of both the sectors as follows:  $INV_{ge} = PINV_{ge} - RINV_{eg}$  and  $INV_{pe} = PINV_{pe} - RINV_{ep}$ .

To obtain estimates of  $INV_{ge}$  and  $INV_{pe}$  for the period beyond 1990-91, we used data over the period 1982-83 to 1989-90 and estimated the following forward recurrence ECM:

$$\begin{aligned} PINV_{ge}(t) = & -0.2618 PINV_{ge}(t-1) \\ & + 1.6258 INT_{ge}(t) - 0.4162 INT_{ge}(t-1) \\ & + 64.53 \end{aligned} \quad \dots(A2.2)$$

Equation (A2.2) was used to forecast  $PINV_{ge}$  for the period 1990-98 using data on  $INT_{ge}$  (Source: CF – Statement: Interest Payments by the Central Government). As before, these estimates were then deducted from  $PINV$  (Source: CF: BOP, *Item II.c-Debits*) to derive estimates of  $PINV_{pe}$ . On the basis of trends prevailing over the second half of the 1980s, it was then assumed that  $RINV_{ep}$  would be around 5 per cent of  $RINV$  (Source: CF: BOP, *Item II.c-Credits*). The resulting estimates of  $RINV_{ep}$  ( $= 0.05 RINV$ ) were then deducted from  $RINV$  to obtain estimates of  $RINV_{eg}$ . Finally, these intersectoral estimates of investment income receipts were deducted from their corresponding payments estimates to compute the series of net investment income of both these sectors for the period 1990-91 to 1997-98.

### Appendix III

#### Estimating Net Factor Payments from Abroad

The estimates of net factor payments from abroad ( $NFP_{ep}$ ) – which forms a part of net miscellaneous receipts under the invisibles component of the current account of the BOP – were derived by deducting payments for 'Professional and Technical Services (PTS)' from the cor-

responding receipts. However, such a break-up was available only for the period 1956-57 to 1989-90 (Source: RBI:10.5, *Items 1 and 2: Payments and Receipts*). Because the resulting series of  $NFP_{ep}$  matched with the series of net compensation of employees from the rest of the world (Source: CSO: *Statement: Consolidated Accounts of the Nation: Account 6 – Item 6.2 minus Item 6.8* and EPWRF: *Exhibit 6-D*) from 1970-71 onwards, this source was used to extend the series albeit only until 1995-96 as no further data was available. To extrapolate  $NFP_{ep}$  for the subsequent period, it was observed, on the basis of recent trends, that: (a)  $NFP_{ep}$  was about 8.4 per cent of net factor income (NFI) from abroad (Sources: EPWRF: 2, Col 18, CSO(QE): *Statement 1 – Items 1.1 minus 2.1*), and (b) the receipts/payments ratio for PTS was about 0.21. Thus, the estimates of NFI yielded  $NFP_{ep}$  which, by using this ratio, yielded the credit and debit components of PTS. Deducting the former from the latter yielded annual estimates of  $NFP_{ep}$  for the period 1996-97 to 1997-98. In order to derive the estimates of  $NFP_{ep}$  for the period prior to 1956-57, we initially computed the average ratio of receipts (payments) for PTS to total miscellaneous receipts (payments) using data over the period 1956-61 and then applied it to the corresponding miscellaneous receipts (payments) for each year of the earlier period (Source: RBI:1, *Item II.6 – Credits/Debits*). We thus obtained yearly estimates of payments and receipts for PTS from which we derived  $NFP_{ep}$  for the period 1950-51 to 1955-56.

### Appendix IV

#### Estimating Domestic Borrowings and Government Investment: A Note

The estimates of domestic borrowings by the government ( $\Delta B$ ) were obtained by adding together net market borrowings of the centre (Source: CF: BOP) and net market borrowings/loans of the states (Source: Chandhok:3.5). It was seen that the resulting series, when used in equation (9), yielded remarkably accurate estimates of gross public sector investment ( $I_g$ ) for the period 1950-51 to 1989-90. However, for the post-liberalisation phase, owing to changes and revisions in the components of  $\Delta B$ , the above equation was unable to replicate  $I_g$  equally well. As such, for the period 1990-91 to 1997-98, we switched the sequence of estimation of these two variables: in effect, rather than estimating  $\Delta B$  initially and then computing  $I_g$  as a residual, we estimated  $I_g$  initially and then computed  $\Delta B$  as a residual. Thus, we ini-

tially used equation (10), which indicated that the gross fiscal deficit (GFD) is the difference between government investment and government savings ( $S_g$ ), and thereby re-defined  $I_g$  as the sum of  $S_g$  plus the GFD of the centre plus the GFD of the states less the loans from the central government to the state governments (Sources: RBI Annual Report (1997-98), *Table IV.4: Financing of the Gross Fiscal Deficit of the Central Government*; *Table IV.8: Financing State Government's Gross Fiscal Deficit, Item 5 and Item 2*). It was noted that the resulting estimates of  $I_g$  for the period 1990-98 were just as accurate as the earlier estimates and the consistency check provided in Section 6.4 bears out this contention. Then, by rewriting equation (9) in terms of  $\Delta B$ , we estimated this variable as a residual and it was observed that the resulting series lay within the neighbourhood of the sum of net market borrowings of the centre and states, testifying to the robustness of this revised methodology.

### Appendix V

#### Estimating the Consistency Accounting Matrix for 1997-98

As mentioned earlier, in order to obtain comparable estimates of the consistency accounting matrix for 1997-98, the methodology discussed in Section 5.2 was extended so as to incorporate the quick estimates recently released by the CSO. However, taking into consideration the base change and the methodological revisions, some of these quick estimates for 1997-98 were not comparable with the earlier values and therefore needed to be modified to ensure comparability. The nature of these modifications is spelt out below.

Initially, the growth rate in GDP at factor cost at current prices ( $Y_{fc}$ ) of 11 per cent in 1997-98 (QE: 3.2 – *Item 10*) was applied to the existing (pre-revised) estimate of  $Y_{fc}$  for 1996-97 to arrive at a comparable estimate of  $Y_{fc}$  for 1997-98. To this we added indirect taxes less subsidies, i.e.,  $T_i - S_b$  (QE: 9 – *Item B.10 less Item A.3*) to arrive at comparable estimates of GDP at current market prices ( $Y_{mp}$ ).

Then, using sample data over the period 1993-94 to 1996-97, the existing estimates of total depreciation ( $D$ ) were regressed on the revised estimates of total depreciation (QE: 6 – *Item 2*) in order to obtain the statistical relationship between them. This equation was then used to extrapolate the value of depreciation for 1997-98 (using the revised estimate of depreciation for this year as the regressor) which would

be comparable with its earlier values. We then estimated the average ratio of depreciation in the public sector ( $D_g$ ) to total depreciation (i.e.,  $D_g/D$ ), based upon data over the above four-year period, and applied it to this estimated value of total depreciation in order to obtain a compatible estimate of  $D_g$  which, in turn, yielded a comparable estimate of depreciation in the private sector ( $D_p$ ) as a residual. This estimate of total depreciation obtained above was then deducted from  $Y_{fc}$  (as derived earlier) in order to obtain the comparable estimate of net domestic product at factor cost at current prices ( $NDP_{fc}$ ) for 1997-98 which, in turn, was used to extrapolate the net operating surplus of the government ( $OS_g$ ) for this year on the lines discussed in Appendix I. The sum of  $OS_g$  plus  $D_g$  plus  $(Ti - Sh)$  yielded the share of the government in GDP at market prices ( $Y_{mpg}$ ). In a similar manner, the estimate of  $OS_g$  obtained above was then deducted from  $NDP_{fc}$  (as derived earlier) in order to obtain private sector factor income, i.e., the sum of wages plus profits ( $W + \Pi$ ), residually. The sum of  $(W + \Pi)$  plus  $D_p$  yielded the share of the private sector in GDP at factor cost ( $Y_{fc}$ ).

Finally, using sample data over the period 1993-94 to 1996-97, the existing estimates of gross domestic savings ( $S$ ) were regressed on their revised estimates (QE: 1 - Item 1) in order to obtain the statistical relationship between them. This equation was then used to extrapolate the value of total savings for 1997-98 (using the revised estimate of savings for this year as the regressor) which would be comparable with its earlier values. We then used the revised ratio of gross savings in the public sector ( $S_g$ ) to total savings (i.e.,  $S_g/S$ ) for 1997-98 (QE: 8 - Item 2) and applied it to this estimated value of total savings in order to obtain a compatible estimate of  $S_g$  which, in turn, yielded a comparable estimate of gross savings in the private sector ( $S_p$ ) as a residual. The remaining elements of the consistency accounting matrix were estimated using exactly the same methodology as discussed in Table 2.

### (To be concluded)

### Notes

- 1 These projections are obtained recursively - implying that each successive projection is based on certain earlier projections - as follows (It needs to be noted that all the symbols and identities used in this exercise have been explained later): (i) As  $I = S + CAD$ ; and with  $I$  projected to increase from 25 to 35 per cent and  $CAD$  projected to decline from 2 to 1 per cent, it implies that  $S$  must increase from 23 to 34 per cent. (ii) As  $I = I_g + I_p$ ; and  $I_g$  expected

to remain constant at 10 per cent, it implies that  $I_p$  must increase from 15 to 25 per cent. (iii) As  $FD = I_g - S_g$ ; and with  $FD$  projected to decrease from 6 to 0 per cent, it implies that  $S_g$  must increase from 4 to 10 per cent. (iv) As  $S = S_g + S_p$ , it implies that  $S_p$  must increase from 19 to 24 per cent. (v) As  $S_g = T - C_g$ , and with  $C_g$  expected to remain constant at 15 per cent, it implies that  $T$  must increase from 19 to 25 per cent. (vi) As  $YD = Y - T$ , it implies that  $YD$  must decrease from 81 to 75 per cent. (vii) As average propensity to save ( $aps$ ) =  $S_p/YD$ ; it implies that  $aps$  must increase from 23.5 (= 19/81) to 32 (= 24/75) per cent. (viii) Finally, assuming that  $Y(0) = 100$ , and given the growth and inflation projections (7 and 6 per cent), it implies that  $Y(5) = 188$  at the end of the five-year planning horizon. This implies that  $YD(5) = 141$  (which is 75 per cent of  $Y$ ) while  $S_p(5) = 45$  (which is 24 per cent of  $Y$ ). As marginal propensity to save ( $mps$ ) =  $\Delta S_p/\Delta YD$ , it implies that  $mps = (45 - 19)/(141 - 81) = 44$  per cent.

- 2 These projections are obtained recursively as follows: (i) As inflation ( $\pi$ ) = money growth ( $\mu$ ) - real growth ( $g$ ), it implies, given that  $g$  is expected to increase from 5 to 7 per cent and  $\pi$  is expected to remain constant at 6 per cent, that  $\mu$  (=  $\Delta M/M$ ) must increase from 11 to 13 per cent. (ii) As 60 per cent of private savings goes into financial asset accumulation, it implies that

$$\Delta M + \Delta B = 0.6 S_p \quad (F2.1)$$

which, by dividing throughout by  $Y$  and letting  $\Delta M/Y = (\Delta M/M)(M/Y) = \mu(M/Y)$ , yields

$$\Delta B/Y = 0.6 (S_p/Y) - \mu(M/Y) \quad (F2.2)$$

Given the earlier projections of  $S_p/Y$  and  $\mu$ , along with the fact that the income velocity ( $Y/M$ ) is assumed to be 1.5, implies from equation (F2.2) that government borrowing ( $\Delta B/Y$ ) would increase from 4 to 5.7 per cent. (iii) Let the steady state initial ratio of financial assets to GDP be denoted by  $x$ , i.e.,  $(M + B)/Y = x$ , implying that  $\Delta M + \Delta B = x \Delta Y$ . Substituting this result in equation (F2.1), and dividing throughout by  $Y$ , yields

$$x(\Delta Y/Y) = 0.6(S_p/Y) \quad (F2.3)$$

Substituting the projection for  $S_p/Y$  and considering that  $\Delta Y/Y = 0.113$  (given that initial  $g$  and  $p$  are 5 and 6 per cent, respectively) yields  $x = 1$ , implying that the steady state ratio of financial assets to GDP is 100 per cent. (iii) Now by setting the variables in equation (F2.3) at their terminal levels yields  $x = 1.07$  implying that the new steady state value of financial assets to GDP which is consistent with the terminal savings and growth rates is 107 per cent. (iv) As the steady state ratio of  $(M + B)/Y$  increases from 1 to 1.07, while  $M/Y = 1/1.5 = 0.67$  is assumed to remain constant, this implies that the debt-GDP ratio ( $B/Y$ ) increases from 0.33 to 0.4. (v) As  $FD = iB + x.Y$ , where  $FD$  is the fiscal deficit,  $iB$  represents interest payments on internal debt and  $x$  is the ratio of the primary deficit/surplus to GDP. Also, with only two sources of financing the fiscal deficit, we have  $FD = \Delta DC_f + \Delta B$ . Linking these two equations together, and dividing throughout by  $Y$ , yields

$$f = FD/Y = i(B/Y) + x = (\Delta DC_f/Y) + (\Delta B/Y) \quad (F2.4)$$

Equation (F2.4) has two implications. Firstly,

given that  $f$  is projected to decrease from 6 to 0 per cent,  $i$  is expected to remain at 10 per cent, and  $B/Y$  is expected to increase from 33 to 40 per cent, it implies that  $x$  must decrease from 2.7 per cent to -4 per cent. Secondly, given the projections of  $f$  and  $\Delta B/Y$ , it implies that  $\Delta DC_f/Y$  must decrease from 2 per cent to -5.7 per cent. (vi) Finally, with capital flows assumed to be zero, and private savings financing 60 per cent of financial asset accumulation, it implies that the remaining 40 per cent of private savings, supplemented by private sector credit, must finance private investment. Thus, the private sector investment constraint is given by  $I_p = 0.4 S_p + \Delta DC_p$ . Given the above projections of  $S_p/Y$  and  $I_p/Y$ , indicates that private sector "credit entitlement" ( $\Delta DC_p/Y$ ) must increase from 7.4 to 15.4 per cent.

- 3 The first is the difference between the figures of merchandise exports and imports from the two sources, namely the RBI and the DGCI and  $S$ , which represent timing, valuation and such other differences as between the recordings of export-import data at the time of shipment (DGCI and  $S$ ) and at the time of payment (RBI). To the extent that the CSO largely depends upon the latter source, their estimates of the CAD differ from those of the RBI. However, the more important methodological difference is that the CSO excludes net official transfers (NTR) from the computation of the CAD, while the RBI, following the IMF practice, includes it. Thus, to the extent that NTR has been consistently positive, the CSO estimates of the CAD have been persistently, albeit marginally, higher than those of the RBI. As the RBI stance is the more appropriate one, we have depended entirely upon the RBI sources for estimating the BOP and all its components, using CSO data only on net factor income from abroad ( $NFP_{op}$ ) which, in any case, is not provided by the RBI.

- 4 Apart from these three main discrepancies, there are two other subsidiary discrepancies. First, there is a discrepancy in estimates of capital formation undertaken separately by type of institutions and type of economic activity, and there is yet another discrepancy in the external transactions account which, however, is shown as adjustment of merchandise exports and imports, this is the difference between the figures of merchandise exports and imports from the two sources, namely the RBI and the DGCI and  $S$  (this point has been referred to in the earlier footnote). Sizeable errors and omissions do occur in the external sector data which are hidden under capital transactions and not reported separately in the NAS. The RBI does report the data on 'errors and omissions' in its regular BOP statistics (see Table 44 in RBI Bulletin, October 1998). However, in our study, we make no attempts to reconcile these subsidiary discrepancies.

- 5 As a matter of fact, discrepancies amounted to 0.0 per cent of GDP in 1987-88 after which they have been persistently and increasingly positive. However, it needs to be noted that, after the recent CSO revisions, these discrepancies did decline significantly, thereby testifying to an improvement in their methodology. Unfortunately, these discrepancies have increased with every passing year just as before.

and, at present, the post-revision percentage discrepancy is at the level that it was in 1995-96 prior to the revision. The following table highlights this feature

Year	CSO Discrepancies (as Per Cent of GDP)	
	Old Base (1980-81)	New Base (1993-94)
1993-94	6.7	3.1
1994-95	5.5	3.1
1995-96	6.3	4.7
1996-97	-	4.7
1997-98	-	6.2

6 This is a direct corollary of the fact that the CSO does not include  $NTR_{14}$  in the computation of CAD

7 The source for both these estimates was *Economic Survey (1998-99)* Table 1.4 - Gross Domestic Savings and Capital Formation. In this context, it needs to be noted that the 'errors and omissions' reported here was adjusted to take into consideration the methodological differences between the CSO and the RBI in computing the CAD. As the RBI estimates of CAD are slightly lower than their CSO counterparts because of the incorporation of  $NTR_{14}$  by the former in its computation, the controlling total ( $I - S + CAD$ ) used by us was also lower. Thus, our estimate of 'errors and omissions' defined as the difference between the controlling total and the independently derived sectoral estimates of GDCF was lower than those reported by the CSO

8 Thus, if the corresponding error happened to be positive (negative), then the actual unadjusted estimate of sectoral GDCF would be the lower (upper) bound and its adjusted estimate, i.e., actual GDCF plus (minus) error, would be the upper (lower) bound. Because our estimate of 'errors and omissions' was smaller than their CSO counterparts, the overall range was smaller implying a more stringent test for robustness

9 We will illustrate the Engle-Granger method using one explanatory variable (with the extension to a multivariable case being direct). Let the long run relationship between  $x(t)$  and  $y(t)$  be given by

$$y(t) = a_0 + a_1 x(t) \quad (F1.1)$$

where both  $y(t)$  and  $x(t)$  are  $I(1)$ , i.e., integrated of order 1. Assume that for the OLS estimates  $a_0$  and  $a_1$  of equation (F1.1), the Dickey-Fuller (DF) and/or the Augmented Dickey-Fuller (ADF) test indicate stationarity of the residuals  $u(t)$ . In other words, cointegration of  $y(t)$  and  $x(t)$  of order (1,1) can be positively accepted, implying that deviations of  $y(t)$  from its long-run path are  $I(0)$ . Logically, the next move would be to switch over to a forward recursive short-run model with an ECM given by:

$$\Delta y(t) = \beta_1 \Delta x(t) + \beta_2 [y(t-1) - \alpha_0 - \alpha_1 x(t-1)] \quad (F1.2)$$

As the dependent variable and both the regressors are  $I(0)$ , there is no possibility of estimating a spurious regression as a result of stochastic/deterministic trends being present in the data. The model incorporates both a long-run solution as well as a short-run ECM provided  $\beta_2 < 0$ . The short-run dynamics of the ECM are obtained by re-

writing  $\Delta y(t) = y(t) - y(t-1)$  and  $\Delta x(t) = x(t) - x(t-1)$  in equation (F1.2) yielding:

$$y(t) = [1 + \beta_2]y(t-1) + \beta_1 x(t) - [\alpha_1 \beta_2 + \beta_2]x(t-1) - \alpha_0 \beta_2 \quad (F1.3)$$

In essence therefore, the Engle-Granger method comprises two steps: first, estimate equation (F1.1) by OLS and test for stationarity of the residuals. Second, if this is not rejected, estimate equation (F1.2) replacing  $\alpha_0$  and  $\alpha_1$  by their previously computed OLS estimates. Under the circumstances, the condition of the identical order of integration for all the variables in equation (F1.2) is satisfied.

If a backward recursive ECM is to be obtained, then we redefine  $\Delta y(t) = y(t) - y(t+1)$  and  $\Delta x(t) = x(t) - x(t+1)$  while estimating equa-

tion (F1.2). The short-run dynamics of such a backward recursive equation will therefore be given by:

$$y(t) = [1 + \beta_2]y(t+1) + \beta_1 x(t) - [\alpha_1 \beta_2 + \beta_2]x(t+1) - \alpha_0 \beta_2 \quad (F1.4)$$

which would dynamically extrapolate the series  $y(t)$  backwards in time. It needs to be noted that we have reported only the final estimated forms of either equations (F1.3) or (F1.4), as the case might be, in the appendices.

## References

The consolidated list of references will be provided in the concluding part of this paper which will appear in the forthcoming issue of *EPW*

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# Agrarian Distress in Bidar

## Market, State and Suicides

A R Vasavi

*The spate of suicides by agriculturists in Karnataka was largely a result of ecological, economic and social crises in the region. The situation calls attention to the problems of commercial agriculture in the region and to the role of the state in inducing such conditions. Internal social complexities such as the growth of local usury and the increasing individualisation of agriculture also compound such distress.*

### I Agrarian Distress

BETWEEN December 1997 and May 1998 23 cases of suicides related to agricultural crop loss were reported from the north Karnataka districts of Bidar and Gulbarga. Of these, 13 suicides were by agriculturists in the district of Bidar, and a significant proportion of these was from Bhalki taluka. Though this study was initiated in response to reports of suicides in the district, the study does not focus on the actual cases/households in which distress-related suicides were reported.<sup>1</sup> Rather, the study considers the suicides to be symptomatic of larger and more pervasive crises in the region. The crises are ecological, economic, and social; each inter-linked with the other, and combining to produce distress in the region. And it is in the context of these crises that the pervasive distress in the region and the suicides by agriculturists must be understood.<sup>2</sup>

**Ecological crisis:** The promotion of commercial agriculture, based on the utilisation of hybrid seeds, chemical fertilisers and pesticides, in a predominantly semi-arid region has had several repercussions. There is the loss of land-race seeds as the cultivation of commercial/cash crops displaces the cultivation of local crops. Linked to the use of increased amounts of fertilisers and pesticides there is the depletion of soil fertility and the increase in crop susceptibility to pests and diseases. As a whole, there is a lack of fit between the ecological specificity of the region and commercial agricultural practices. Climatic changes, especially changes in the rainfall pattern since the past two years (1997-98), compound the conditions of uncertainty and risk in agriculture, subjecting agriculture to an ecological crisis.

**Economic crisis:** Though commercial agriculture is promoted on the basis of utilisation of external inputs, institutional credit facilities to purchase these inputs are available only to a limited number of agriculturists (mostly large landowners).

Most agriculturists incur heavy debts in order to engage in commercial agriculture. Small and marginal cultivators for whom institutional credit is not readily or easily available resort to non-institutional debts at heavy interest rates in order to take to modern cultivation or to remain in cultivation. In times of ecological crises, such as an outbreak of pests or diseases, agriculturists incur more debts (from private creditors and from agri-business agents) to purchase pesticides. As crops are lost, due to both deficit and unseasonal rains and the outbreak of pests, several agriculturists are left with large debts, the repayment of which is beyond the immediate ability of many. As an increasingly commercial activity, agriculture increases the vulnerability of small and marginal agriculturists and provides no safety net (either locally or from the government) during periods of crises.

**Social crisis:** The introduction of commercial agriculture in a predominantly dry agriculture belt has its impact on the social fabric of the region. Commercial agriculture itself forces agriculturists to submit to the prescriptions of the agricultural extension service, the market, the agri-business agencies and credit institutions and agents. Agriculture no longer draws on the established principles of local knowledge and caste and kin-based ties. Instead, agriculture is a form of livelihood, to engage in which individual agriculturists depend primarily on their household and family support. As agriculture becomes an externally prescribed form of economic activity there are problems in the dissemination of knowledge, in the conduct of actual agricultural activities and in the understanding and management of situations such as crop loss.

The denouement of such conditions that can be identified as triple crises in the region necessitates that we raise several questions. What factors (economic, political, social and cultural) have combined to produce such conditions? What roles have the key agencies and agents of the government/state, the market/capital, and community played in this context? Who

is responsible for the utter degradation of life conditions in this region? Who have been the victims and who have gained?

Some answers to these questions may lie in understanding the general background of the region, the altered agricultural patterns and the socio-economic trends in the region.

### II State Presence and Absence

In geo-physical terms Bidar district is part of the semi-arid and drought-prone belt of northern Karnataka and has been susceptible to periodic droughts. Though some 82 per cent of the total land is cultivated, only 8 per cent of its total cultivable area is irrigated and the state's efforts to provide irrigation have been lackadaisical. The two major irrigation projects, Karanja started in 1963 and Chulkinala started in 1972, are yet to be completed. Only 2,097 hectares are irrigated by canals and tanks, while the rest, of about 30,892 hectares, are irrigated by wells and tube wells. The state of incompleteness and disrepair (of the little that has been completed) of the two large irrigation projects are telling comments on the extent of state support for the region.<sup>3</sup>

Compounding the lack of development of infrastructure in the region is the de-industrialisation that has set in since independence and reorganisation of states. Though once a home to many cottage industries, such as cotton and oil-ginning mills [GOK 1977], there are now few industries that draw on local raw materials or skills. Even the well known form of local handicrafts, 'bidri' ware, is in a state of decline. Increasing prices of materials, especially silver, and declining sales have meant that many of the hereditary artisans are no longer employed in the production of such ware. Literacy levels are also below the state level and currently only 45 per cent of the total population are literate [GOK 1996-97].

A drought-prone district with little or no irrigation facilities and no alternative economic opportunities, Bidar has remained

in a state of continual poverty and mass deprivation. State assessments indicate that since the 1960s there has been little or no change in its conditions of 'backwardness' measured by indices of literacy, economic development, productivity, infrastructure, etc. In 1961, the district ranked the second lowest in terms of development and by 1969 it was ranked the lowest in the state [GOK 1977]. That the conditions of 'backwardness' in economic and social criteria persist is evident in the fact that in 1971 the district was assessed to be the 'least developed district' in the state [GOK 1977:305]. This continues to the present where Bidar with its average annual income of Rs 4,242 (for 1992-93 prices) ranks 19th out of 21 districts in the state in terms of per capita income [NABARD 1996].

**Agricultural interventions:** Agriculture in Bidar had its own specific form. Drawing on the specificities of the local ecology, agriculture was mostly dry cultivation or rain-dependent cultivation in which a wide variety of local sorghum<sup>4</sup> ('jola', the staple grain) was grown in combination with pulses, oil seeds, wheat and other cereals. Though cultivation was restricted to two periods ('rabi' or winter cultivation from August to January, and 'kharif' or summer cultivation from June to September), care was taken to cultivate green manure crops of 'Sannhemp' and 'Diancha'.<sup>5</sup> The cultivation and use of such manure crops helped agriculturists retain the fertility of the soil, decreased the chances of external pests and diseases entering the fields, and enabled agriculturists to be self-reliant for a very significant agricultural input. Even by 1970s little commercial or inorganic manure or fertilisers were used [GOK 1977].

But the agriculture of Bidar, like that of many other semi-arid regions which produced dry cereals, was considered to be 'low productive' and has been subjected to a variety of 'development programmes' that have drawn, largely, on the agenda of the green revolution. Drawing on programmes and policies that emphasise the need to increase agricultural productivity, the state has promoted a model of agriculture in the region that draws primarily on the model of agriculture developed for wet regions and for commercial cultivation.

In 1966-67, high-yielding varieties of seeds for sorghum, paddy, wheat and sugarcane were introduced [GOK 1977:150]. Gradually, between the late 1960s and mid-1970s hybrid varieties of seeds for other crops such as cotton, pulses and sunflower were introduced. Between 1972-74 the region was subject to a prolonged drought and scarcity conditions. Government intervention in the immediate

period saw to the provisioning of relief to people and cattle. But, after the end of the drought and scarcity conditions the district became part of a scheme to promote pulse cultivation.

The cultivation of 'tur' or 'toghri' (red gram) as a commercial crop became the primary agricultural agenda in the region. A significant proportion of land once under multi-crop and dry cultivation (especially sorghum, wheat and oilseeds) has now been dedicated to the cultivation of pulses, especially that of 'kadle' (Bengal gram), and tur (Table 1).

But, despite inadequate infrastructure and mass poverty, the region has been able to increase its production of tur. This is observable in the fact that yield rates of pulses were the highest in Bidar district (711 kgs/hectare) compared to the state average of only 477 kgs per hectare [GOK 1995-96]. As a result, since 1996 Gulbarga and Bidar districts account for 75 per cent of tur cultivation in the state.

The introduction and promotion of modern agriculture resulted in the development of two key and striking contradictions in the region. Perhaps, the most significant contradiction is that while there is an alteration in the very foundation and orientation of agricultural cultivation (in the type of crops cultivated, in the new seed varieties, new inputs, etc), there is little or no change in the social bases of the agrarian society. That is, though there is an alteration in the physical conduct of agriculture (in the types of crops grown, the cultivation patterns, etc), it is not matched by any alteration in the ownership patterns of the agrarian society in which new agriculture is introduced. Though largely a dry cultivation belt with a predominance of small cultivators, there is a schism in the patterns of land ownership. An overview of land-ownership patterns in the district will highlight this.

Currently, only 17 per cent of the district's agriculturists can be considered to be large landowners with holding sizes of between four and 10 hectares (Table 2). Thirty-six per cent of agriculturists are marginal cultivators with holdings that range from 2-4 hectares. About 45 per cent are small cultivators who own lands that range from 1-2 hectares.<sup>6</sup> While the absence of very large holdings by a smaller proportion of persons is to be seen as an

advantage (only about 2 per cent of the holdings are more than 10 hectares), it is important to note that data indicates a continual fragmentation of landholdings. In 1971, the single largest category of landholdings was that of between 5-10 hectares and the average size of land holding was 6.2 hectares [GOK 1977]. But, currently (1996 data), the average size of holding is only 2.8 hectares [NABARD 1996] and a majority of cultivators are those who own less than two hectares of land. While such units cannot be assessed to be uneconomic in terms of mere size,<sup>7</sup> the operators of such units face other problems.

Given the declining size of landholdings, many small and marginal cultivators resort to renting or sharecropping. Sharecropping in the region is known as 'lavani' and there are about four different kinds of lavani arrangements that prevail in the region.<sup>8</sup> Insecurity of land lease, increasing production costs, inadequate returns from production, and problems in accessing and receiving credit are some of the problems that most small and marginal cultivators and lavani-holders face. Though such arrangements are not conducive to economic development, the state has not actively sought to provide security of tenure to these sharecroppers. This is evident in the fact that though tenancy is legally abolished (*vide* Karnataka Land Reform Act 1974), there have been no attempts to actually prevent sharecropping or to ensure transfer of titles to sharecroppers.

Of the poorer sections of the rural community it is only the labouring class, mostly the landless and low-ranked caste groups and members of scheduled castes, that has, only recently, seen a slight improvement in life conditions. Linked to the fact that commercial agriculture, without high and extensive mechanisation, increases labour demands (especially for

TABLE 2: LAND DISTRIBUTION, BIDAR DISTRICT, 1996-97

Size Category (Hectares)	Number of Holdings	Total Area (Hectares)
<1	22054	14195
1-2	63486	94157
2-4	50929	138795
4-10	24329	145466
10 +	5229	72948

Source: District at a Glance, 1996-97.

TABLE 1 BIDAR DISTRICT CROPPING PATTERN

Year	Paddy	Sorghum (Jola)	Millet (Sajji)	Wheat (Godhi)	Other Cereals	Kadle	Toghri (Tur)	Other Pulses
1993-94	18010	131043	12827	6133	2135	26099	44801	98765
1994-95	15656	19953	12811	6757	-	31742	48506	103144
1995-96	10218	12678	15110	6973	-	40342	48946	105432

Source: Compiled from District Statistical Handbook, 1993-94, 1994-95, 1995-96.



weeding, harvesting) real wages have increased [GOK 1997-98]. In addition, there has been some amount of collective political mobilisation and organisation among them as organisations such as the Dalit Sangharsh Samiti have been active in the region. Many of the labouring classes are now aware of the stipulated minimum wages, of their rights to receive ration cards and the rations with it and of other benefits that accrue to them.

Within this context, of relatively little or no change in the economic opportunities and social structures of resource allocation, the promotion of a model of agriculture that is largely dependent on external inputs and the market has implications for the life conditions of the cultivators. Agriculturists trade low-risk, low productive agriculture (typical of agriculture in dry regions) for a high productivity but also high-risk form of agriculture. Yet, such an engagement with agriculture places cultivators in a position of vulnerability, in which neither the agency that promotes this form of agriculture (the state) nor the sources (the market forces) that drive it support them in their time of distress.

### III

#### Market and Agrarian Community

In addition to the role of the state in initiating changes and retaining certain social features in the region, it is important to delineate and understand the role of capital and the market in influencing the conditions of the people in the region. Though modern agriculture requires inputs (seeds, fertilisers, pesticides, technology, etc), much of the capital needed to purchase these inputs is not easily available to a majority of people. As the NABARD report for Bidar (1997-98) indicates, only large landowners are considered to be creditworthy and most institutional credit caters to their requirements. Most small and marginal cultivators, especially sharecroppers, are considered to be 'creditunworthy' and are bypassed by institutional credit agencies [NABARD 1997-98].

Two factors are accountable for such conditions. One is the general lack of credit made available to rural and agricultural credit institutions. From 1987 to 1992, the RBI has reduced credit availability to agricultural sectors from 19.1 per cent to 11.7 per cent [Rawal and Swaminathan 1998]. As a result there is a credit crunch in the agricultural credit institutions which typically meet 67 per cent of short-term loans and 37 per cent of long-term loans in rural areas. This combines with the fact that there are sharp fluctuations in agricultural production and

loan recovery rates are poor. As the NABARD report for Bidar (1997-98) details, loan recovery rates in the district are poor, standing between only 24 per cent for co-operative banks and between 27 and 30 per cent for commercial banks. Low recovery rates further discourage the entry of additional credit into the region and lead to the marking of most small and marginal cultivators as being creditunworthy.

A striking result of the lack of credit availability to small and marginal cultivators, when modern agricultural methods demand commercial inputs is that there is a mushrooming of non-institutional credit sources. Most of these non-institutional creditors are located in the towns of the district and in the villages. While a survey of the actual types and backgrounds of moneylenders in the region was difficult to conduct,<sup>9</sup> the presence and impact of two new sources of credit were evident.

The first of these are the groups of families that have either benefited from commercial agriculture and or families with members who are employed in the urban sectors. Members of older, established landowning families, who have with the support of access to land, capital and technical advice reaped benefits from commercial agriculture, seek to utilise their surplus capital as usury. While moneylending by these households and family has always been part of the rural economy, it has now taken an impetus with the additional flow of funds that many of these households have. Urban remittances and surplus capital are ploughed into local moneylending outfits, which, with the government stipulation to be registered, call themselves 'financial corporations'. The presence and impact of these financial corporations is visible in the fact that in even small villages there are shops and houses that have boards indicating that they are 'financial corporations'. For instance, in the village of Murambi which has only 240 households there are nine financial corporations with members drawn from different caste groups. Lending rates in these agencies are between 40 and 50 per cent per annum (as compared to the average of 17 to 23 per cent at most institutional credit agencies). Most cultivators who are unable to procure loans from co-operatives or banks depend on these agencies for agricultural and non-agricultural monetary requirements.

The second source of credit in the region is that of the agri-input agencies themselves.<sup>10</sup> Agents for large and small scale agri-input manufacturing industries not only sell fertilisers, pesticides, seeds, equipment and other agricultural requirements but also double as creditors by linking sales of these inputs with credit.

Manufacturers permit high interest rates by printing high maximum retail price (MRPs) on the items to be sold. It is left to the discretion and skill of the agent/distributor to sell the goods and retrieve the loans from the people. The availability of agri-inputs on credit acts as an incentive for most people to purchase these items.

In addition to the binding of cultivators through agri-input sales and credit, many agents also act as grain procurers. Having purchased inputs on credit, cultivators are often forced to sell their produce to these agencies, at prices that are below market rates, in order to clear their debts. While cultivators, as buyers and clients, are forced to submit to the dictates of the market they do not have the same leverage as sellers of their produce. Sharp fluctuations in prices, as observed in the decline in prices for 'tur' in 1998, increased costs of production without assured and commensurate procurement prices are trends that mark the economic life of cultivators.

In the establishment and entrenchment of such agencies in the region there is little or no state regulation or supervision. Though pesticide dealers and agents are required to have licences and be registered, many agents and distributors in the villages are not licensed. Cultivators speak of the large-scale dilution of pesticides and the lack of guarantee of many commercial seed varieties.<sup>11</sup> Sales of spurious seeds and pesticides remain an allegation which the state has yet to verify.

Compounding such problems, linked to the inputs required for commercial agriculture, is also the problem of knowledge or agricultural know-how dissemination. Though the practice of commercial agriculture is promoted formally by the government through its agencies such as the department of agriculture and the agriculture extension service and is largely backed by the promotion of commercial inputs by the agri-business agencies themselves, there are problems in the dissemination of knowledge. Though all village panchayats of the district are assigned a gram sevaka or agricultural assistant, contact between the agricultural assistants and the cultivators is not always assured. Most agricultural assistants maintain contacts and good rapport with only large landowners, sharing with them information about new seeds, pesticides, fertilisers and indicating ways in which to use the new inputs. In addition to this limited contact and supervision, much of the instructions for the use of agri-inputs (such as fertilisers, pesticides and seeds) are only in English and in some cases in Hindi. While a large proportion of cultivators are illiterate, even those literate in the regional and local



languages, in this case Kannada and Urdu respectively, are unable to comprehend the instructions and directions for the use of these inputs.

This limited contact between agricultural agents and small and marginal cultivators has its effect on agricultural conditions. Agricultural practices also alter within the context of informal dissemination of knowledge and imitation. Cultivators integrate new methods and new inputs through observing others and with little or no formal instruction in the details of using the new inputs. This haphazard dissemination of agricultural knowledge and practices lends itself to problems in the context of crises situations. This was evident in the discussion relating to the use of pesticides at the time of the outbreak of the heliothisis epidemic. Members of the agricultural extension service observe that cultivators did not spray their fields at the appropriate time (when the pests were in the larvae stage) and then resorted to rampant and excessive spraying when the pests had reached the fourth stage of maturation and were not susceptible to control by pesticides. However, cultivators indicate the absence of agricultural extension personnel in the field and the lack of instruction on how to handle a situation such as the outbreak of the heliothisis pest. The resulting gap in knowledge dissemination meant that cultivators not only lost a sizeable proportion of crops but also incurred large sums of debt. Such a situation calls attention to the problem of knowledge dissemination. While local knowledge and locally appropriate practices are being displaced, the spread of a new form of agriculture is not based on ensuring the proper dissemination and practice of new knowledge. Rather, cultivators receive and disseminate knowledge of the new practices and inputs in a rather ad hoc manner leading to confusion and even stress during periods of crises.

The result of such economic, ecological and social changes and their devastating impact on the local community was evident in the situation that developed in the agricultural seasons of 1997-98.

#### IV Season of Distress

The agricultural season of 1997-98 (between the months of June 1997 and July 1998) illustrates the conditions that prevail in the region. According to the taluka agricultural office, Bhalki, in the summer cultivation period, rainfall was 843 mm while the average expected is 890 mm. As a result there was a substantial decline in production. However, the winter cultivation season saw excess rains,

about 153 mm when the average expected rainfall for the period is only 19 mm. The climatic conditions of long periods of cloud cover and moisture provided the right conditions for an outbreak of pests. The standing crops, predominantly that of tur, were attacked by heliothisis, also called helioverpa. According to the assistant director, taluka agricultural office, Bhalki, heliothisis is a pest that reproduces three generations in a one-year cycle and which is difficult to control. In attempting to bring the pests under control and to salvage the remaining crops, cultivators resorted to purchasing (mostly on credit) pesticides and rampantly and frequently spraying their fields. Yet, by the end of the season, February 1998, almost 80 per cent of the tur crops were destroyed (Table 3).

The loss of crops for two successive seasons have been devastating for a region that is already poor. Not only were crops meant for commercial sale lost, but the production and storage of the local staple crop, sorghum or 'jola' from the region was eroded. Having taken to the cultivation of pulses on a large scale, there was a significant decline in the cultivation of cereals, including that of sorghum. Declining area under cereal production met with two years of rainfall fluctuations and sharp decreases of crop production. The result meant that by August 1998, when we visited the area, local sorghum was not available. Many people were resorting to purchasing sorghum from stores, which did not suit their palates and which, as many people indicated, was rotten. As a result, many of the local people had stopped consuming sorghum and had switched to consuming wheat rotis. While this loss of staple food, with its attending cultural significance, is a telling comment on the food security of the region, it was

the indebtedness of the marginal and small cultivators that triggered the sense of distress. Not only were a majority of cultivators in deep indebtedness but also the lack of local and external support compounded their distress. It was in this context that in some households the main earning members or heads of households, many who had incurred large debts, resorted to suicide. Table 4 gives a profile of the villages visited.

Based on a compilation of data made available by various reports, Table 5 provides an overview of the economic conditions of those persons who committed suicide. Even a cursory glance at the table on details of those who committed suicide will indicate that many were lavani holders with fairly substantial debts. The debts were primarily to private financial/lending agencies which implies not only higher interest rates but also more social and cultural pressure on these debtors. The weather fluctuations of the past two years (1996-98), and the resulting crop loss, have increased the indebtedness of cultivators. Many who borrowed did so not only for production purposes, but also to subsist. The non-availability of non-agricultural employment and institutional credit compounded the economic hardships of many.

While there may be slight variations in the case history of each person who committed suicide and his/her household and family situation, their situation is representative of the larger and more pervading despair and despondency that has set in among the agriculturists in the district. A description of one of the villages, Siddheshwara, which we visited, will provide a scenario of the region and the life conditions of the people there.

Siddheshwara – a temple-based village of about 600 households with a population

TABLE 3: ESTIMATED CROP LOSS IN SOME IMPORTANT CROPS

Crop	Total Cropping (Ha)	Total Cropping Loss (Ha)	Loss in Production (Rs Lakh)	Loss In Tonnage	Percentage Crop Loss
Tur	49980	39984	1919	19191	80
Jowar	35850	24968	747	12472	71
Bengal gram	48035	27315	817	8193	60
Sunflower	9636	6919	155	1946	71

Source: Estimated from Joint Legislative Committee Enquiry Report, Government of Karnataka

TABLE 4: PROFILE OF STUDY VILLAGES, BHALKI TALUKA

Characteristics	Maurambi	Siddheshwara	Nittur
Population	900	4,000	3,599
Households	275	600	715
Banks	nil	nil	1
Co-operatives	nil	2	1
Financial corporations	9	nil	3
Schools	primary, middle (government)	na	primary 3 high 2 pre-university 1
Pesticide and manure outlets	na	na	3

of approximately 4,000 people – is perhaps quite typical of villages in the district. Its clutter of thatch, stone and mortar houses are linked by narrow by-lanes, which now with the onset of the monsoon run with water, sewage, excreta and cow-dung. The temple of Siddheshwara looms large over the village and the new Basava statue, installed by the members of the local Rashtriya Basava Dal<sup>12</sup> marks the entry of the village and the temple. Dependency seems to be the ruling tone; poor climate, failed crops, an inefficient local government, an indifferent state apparatus. The men list their problems – the rains are unpredictable, for the past two years the winter or rabi rains have arrived at the time of harvest. Unseasonal rains have destroyed crops and the outbreak of pests has increased. The pesticides are ineffective, though vast quantities of pesticides are bought and sprayed. The pests and crop diseases have claimed the fields. Government compensation for crop loss is both inadequate and inefficient. How can a person who has lost several thousand rupees per hectare be compensated with a few hundred rupees? Worse still, the amount that is offered as compensation and the process to procure it is an insult. The government has disbursed cheques for sums so paltry that it does not even cover the cost of the bus charge required to encash the cheques at the district or taluka headquarters. Credit is hard to obtain – most people take loans from local creditors. For close to two years now there is little or no income. With increased costs of cultivation, many cultivators have incurred large debts and are unable to repay them. What are the alternatives?"

Under such conditions of changing agricultural practices, minimal state and administrative support, increasing subordination to market forces, high risks in agriculture and declining community support, it is not hard to imagine the personal distress that cultivators experience. In an agrarian community, with a long history of drought-related crop loss and scarcity, it is not just the loss of crops that has created tensions. Rather, it is the experience of crop loss in a context of significantly altered form of agriculture and community relations that accounts for distress among people. As the new form of agriculture links cultivators to the larger economy and market, it compounds the schisms within the local community. Commercial agriculture with its emphasis on increased commercial inputs and capital means the conduct of agriculture on individual and household bases. Moving away from agricultural patterns that were more or less similar across households (in

terms of type of crops, patterns of cultivation, knowledge base, etc), agriculture is now primarily an independent, household or family enterprise with more links between each cultivator and the market than among cultivators themselves. Successful cultivators, primarily those with larger landholdings and with access to capital, are able to withdraw into their own enclaves. As a result, such class variations in agricultural practices also mean variations in the degree and type of crop production or crop loss, which itself is experienced on a separate household/family basis. It is this, the loss of the collective<sup>13</sup> and locally-bound characteristic of agriculture with the increasing subordination of agriculture to market, capital, and external know-how that leads to its practice new forms of distress. Crop loss now is not uniformly experienced by all cultivators, and for those who are subject to it, in addition to the attending effects of impoverishment, there is the stigma and loss of honour that result from being indebted and penurious.

The case of Shivaraj Mainalle of Siddheshwara village illustrates this. He was a man of about 40 years with five children, the oldest of whom was in the sixth standard. He owned about 2.32 acres and was a sharecropper or lavani holder for another six acres or so. For the past two years he had lost all crops, due to a combination of weather fluctuations and the outbreak of pests. His debts had mounted; by the end of 1997 he owed about Rs 24,000 to the local co-operative bank and some Rs 80,000 to private moneylenders. He is reported to have spent at least Rs 20,000 on pesticides alone. In this period of distress, his creditor, reportedly, asked him to return his money. Shivaraj Mainalle committed suicide in December 1997.

The most popular brand of pesticide sold in the region is endosulphan report-

edly banned in most western countries [Raithu Sahaya Committee 1998]. Its advertisement jingle, 'friend of friends, enemy of enemies' can provide the epigram with which one can contextualise the impact of agri-business and commercial agriculture in the region. In the context of the devastation that has been wrought on the people, it is pertinent to ask, who have been the friends and who the enemies of cultivators in this region?

## Concluding Remarks

Distress in rural India is often recognised only at the end of periods of prolonged suffering, when hunger, loss of production and destitution become either publicised or politicised events. Government machinery is largely geared towards addressing scarcity situations, linked primarily to providing relief based on indicators of distress. Food, fodder and water scarcity are considered to be reliable indicators of distress. Even conditions such as these require political will for the administration to intervene. But conditions such as in Bidar do not fall into the bureaucratic categories for assistance.

Similarly, the understanding of distress in the region has been limited. Newspaper reports have, largely, seen it as individual cases of suicide.<sup>14</sup> Some have questioned the claims of families to be compensated, others have assumed reports of such suicides to be opportunistic cases in which families sought to represent suicides from personal reasons as suicides from crop loss to receive government compensation. A few reports and analyses have actually linked agricultural conditions in the region to the policies of the state [Kamath 1998] and the subordination of cultivators to the market. The largely de-contextualised and piecemeal approach adopted in the cov-

TABLE 5. ECONOMIC PROFILE OF SUICIDES

Name	Village	Lavani Holder	Debt (Rs)		Own Lands (Acres)
			Co-op Bank	Private	
Shivaraj Mainalle	Siddheshwara	Yes	24,000	75-80,000	2.32
Prabhu	Kasarthugaon	Yes	15,000	60,000	6
Lakshmi Bai	Suldabka	na	na	10,000	na
Pandarinath	Hajnala	Yes	na	na	1
Dhanraj	Lada	na	na	na	na
Bhimrao	Bemalakeda	Yes	na	na	2.15
Vaman	Ghatbarole	Yes	65,000	30,000	3
Bijabai	Maurambi	No	60,000	na	14
Bharat	Alahalli	na	na	na	18
Basavaraj	Chondi	No	na	na	14
Bhojaraj Dholabba	Bhatramba	Yes	na	50,000	4
Basappa Balkeshwara@	Kelvadi	na	na	na	No
Dilip+	Kunte Sirsi	na	100,000	na	5 + shop

Notes: Data compiled from interviews in villages, joint legislative committee report and newspaper reports. Newspapers sporadically reported the suicides and there are discrepancies in the numbers reported.

@ Considered to have died of snake-bite

+ Considered to have died of excessive alcohol consumption.

erage of suicides in these regions is representative of the wide chasm between the lives of rural, agrarian residents and the urban orientation of most reporters.

The joint legislative enquiry committee, set up by the government of Karnataka, has submitted its report [GOK 1998], which finds that most cases of suicides are linked to crop loss and indebtedness. In recognition of such crop loss the report recommends monetary compensation to be paid to those families whose members have, as a result of experiencing crop loss and faced with high indebtedness, committed suicide. The report does not focus on the larger factors, especially those of widespread usury in the region, problems with the promotion of commercial agriculture, poor infrastructure development of the region, etc., which have combined to produce such conditions and in which suicides have been the most glaring result.

More recently, there have been calls from certain sectors of the government to send psychiatrists to the region. Resorting to psychological arguments is to deny the social and economic basis of such distress. More specifically, psychological arguments help deflect attention from the deep-rooted problems in the content, orientation, implementation and impact of economic policies. By remaining oblivious to the conditions of pervasive poverty, deprivation and collective disablement of the people, the state is laying the ground for a repeat of such distress. The state must recognise that it has been the key promoter of such an agricultural model in the region and thereby bears an onus in alleviating the risks associated with such a type of agriculture.

Distress in Bidar, of which the recent spate of suicides are only symptomatic, has resulted from a combination of crises: ecological, economic and social. Agricultural policies that overlook the ecological specificity of the region and the retention of inequitable social structures form the bedrock in producing such distress. The subordination of cultivators to market and capital forces without any safety net to support them in times of crop loss accounts for the devastation of rural communities. Just as the suicides are symptoms of the pervasive distress in the region, the loss of staple foodgrains in the region must also be considered to be a serious issue. As Susan George (1985) says, the loss of staple grains in any specific region without a substantial alternative economic base indicates a threat to the food security and hence the fragility of local communities. Any intervention must seek to address these factors and not attempt to provide temporary relief such as nominal monetary compensation. It would only

be fair to recognise that the victims of agrarian distress in the district are not only those who have committed suicide and their family members but also those who continue to live there, believing, as do most cultivators, that they have an obligation to the land, to the community, to the state and to the nation to continue to cultivate the land.

## Notes

- 1 Fieldwork for this study was conducted between August 22-30, 1998. P. K. Shetty of NIAS was also a member of the team and has focused on the ecological dimensions of the issue (see his report, NIAS R6-99 for details). Due to the sensitivity of the issues we did not interview many of the families in which there had been suicides. All these families had already been subject to scrutiny by the press, local and state administrators and enquiry committee members. Details of the villages visited are available in Table 4.
- 2 In writing this report I have drawn on my field and research experiences in Bijapur district, which in many ways is similar to that of Bidar. Details of my research on Bijapur are available Vasavi (1999).
- 3 All data compiled from District Statistical Outline 1996-97, Karnataka Government, District Gazetteer, Karnataka Government, and NABARD (1996).
- 4 In our interviews with agriculturists in three villages we gathered that more than 30 types of sorghum had been grown in the district. Some of the varieties that they listed were Kemp Jola, Sherkhande, Dudmangare, Sakrejola, Kanmuchike, Jingari, Haladi, Maldandi, Mussoli, Billi Jola, etc.
- 5 Sannhemp is called pundi and is a versatile green bush/shrub the leaves of which make for a nutritious vegetable and the dried stems make good rope.
- 6 All data compiled from District Statistical Handbook (1995-96) and NABARD (1996).
- 7 Economic anthropology has, typically, disputed neo-classical economic arguments that consider size to be a key factor in productivity. In terms of assessing agricultural productivity in relation to size they have argued and indicated the extent to which small parcels of landholding are utilised to maximum capacity and are thereby considered to be economically viable units.
- 8 The four types of lavani are: (1) a sharecropper pays a certain amount to the landowner and retains all crops and produce from the fields, (2) a sharecropper incurs all production expenses and gives half the produce to the landowner, (3) the owner and sharecropper share all the production costs and then share the produce, harvest, and (4) the sharecropper incurs all the expenses and gives one-third of the total produce to the landowner.
- 9 I approached the district's office of the registrar of co-operatives and moneylenders for data. However, they were reluctant and refused to share the data immediately. My request to have the necessary data (in terms of number of financial corporations, moneylenders, etc., for a period of ten years) mailed has been ignored.
- 10 Clive Bell (1993) documents the presence and impact of the new agricultural traders in the credit market of rural India. He however,

contests government claimers that there has been a decline in the number of professional moneylenders. He links the integration of agricultural trading activities by moneylenders as camouflaging their presence.

- 11 Despite widespread opinions that many of the commercial seeds and pesticides are spurious, there has been no measure to either verify this or to bring to the public's notice those companies or brands which are unreliable for production.
- 12 The Rashtriya Basava Dal is an organisation of Lingayats that seeks to regain the religious and social heritage of 'virashaivism'. In the region it is the most visible and dominant caste-based organisation and is responsible for the mobilisation of many youth into its wings and has become the model for other castes to organise themselves. Other caste and religion based organisations in the region are the Dalit Sangharsh Samiti, the Gondeshwara Sangha of the kurubas or the shepherds and the Tairik Muslim Sabha.
- 13 In characterising local, pre-commercial, agriculture as 'collective' I do not connote equity in terms of resource and production of all cultivators. Rather, the collective dimension of pre-commercial agriculture is to be noted in the similarity of production type, pattern, orientation, risk, and productivity levels among all cultivating units.
- 14 For example, some newspaper reports that seem to question the authenticity of these suicides as linked to crop loss are those in the *Deccan Herald*, June 6, 1998 and *The Times of India*, March 14, 1998.

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# Searching for Hindu Nationalism in Modern Indian History

## Analysis of Some Early Ideological Developments

John Zavos

*By tracing the ideological developments of the Hindu Sabha movement in the first decade of the 20th century in north-west India, this paper argues that development of Hindu nationalism as an ideology needs to be identified autonomous of Hindu communalism which emerged in the 1920s as a historical condition channelling ideological forces of Hindu nationalism towards particular objectives. Moreover, the Morley-Minto reforms of 1909, which aimed to restore faith in the representativeness of the colonial state and thus with over the moderates within the Congress, also instituted representative politics in terms of Hindu and Muslim identities. It was this legitimacy given to religious identities which, the paper argues, spawned Hindu nationalism as reflected in the Hindu Sabhas in Punjab, who, as against the Congress extremists' call for boycott of representative politics, argued for Hindu unity so as to enforce greater representation of Hindus in legislative bodies.*

### I Introduction

THE concept of Hindu nationalism has a significance and meaning which has been ferociously contested in modern Indian politics. Its exponents often present it as the 'real' or 'true' form of Indian nationalism, to be contrasted with western-inspired, universalist concepts of 'pseudo-secularist' nationalists.<sup>1</sup> Opponents, on the other hand, present it as the very antithesis of 'real' or 'true' nationalism. That is, if it is acknowledged as meaningful at all. Some academics have denied its existence altogether, arguing that right-wing Hindu political organisations have successfully "appropriat(ed) the uncontested terrain of nationalism" in order to characterise a political ideology which is manifestly anti-national.<sup>2</sup> This line of argument states that only communalism – the mutual antagonism of different communities – can adequately describe the projections of religious (or quasi-religious) identity which have come increasingly to dominate the political landscape in India. Hindu communalism, the argument goes, is the most institutionalised and the most powerful form of this identity; it is therefore the greatest threat to the Indian state, and to the very idea of the Indian nation. To characterise such a concept as nationalism, then, does indeed appear paradoxical.

So what, then, if anything, is signified by the concept of Hindu nationalism? Exponents appear to equate it with Indian nationalism, whilst rejecting the universalist nationalism of so-called pseudo-secularists; opponents equate it with communalism, the antithesis of (universalist) nationalism. The theoretical position of Hindu nationalism, then, appears to be

persistently compromised by the operation of two key concepts: Indian nationalism and communalism. As Sumit Sarkar has recently pointed out, these two concepts have established a critical dialectic in modern Indian politics. It is a dialectic which configures much of the debate over the nature of politics and the particular significance (or otherwise) of concepts such as Hindu nationalism.<sup>3</sup> The dialectic has a history which is now fairly well-established in modern Indian historiography, locating the 1920s as the significant period of development. During this decade, communalism, or more specifically the communal riot, emerged as a systematic feature of political life in northern India.<sup>4</sup> This emergence was mirrored by the self-conscious articulation by Jawaharlal Nehru and others in the Indian National Congress of what has been termed 'pure' nationalism, "unsullied, in theory, by the 'primordial' pulls of caste, religious community, etc".<sup>5</sup> A kind of framework of polarisation, then, was established between Indian nationalism and communalism, in which the latter is presented as specifically anti-national, a set of ideologies ranged precisely against the emerging hegemony of the Indian nation.<sup>6</sup>

In this paper, I will focus on the development of Hindu nationalist identity in a period prior to the 1920s. That is to say, I will focus on a period prior to the critical period in the development of this dialectic between Indian nationalism and communalism. My objective is to examine the way in which Hindu nationalism developed autonomously; without, as it were, the pressure of the dialectic to configure its meaning. I will concentrate on the ideological development of the Hindu Sabha movement, which emerged in the first

decade of the 20th century in north-west India. This movement undoubtedly represents an attempt to propagate a nationalism based on the idea of Hindu identity. What will be demonstrated is that this form of identity nevertheless developed very much within the context of rapid change and intense scrutiny of another form of identity, that of elite-led Indian nationalism. The paper argues that the development of these competing nationalisms was intimately related: they operated on the same discursive terrain of middle class consciousness, and they addressed the same central question of how 'the people' should be represented in relation to the state.

Two points, then, must be established at this stage. First, any analysis of Hindu nationalism needs to take account of a specific history of polarity between two key concepts: Indian nationalism and communalism. This study takes appropriate account of this context, in the sense that the period covered self-consciously pre-dates the critical phase in the development of this framework of polarisation. Secondly, my analysis posits a close relationship between Hindu nationalism and Indian nationalism during this period, seemingly in direct contravention of this history of polarity. The focus, however, is on Hindu nationalism, not Hindu communalism. This conceptual distinction is central to the argument here. It is also, I would say, central to an understanding of how Hindu nationalism operates in Indian politics. Initially, then, I must examine this distinction, and suggest a theoretical model for the separation of the two concepts. In our immediate context, this will also allow for a clearer understanding of ideological dynamics in the pre-1920s period.

## II Hindu Nationalism and Hindu Communalism

In political analysis, Hindu nationalism is very often equated with Hindu communalism. Hindu nationalism is perceived as a form of contemporary communalism – another way, as it were, of saying Hindu communalism.<sup>7</sup> It may be a case of terminological slippage, but this implicit association with communalism underpins the polar opposition of Hindu nationalism to Indian nationalism, and reiterates the question of whether there is a conceptual distinction to be made between Hindu nationalism and Hindu communalism.

A key position to clarify in relation to these issues is the comparative status of the conceptual terms being used. Peter van der Veer has argued that communalism and nationalism are radical and moderate tendencies within the same ideology of nationalism. 'The moderates' he says, "accept cultural pluralism and equality among different religious communities within the nation, while the radicals see the nation as the community of co-religionists". It is all part of the same conception of nationalism, which for van der Veer is based on pre-colonial notions of religious community.<sup>8</sup> Here, then, the idea of Hindu nationalism as communalism is accommodated as a feature of a linear scale of moderate to radical nationalism. The two come together in the idea that communalism is "only a form of nationalism (in which) a common religion...is imagined as the basis of group identity". This form of nationalism is then placed at the other (radical) end of the scale from pluralist (moderate) nationalism. For van der Veer, then, nationalism and communalism can be seen as comparable sociological concepts. They occupy different points, but they are on the same scale. Despite its intention to break free of the problem of polarity, this model continues to articulate what is implicit in forms of analysis which identify the oppositional character of nationalism and communalism: namely, that these are 'twin' concepts, which can be compared like to like.

This comparability needs to be questioned. In his examination of communalism as a 'form of colonialist knowledge', Gyanendra Pandey has recognised a significant flexibility in the term communalism.<sup>9</sup> It is not, he says, a term specific to religiously-configured communities. It has rather been applied to any form of community that displays an antagonistic stance towards another community, within a colonial or post-colonial context – religious, yes, but also linguistic and caste based

communities. This antagonism, it must be noted, is always directed primarily towards communities based on the same kind of signifier as their own. The other of the communalist, then, is a kind of conceptual echo: a linguistic communalist will direct his hostility towards another linguistic group; a religious communalist towards another religion, and so on. Achin Vanaik has argued that this kind of flexibility leads to a loss of focus, not to say rigour, in the term – it becomes too broad to be useful.<sup>10</sup> Rather than making the term too broad, however, my argument is that this flexibility strips the concept down to the level of a framework, narrowing rather than broadening its possibilities. Communalism emerges as a fairly stark and simple structure. It is defined first and foremost by an antagonism towards what is other than itself, and that other is principally some form of conceptual echo of itself. In this sense, the structure of the concept does not replicate the complex, multi-layered form of nationalism, and so cannot be seen as comparable. It is little more than this antagonistic alignment against its conceptual echo. Because of this simplicity, communalism does not necessarily generate its own ideology; it is more likely, in fact, to appropriate existing ideologies to extend its form, deepen its impact.

This, I would say, is precisely the relationship between Hindu communalism and Hindu nationalism. The latter provides the ideological tools for the development and extension of the former. Let me make the distinction clear: (1) Hindu nationalism is defined as an ideology that seeks to imagine or construct a community (i.e., a nation) on the basis of a common culture – a culture configured by a particular notion of Hinduism. This ideology, I would further suggest, was developed largely by middle class Indians, over a period coterminous with the development of elite-led Indian nationalist ideology; (2) Hindu communalism is a kind of discursive framework that aligns the interests – social, cultural, political, economic – of this imagined or constructed community precisely against the interests of other religious communities, particularly, of course, the Indian Muslims.

The distinction, then, is between the kind of concepts we are dealing with. Communalism and nationalism are not immediately comparable as concepts, because communalism is more a historical condition than an ideology – it emerges as a method of channelling ideological forces towards particular objectives within the context of modern 'disenchantment'.<sup>11</sup> This distinction allows for the exploration

of an ideological development in the 19th and early 20th century – that of Hindu nationalism – which is less teleologically burdened. As we have already noted, the 1920s constitute the point at which communalism is crystallised as a systematic feature of Indian politics, and the critical dialectic between Indian nationalism and communalism begins to emerge. What I am saying is that this crystallisation does *not* constitute the culmination of a process of ideological development. It rather must be perceived as a process driven by the interplay of several historical factors, some of them ideological, but also others that were structural, 'event-led', and even external to indigenous politics. The ideology of Hindu nationalism was of course a major factor in the process of communalisation, but its development as *an* ideology needs to be divorced from the process, as it had, and still has, its own existence separate from the structure of communalism.

## III Hindu Nationalism and Indian Nationalism

If, then, we can think of Hindu nationalism as autonomous of communalism, we have to consider the issue of what kind of ideology it was. Evidence from the late 19th and early 20th century demonstrates that it was, as I have mentioned, a middle class ideology.<sup>12</sup> This raises questions about how it developed, what it represented, and what distinguished it from the very middle class ideology of elite-led Indian nationalism?

These questions have been addressed in recent studies by the political scientist Christophe Jaffrelot.<sup>13</sup> Jaffrelot recognises the emergence of Hindu nationalism as a distinct political ideology around the turn of the century in north and north-west India. The development of this ideology constituted the first stage of what he calls the 'birthing process' of Hindu nationalism. The second stage, located in the 1920s, saw the emergence of Hindu nationalism as a form of political mobilisation that drew on identity symbols provided by this ideology.<sup>14</sup> This would appear to be a similar model to that suggested in the previous section, in that Jaffrelot recognises the existence of an apparently autonomous ideology that informs the mobilisation of the 1920s. But Jaffrelot further theorises his model, by placing it within the framework of ethnic nationalism. It is this ethnicity, he says, that distinguishes Hindu nationalism from the universalism of Indian nationalist ideology, with its projection of "all individuals, all communities living within British India" as the nation.

The framework of ethnicity obliges Jaffrelot to situate Hindu nationalism in relation to its attendant tensions: most notably, the tension between primordialist and instrumentalist approaches to the development of ethnic movements. As a form of identity, Jaffrelot states that Hindu nationalism was not primordialist, drawing on an established sense of ethnicity; yet at the same time, it was not instrumentalist, a cynical construction of the elite, because it does re-interpret themes drawn from the established tradition of Hinduism. Jaffrelot rather suggests the ideological construction of Hindu nationalism as a cultural strategy to defend brahmanical hegemony. This strategy was pursued by certain socio-religious reform organisations, particularly the Arya Samaj.<sup>15</sup> As it moves into its second stage of political mobilisation, however, it is more straightforwardly interpreted as an instrumentalist movement driven by what he calls 'ideologically minded Hindu elites'.

To my mind, this projection of Hindu nationalist ideology as somehow structurally different because of its ethnic or cultural conception of the nation is problematic. First, it leaves little room for the development of the culture of Indian nationalism – the latter is presented as a rather flat political nationalism that can have no influence over the development of an exclusivist, combative Hindu sense of ethnicity. This belies the increasing sophistication of Indian nationalism towards the end of the 19th century, and leads Jaffrelot to describe the extremist strategy of the Congress nationalists Tilak and Aurobindo as a product of their 'Hindu leanings'.<sup>16</sup> This kind of extremism, interestingly, is reminiscent of van der Veer's moderate-to-radical scale of nationalism. Secondly, Jaffrelot's emphasis on Hindu nationalism as a strategy designed to defend brahmanic hegemony is particularly problematic in the context of the Arya Samaj, as in its early years around the turn of the century this organisation faced fierce resistance from precisely those groups – the established hierarchies of Hinduism – whose interests it is presented as protecting.<sup>17</sup>

But most significantly, although Jaffrelot presents Hindu nationalism as a distinct ideology in the late 19th and early 20th century, he nevertheless states that it was not 'codified' until the early 1920s. By this he means that it was not until this period that the ideology was consciously articulated, largely through the written work of V D Savarkar.<sup>18</sup> This codification constitutes the 'second stage' of the birth of Hindu nationalism, and although it is perceived as different, in that it represents

a straightforward instrumentalist project of the elite, it is not perceived as a conceptual difference. Communalism emerges again as a kind of 'extreme' form of Hindu nationalism, manipulated by certain 'ideologically minded Hindu elites'. It is the instrumentalism of these elites, furthermore, which is key to the development of this construct of Hindu nationalism as communalism. In this context, the autonomous significance of the earlier form of the ideology as a cultural strategy – neither primordialist nor instrumentalist – begins to fade. It is teleologically bound to the elite-driven project of 1920s communalism. Here, the notion of ethnic nationalism locates its 'natural' situation, as an ideology which underpins a violent and reactionary political force. We are back, as it were, where we started: with the polarisation of (universalist) nationalism, and (ethnic) communalism, and the subsequent problem of how to conceptualise and distinguish Hindu nationalism as an ideology outside this dialectic.

The distinction between ethnic and universalist nationalism in this context could refer us to Partha Chatterjee's critique of theories of nationalism, which demonstrates an orientalist imperative behind the identification of two 'types' of nationalism in this way.<sup>19</sup> Jaffrelot's notion of ethnic nationalism is also significant, however, because it draws on a particular conception of ideology, developed by the anthropologist Clifford Geertz. Geertz perceives ideology as what he calls 'schematic images of social order' – symbols or metaphors – consciously constructed as a means of rationalising change in a modernising society.<sup>20</sup> Ideology, then, fulfils a specific function in this context; a function associated with the defence and modulation of social and cultural norms.<sup>21</sup> Despite his assertion that "the function of ideology is to make an autonomous politics possible", Geertz is curiously reticent in defining its relationship to class – a point acknowledged by Jaffrelot<sup>22</sup> – and also to colonialism, even though much of his work draws on the ethnology of post-colonial south-east Asia. What emerges from this approach is a restricted notion of ideology. It is perceived as a facet of culture, a re-interpretation appropriated as a means of establishing and defending that culture in the face of rapid change. In addition, the significance of issues of class, colonialism and indeed caste in this context are ringfenced by the conscious instrumentalism of particular social groups.

An alternative approach would be to refer to the wider conception of ideology developed by Gramsci, and the extension of his work, particularly in relation to

culture, by Stuart Hall. Here, ideology can be resituated in a far more strategic relation to culture itself. Ideology, Hall states, constitutes the 'mental frameworks' –

the languages, the concepts, categories, imagery of thought, and the systems of representation – which different classes and social groups deploy in order to make sense of, define, figure out and render intelligible the way society works.<sup>23</sup>

The fundamental position that ideology assumes here in relation to people's perception of the world means that far from being an aspect of culture, ideology is a means through which culture is defined. What is perceived as culture is dependent upon the dominance of particular ideologies. Using this model, in conjunction with the idea of communalism as a structure, rather than an autonomous ideology in itself, the development of the ideologies of Hindu nationalism and Indian nationalism as middle class ideologies in the pre-1920s period is less problematic. They remain distinct, but are not burdened by the historical necessity of implacable opposition. Indeed, the evidence of the 19th and early 20th century suggests that the two ideologies developed in the same discursive space, competing precisely on this level of 'mental frameworks'. This is evident, for example, in the work of V D Savarkar, Swami Shradhdhanand, Lajpat Rai: all three of these 'architects' of Hindu nationalism had been in prison because of their activities as Indian nationalists, and all were perceived as – and perceived themselves as – genuine Indian nationalists during the 1920s. By employing Geertz' perception of ideology as limited, it may be possible to present this apparent paradox as symptomatic of figures who were Hindu nationalists in cultural terms and Indian nationalists in political terms. My argument suggests that examples of almost simultaneous expression of the competing ideologies simply reflects the struggle for dominance of these 'mental frameworks' on the discursive terrain of middle class Indian public life. The proximity of these ideologies meant that they blended and clashed frequently in both cultural and political contexts.

This close relationship is evident particularly when shifts occurred in the common discursive field. Middle class Indian nationalism, grounded even in the 1880s in a very rigorous economic critique of colonialism, was most instrumental in providing a coherent challenge to the colonial state on a hegemonic level.<sup>24</sup> A significant consequence of – and vehicle for – this challenge was a progressive questioning of the boundaries of middle class political discourse, by which I mean



political discourse recognised as legitimate by the state. The first decade of the 20th century was a particularly dynamic period in this process. During this decade, the established discourse of Indian nationalism in the Congress organisation was challenged by what became known as 'extremism'. In the following sections, I will argue that the emergence of the Hindu Sabha movement towards the end of this decade must be viewed in the context of this discursive challenge. The representation of the community of Hindus, an idea which underpinned the Sabha movement from the outset, was related directly to struggles within Congress over how precisely the Indian nation was to be represented. It is this notion of representation, indeed, which dominated the politics of this period, and, in a sense, provided the space for the articulation of the community of Hindus.

#### IV

#### The Battlefield of Representation: Extremists, Moderates and Strategies of Confrontation

The 1905-08 campaign against the partition of Bengal is indicative of emerging trends of considerable significance in the Indian national movement. First, it forced the diversity of views in the Congress into two oppositional 'parties': moderate and extremist. Secondly, it marked the development of strategies of confrontation which worked specifically to expose the perceived (economic) contradiction between the interests of the state and the putative Indian nation.

The extremist strategy of boycott and swadeshi as employed during the anti-partition campaign was based primarily upon an economic resistance to colonialism. The central focus of the movement was the boycott of Lancashire cloth (and other British goods) and the parallel encouragement of indigenous industries. The boycott was extended from this base into a more sophisticated network of boycotts (a "doctrine of passive resistance" as it was called by the Bengali extremist Aurobindo Ghose), encompassing education, justice and administration. The central economic focus was employed despite the fact that partition was not primarily an economic issue. Boycott was rather a strategic response. As the Maharashtrian extremist B G Tilak commented in 1905, "people will not persevere in the swadeshi movement, unless they burn with indignation at Manchester—robbing the country of so much wealth."<sup>26</sup> As this indicates, the emphasis of the movement was on expanding political comprehension of colo-

onial economic relations. This theme of comprehension underpinned the whole strategy. Tilak again states, in relation to the administrative boycott, that "it may not be feasible to boycott government service altogether, but that is no reason why we should not try to impress upon the minds of the people that government service exercises a debasing influence upon character."<sup>26</sup> The literal success of the boycott was not the issue here. Its principal objective was rather to increase popular consciousness of – to "impress upon the minds of the people" – the damaging implications of British rule.

The objective of this strategy, then, was ideological. It sought to transform the 'mental frameworks' which middle class nationalists like Tilak and Aurobindo saw as holding key social classes in thrall to the enduring image of the colonial imperative. In this sense, boycott and swadeshi may be defined as a strategy of counter-hegemony, configured precisely to undermine the idea that the state worked primarily in the interests of the Indian people. Consequently, the organisational structures that they sought to employ were directed not towards government, seeking redress, but towards the people, seeking the tangible expansion of the constituency of Indian nationalists.

This was undoubtedly a shift of discursive focus, but in practice the only potential organisation through which to implement such an expansion was the Congress. This organisation was controlled by the moderate 'party', which continued to articulate politics through established discursive structures. Here, the idea of representation was legitimised through the invocation of parliamentary or democratic idioms, whilst at the same time eschewing any mechanism to link representation to particular constituencies. The representational claims of moderates, therefore, were symbolic. Their claim was that the Congress was a symbol of the nation, and their authority was based on the recognition of this symbol in colonial politics. The pressure which the divergent approach of extremism exerted on this dominant idea of symbolic representation led in 1907 to a split in the Congress. In effect this split expelled the extremist strategy from the organisation, and re-asserted the significance of symbolic representation in the national movement.

Nevertheless, the parameters of debate, the possibilities of elite nationalism, had developed significantly. The state had to confront the growing counter-hegemonic potential of the strategy of boycott and swadeshi. It did so by attempting to marginalise extremism and actively ac-

commodate moderatism, through the strategic offer of constitutional reform. Reform was an indication of political progress, signalling a further affirmation of moderate methods. Why turn to new forms of articulating nationalism, the state in effect declared to the middle classes, when the old forms have reaped reward.

For the moderate Congress, this was a critical affirmation of its strategy. As G K Gokhale commented to the secretary of state, John Morley, in 1908, without reforms "the extremists will have their own way; confusion, danger, ruin will follow."<sup>27</sup> Because of this pressure, the actual content of the reforms was of less significance to the moderates than the concept, the image, of reform taking place. This is reflected in the Act which eventually emerged in 1909 (known as the Morley-Minto reforms) after four years of deliberation.<sup>28</sup> Other than the formal recognition of separate Muslim interests, it appears that the Act had no substantial transformational effects on the structure of Indian government.<sup>29</sup>

It was, in this sense, a symbol of constitutional progress, which was appropriately linked to the moderate strategy of symbolic representation. An example of this pervasive symbolic approach is provided by the debate over the retention of the Seditious Meetings Act in the newly constituted Imperial Legislative Council in 1911. In planning to soften this oppressive act in deference to Gokhale and other elected members of the council, the Viceroy Lord Hardinge commented that

We must be careful not to reduce the Act to an absolute nullity. Still, *some impression would be made* if the amendments to the Act were moved and accepted in open Council, so that the non-officials might get the credit for having effected something, and the government might *appear to have made some concession to opinions* in the Council (emphasis added).<sup>30</sup>

The image of the process, then, was central. In this sense, the reforms of 1909 represent an attempt to reiterate the principle of symbolic representation as a meaningful framework for the expression of political aspirations, in the context of the emergence of a counter-hegemonic discourse in middle class nationalism.

As noted above, one significant feature of the reform package was the institution of exclusive Muslim colleges in the electorate for provincial legislative councils. This explicitly affirmed the recognition of a Muslim community, and in doing so it also implicitly affirmed the recognition of a Hindu community. In what sense, though, were these communities recognised. The colonial state had, of course, long perceived



religion as the defining principle of Indian identity, Indian history and culture. Morley and Minto certainly invoked this perception in their presentation of the reforms.<sup>31</sup> In our context, however, the influence of symbolism is also evident here. The Muslim and Hindu communities that the Act called up were the symbolic constituencies of incipient political organisations, in the same way that the Indian nation had been the symbolic constituency of Congress nationalism in its moderate form. The government's invocation of these constituencies gave powerful impetus to attempts to articulate the politics of identity on this level. But it was the implicit debate over the nature of representation in Indian politics which underpinned these developments.

### The Hindu Sabha: Defining the Structure of Hindu Politics

The Hindu Sabha movement developed in this context as an attempt to represent the interests of a putative Hindu constituency. The movement emerged in the volatile political atmosphere of Punjab during the first decade of the 20th century. From 1906 a series of Hindu Sahaik Sabhas were established which consisted of "the cream of the Arya, Brahmo, Theosophist, Sikh, Sanatanist Societies..."<sup>32</sup> The principal aim of these Sabhas was to "protect the interests of the Hindus by stimulating in them the feelings of self-respect, self-help and mutual co-operation so that by a combined effort there would be some chance of promoting the moral, intellectual, social and material welfare of the individuals of which the nation is composed." The common theme was collaboration: inaugural meetings were attended by the 'heads of all sections' coming together to "work with co-operation on a single platform".<sup>33</sup> The idea, then, was to create a conglomeration of organisations which together would form a spectrum of religious affiliation. As long as the spectrum presented a coherent image, it could claim to "represent the interests of the Hindu community". The community of Hindus is created by binding together in one organisation a series of existing organisations which purported to represent the various components of this larger community. This image, then, replicates the idea of symbolic representation noted in the previous section as underpinning moderate strategy, and as central to the established structure of political discourse. This point is supported by the fact that the kind of organisations involved were almost exclusively middle class: the

*Tribune's* list above confirms this doubly, by emphasising the elitism of those involved ("the cream of the Arya, Brahmo, Theosophist..." etc).

In the context of the Congress split in 1907, and the constitutional reforms of 1909, the movement gathered pace. Work was focused on the reform package, and on the Punjab Alienation of Land Act of 1901, which was perceived as particularly discriminating against the urban-based Hindu middle class.<sup>34</sup> As well as addressing communications to both the provincial and central governments on these issues during 1909,<sup>35</sup> the Sabha made its presence felt by voicing concern over the reform package to the viceroy in person, as part of a welcome address during a short visit to Lahore in April. The address was reported to have "touched the viceroy to the quick and led His Excellency to remark that the questions raised in it did not suit the occasion".<sup>36</sup> This incident was widely commented on in the press, and the Sabha consolidated the resulting heightened profile by preparing for a Provincial Hindu Conference in Lahore in October 1909, as a demonstration of the unity of Hindus in Punjab.

A prime mover in these preparations for the conference was Lala Lal Chand, the first prominent leader of the fully established Sabha movement. Lal Chand was a well known Arya Samajist of the College branch. He was also a judge in Lahore and one of the founders of the Punjab National Bank.<sup>37</sup> Beginning in February 1909, he published a series of articles in the *Punjabee* under the title 'Self-Abnegation in Politics', which have since gained stature as a foundation text of the Sabha movement.<sup>38</sup> The somewhat obscure title refers to the attitude of Hindus towards politics, which Chand perceived as self-denying, always allowing the claims of other forces in society to take precedence. The concession of separate Muslim electorates in the Morley-Minto reforms is presented as the apotheosis of the tendency

Blame for this loss of self-assertion is laid fairly and squarely at the door of the Congress, an organisation that "makes the Hindu forget that he is a Hindu and tends to swamp his communal individuality (sic) into an Indian ideal, thus making him break with all his past traditions and past glory".<sup>39</sup> The Congress ideal of a composite nationhood, he continues, "was not only erroneous to start with, but...has become impossible under the declared hostile attitude of the other community". The only way forward, then, was "to start anew on a fresh basis, abandoning, if not pulling down, the fabric which

instead of giving political shelter and refuge has exposed the (Hindu) community to winds and hailstorms from every quarter".<sup>40</sup>

Lal Chand's agenda was explicitly political. His articles reiterate again and again the point that "the object is not to discuss the general amelioration of the Hindu community in its various aspects", but rather "the political aspect of the Hindu community under its present environments" (emphasis in original).<sup>41</sup> As such, he largely sidesteps the issue of identity, of what precisely constitutes the Hindu community which he is addressing. Beyond the invocation of fairly widely understood notions of Hindu history, and an attempt at defining patriotism in terms of community as opposed to territory,<sup>42</sup> Lal Chand does not appear to be overly concerned with issues of culture, religion or ethnicity. He nevertheless asserts the need for consolidation, but it is a political consolidation – one might even say a symbolic consolidation:

Weak and disunited we are and divided into various sects. But the remedy lies in bringing the sections on a common political platform where they would realise that they are merely branches of the same stock and community, and not lead them further astray and to teach them as if no such community exists or has a political status.<sup>43</sup>

The structure of the Hindu Sabha, then, with its spectrum of religious organisations, is legitimised here. The existence of the constituency – the Hindu community – is ensured by the presentation of a united front of these 'various sects' in the Sabha organisation. The unified Sabha, then, becomes a powerful symbol of the consolidated community

This inclination towards the value of symbolic representation is reiterated in Chand's response to the Morley-Minto reforms. This needs to be seen not only in terms of the recognition of separate Muslim interests, but also in terms of the increasing impotence of Congress moderatism, and the related ideological struggle to assert counter-hegemony as the strategic focus of Indian nationalism. Lal Chand rejects the latter in no uncertain terms. His understanding of politics is "in the sense of relations between the governed and the governors"; he does not therefore endorse politics based on the "uprooting of these relations".<sup>44</sup> "It is mere tall talk", he continues, "to speak of self-growth and self-development" when the community is so weak. Because of this it is of "paramount importance to reconcile, and not to make needlessly antagonistic, the powers that be".<sup>45</sup> Later he refers to the split in Congress at Surat in 1907 as

a result of the clash of these opposing strategies towards the state:

Self-help [i.e. swadeshi and the rejection of state-centred politics] ...threatened at one time to cause a split in the Congress camp and not improbably did cause the split. The advocates of the theory [i.e. extremists] would discredit their opponents [moderates] by calling them mendicants. Their scheme was to make no appeals to government nor send any memorials, but to achieve political ascendancy without government help. The theory is attractive in form as it appeals to self-pride but I, at any rate, am at a loss to understand how resolutions passed at meetings will redress the grievances unless it is intended – whether so addressed in form or not – that these should reach government and induce it to take measures for redress.<sup>46</sup>

The politics of extremism, then, do not fall within the purview of this prominent judge of Lahore.

The moderate Congress, however, had also patently failed to deliver any tangible political gain. "When the time came for rewarding the labours a little, the substantial portion of the reward was assigned to the other community."<sup>47</sup> The problem, however, lay not in the structure of Congress politics – i.e. the "appeal to the authorities...to address the wrong" – but rather in the projection of the Congress constituency (through, of course, symbolic representation) as a united nation. When Lal Chand talks of starting anew, of pulling down the fabric of contemporary politics, he is referring largely to the substitution of this constituency with a Hindu constituency. In this context, the appropriation of the existing political discourse – with symbolic representation at its heart – and the existing structure of politics – based on the recognition of quasi-representative bodies by the state – is the logical means of representing the putative constituency of Hindus. Thus Lal Chand, at the very end of his series of letters, proposes:

the substitution of Hindu Sabhas for Congress Committees, of a Hindu press for the Congress press, organisation of a Hindu Defence Fund with regular offices and machinery for collecting information and seeking redress by self-help, self-ameliorations and petitions and memorials supplemented by agitation in the press and advocacy through trusted leaders in matters both special and common but dominated primarily by regard for Hindu interests.<sup>48</sup>

It is possible that Lal Chand's approach in *Self Abnegation* was influenced by the government's crack-down on Arya Samaj's involvement in politics following the Punjab disturbances of 1907.<sup>49</sup>

Certainly he places great emphasis on his objection to the Congress demand for self government within the Commonwealth as an "impracticable demand and a pure source of irritation", and is keen at other points to emphasise his loyalty.<sup>50</sup> It is in any case perhaps not surprising that such a prominent subject of the British Indian state should be anything other than an advocate of strictly legitimate politics.

What is interesting, however, is that this dry and somewhat unwieldy series of articles should emerge as what Jaffrelot calls the 'ideological charter of the Hindu Sabha'.<sup>51</sup> As Hindu politics emerged, it became fused to the idea of symbolic representation, a method of structuring politics which neatly avoided the thorny question of who precisely was being represented. Conforming precisely to the state's own idea of how a political organisation should operate (not only in the sense of symbolic representation, indeed, but also of course in the sense that the projected constituency was – in some sense at least – religious), Lal Chand's vision of the Hindu Sabha intended to call the constituency of Hindus into being simply through the power of political articulation in the context of discursive change.

*Self Abnegation* set the pattern for the first Hindu Conference, which was held in October 1909 in Lahore. Prior to the conference, the Arya daily the *Punjabee* began collecting comments from the national press which indicated that the Sabha movement "has made its infant existence, albeit devoid of any achievements, felt".<sup>52</sup> For example, it quoted admiringly from the *Reis and Rayyat*,<sup>53</sup> which had suggested a (admittedly somewhat vague) definition of the parameters of Hindu unity in anticipation of the conference: "the Hindus scattered all over the Indian peninsula are divided into various forms. But there is the bedrock of uniformity in the belief in the Vedas and some other essential dogmas."<sup>54</sup> A few days later, an approving article in the *Bengalee* was extensively quoted. This article compares the unity of the Sabha movement to the fractious state of Congress nationalism: "While the echoes of the Congress controversy continue to reach our ears, the great Hindu community of the Punjab are silently maturing their plans and are slowly but steadily moving forward towards the formation of a great Hindu federation." The *Bengalee* also had a suggestion for the defining principle of unification in this federation: "Race, and not religion, ought to be the guiding principle of the organisation. For the Hindu is the most tolerant of human beings and the Hindu faith the most comprehensive that one can think

of, embracing within its fold the believers in cults and creeds of the widest divergence."<sup>55</sup>

This idea of tolerant 'unity in diversity', based on a range of unifying principles, was the overriding theme of pre-conference comment. A confirmation of this unity, it appeared, was the most significant, the most sought after objective that the conference could aspire to. As the *Punjabee*'s special conference issue commented, "This is the first time, we believe, in the history of modern India, that the Hindus as a body have sought to give expression to their communal consciousness, as distinguished from the detached movement of sects and castes."<sup>56</sup>

Lal Chand's address to the conference as chair of the reception committee reflects this central concern. He began by commenting that "numbers carry great weight in this age and help materially in deciding the fate of any struggle. The progress of a community is now as much measured by its numerical strength as by its moral and economic achievements."<sup>57</sup> He then went on to urge the point made in *Self Abnegation*, that for Hindus defining this community was simply a question of articulating it on the level of colonial politics. Although he did refer to the "needless corrosive differences" of sub-caste in his critique of contemporary Hindu society, as any good Arya of the time would, his solution was based firmly in the realm of symbolic representation. "All that is needed", he says, "is to advocate the interests of the community at large and the moment we realise this germinal idea, this sacred obligation, ...all self-imposed differences and schisms will vanish away like chaff". As soon as Hinduism is presented as united politically, then, social divisiveness will disappear. The image of a politically-organised Hinduism assumes the status of principal objective in Chand's vision of the Sabha movement.

The importance of this objective is evident in the resolutions that emerged from the conference. Not surprisingly, consensual issues were prominent: the promotion of Sanskrit and Hindi, support for cow protection and ayurvedic medicine, the promotion of 'brotherly feelings' among Hindus and a commitment "to consolidate and strengthen the sense of common nationality". These were accompanied by more hard-nosed resolutions regarding the Punjab Alienation of Land Act and representation in legislative councils, which reflected the new political presence indicated by *Self Abnegation*. Several resolutions, however, were not put before the Conference, ostensibly through lack of time. These included

reformist issues such as support for widows, low caste amelioration and the removal of sub-caste distinctions.<sup>58</sup> The idea that these resolutions were dropped not due to lack of time but due to "strife apprehended over them between the orthodox and the unorthodox" was denied at length after the conference,<sup>59</sup> but undoubtedly the need for consensus was a prominent factor, and the *Punjabee* rounded off its denial of the above with a reminder that the main objective was "union as opposed to division".

One of the resolutions which was approved was that calling for the establishment of Hindu Sabhas "all over the country", and to hold an annual all-India Hindu Conference. In 1911 the first Hindu Sabha was established in United Provinces, and by 1915 enough momentum had been generated to establish the All India Hindu Sabha as a representative body for local and provincial Sabhas. It is this body which was to become fully active in the early 1920s as the Hindu Mahasabha.<sup>60</sup> Throughout this period the emphasis on the need for an image of "union as opposed to division", which had emerged in 1909 as closely linked to the discursive implications of symbolic representation, remained central. By the 1920s, when the *sangathan*, or organisation, movement dominated the agenda of the Hindu Mahasabha, this notion of consolidation had developed into a defining principle of Hindu nationalism.

## VI Conclusion

This historical review, then, places the development of the Hindu Sabha and its incipient Hindu nationalist ideology in context. It has been demonstrated that during the first decade of the 20th century, certain Indian nationalists became increasingly committed to ideological struggle as the central strategy of confrontation with the state. This strategy began to shift the parameters of political discourse which occupied both middle class nationalists and the state at this time. One important feature of this shift was that representation now emerged as a site of political struggle. The state claimed always to act in the best interests of the people as a whole. Nationalists sought to counter this claim by illustrating the inherent contradictoriness of British benevolence, claiming that nationalism, and not the state, represented the interests of the people.

This battlefield of representation was made more complex by the intra-nationalist struggle. Leaders like Tilak hoped to extend the representative quality of na-

tionalism by wresting its organisational machinery (principally the Congress) from the control of the moderates. Leaders like Gokhale remained convinced that the state was ultimately benevolent, and so needed to be approached on its own terms, employing the quasi-parliamentary idioms dictated by the established political discourse.

The state undoubtedly capitalised on this struggle, attempting to marginalise extremism by confirming the success of moderatism, through the offer of constitutional reform. In a fascinating reflection of the established discursive framework of colonial politics, the reform package which emerged in 1909 was largely insubstantial, characterised by the overriding need to promote the *image* of reform. As the moderates projected themselves symbolically as the representatives of the people, then, so the reforms to which they were committed constituted a symbolic shift in the balance of administrative power.

At the same time, the reforms provided a window of opportunity for the more forceful projection of a politically organised Hinduism. The incorporation of separate electorates implicitly invoked a constituency of Hindus within a discursive framework which confirmed symbolic representation as a legitimate form of political expression. The constituency of Hindus could be represented, simply by providing a united image within existing discursive parameters. It was precisely this image that the Sabha movement attempted to project. As Lal Chand asserted during the 1909 conference, to create a politically significant Hinduism "all that is needed is to advocate the interests of the community at large".

This was not, however, simply a reaction to the Morley-Minto reforms. Clearly, it was an idea with a history intimately linked to the development of moderatism, and to the emerging power and sophistication of counter-hegemonic nationalism. What is demonstrated here, then, is the close interrelation of Indian nationalism and Hindu nationalism on a discursive level, and the articulation of opposition (in our case Hindu nationalist opposition to the Indian nationalist Congress) precisely on this level. The Hindu Sabha self-consciously echoed the structure of moderate Indian nationalism even as it rejected the Congress organisation as a toothless and unrepresentative force. This proximity meant that there was always a tension in this opposition – it was not clear cut, and depended on the continuing struggle for dominance on the level of 'mental frameworks'. For this reason, there was often a blurred quality to the distinction between the two ideologies. But this was not, I

would contend, a quality derived from the laying over of political nationalism with cultural or ethnic nationalism. The pre-occupations of the Hindu Sabha demonstrate that even in its earliest forms Hindu nationalism operated as a political nationalism, articulating its identity on the basis of, and in response to shifts in, the established discourse of colonial politics. In the arena of symbolic representation, the space between the Indian nation and the Hindu nation was not an implacable divide, nor did it signify completely different ways of thinking about nationalism. Rather, it signified different interpretations of what was largely the same pool of ideas about history and culture. These interpretations were based on different concerns in relation to colonialism, but they were articulated in the same public space, and the image of the nation – Indian or Hindu – was produced in much the same way.

I have argued that this similarity is not problematic if an appropriate conceptual distinction is made between Hindu nationalism and communalism. Communalism is a historical condition, rather than an ideology in itself. Ideologies such as Hindu nationalism informed this condition, but nevertheless maintained an autonomous existence on the level of mental frameworks. The development of a structural dialectic in Indian politics between (religious) communalism and (secular) nationalism during and after the 1920s has, I would suggest, obscured this autonomous existence. The discursive proximity demonstrated here between Hindu nationalism and the ideology of Indian nationalism must be acknowledged independent of this structure of polarisation. Only then can the role of Hindu nationalism be fully addressed as a developing ideology in the modern history of Indian politics, enabling a more flexible analysis of its movement and influences in 'mainstream' political settings.

## Notes

- 1 The Hindu nationalist leader M S Golwalkar, for example, expressed this contrast: "We say that our Hindu Nationhood is a truth, borne out by logic, experience and history. It is the supreme solid fact of our national life and not any fleeting 'ism' born out of political and economic theories or exigencies." See Golwalkar, *Bunch of Thoughts* (Vikram Prakashan, Bangalore, 1966), p 127.
- 2 See S Mahajan, 'Which Swaraj? Ram Raj or Hindu Raj: the Making of India's Post-Independent Polity' (unpublished seminar paper, University of Sussex, 1997), p 5.
- 3 See Sarkar, 'Indian Nationalism and the Politics of Hindutva' in D Ludden (ed), *Contexting the Nation: Religion, Community and the Politics of Democracy in India*, (University of Pennsylvania, 1996, pp 270-93), pp 270-71.

- 4 In 1931, a Congress enquiry listed a total of 43 major riots since 1921. See 'Congress Cawnpore Riots Enquiry Committee Report', reprinted in N G Barner (ed), *Roots of Communal Politics*, (Heinemann, New Delhi, 1976), p. 228
- 5 G Pandey, *The Construction of Communalism in Colonial North India*, (Oxford University Press, Delhi, 1990), p. 235. Pandey gives numerous examples of the articulation of this kind of nationalism in opposition to communalism see pp 235-43
- 6 See, for example, Ayesha Jalal's key interpretative dialectics between centralism and regionalism, and nationalism and communalism, as employed in her *The Sole Spokesman: Jinnah, the Muslim League and the Demand for Pakistan*, (Cambridge University Press, Cambridge, 1985), and *Democracy and Authoritarianism in South Asia: A Comparative and Historical Perspective* (Cambridge University Press, Cambridge, 1995)
- 7 Achin Vanaik notes the pitfalls of this approach when he acknowledges in his *The Furies of Indian Communalism: Religion, Modernity and Secularisation* (Verso, London, 1997) that whereas in previous work he was willing "to adopt the term 'Hindu nationalist' as an adequate characterisation of Hindu communal forces", he now sees the latter as a "deeper and wider phenomenon" (see p 204, n 161). His careful distinctions nevertheless still allow for communalism as a kind of extreme form of Hindu nationalism, 'the most vicious form of it going in India'
- 8 van der Veer, *Religious Nationalism: Hindus and Muslims in India* (University of California Press, Berkeley, 1994), p. 22-23
- 9 See Pandey, *The Construction of Communalism* pp 6-7, whilst he does refer to Pandey's identification of communalism as an "orientalist term", produced as a form of orientalist knowledge van der Veer does not pursue the argument around flexibility
- 10 See Vanaik, *The Furies of Indian Communalism*, p. 196
- 11 As in Weber's process of disenchantment associated with the spread of modernity Richard G Fox has used this model to argue for communalism as a 'new enchanted identity' created by modernity – a process, as he calls it, of 'hyperenchantment'. See his 'Communalism and Modernity' in Ludden (ed), *Contesting the Nation*, pp 335-49 pp 237-38
- 12 On the middle class character of this ideology, see J Zavos, *The Emergence of Hindu Nationalism in Colonial India* (Oxford University Press, Delhi, Forthcoming 2000)
- 13 See Jaffrelot's book *The Hindu Nationalist Movement in India 1925 to the 1990s* (Viking Penguin India, New Delhi, 1996), see also his articles 'Hindu Nationalism: Strategic Syncretism in Ideology Building', *Economic and Political Weekly* (March 1993) Vol 20 Nos 12-13 pp 517-21, and 'The Genesis and Development of Hindu Nationalism in the Punjab from the Arya Samaj to the Hindu Sabha (1875-1910)', *Indo British Review* (1993) Vol 21 No 1, pp 3-9
- 14 On this process, see particularly 'The Genesis and Development of Hindu Nationalism'
- 15 *The Hindu Nationalist Movement in India*, p 15. Hindu nationalism "largely reflects the Brahminical view of the high caste reformers who shaped its ideology", see also 'The Genesis and Development of Hindu Nationalism' pp 3-7
- 16 *The Hindu Nationalist Movement in India*, pp 17-18
- 17 For an example of this resistance, see reactions to Arya 'shuddhi' (purification) campaigns in R K Ghai, *Shuddhi Movement in India* (Commonwealth Publishers, New Delhi, 1990), p. 69
- 18 Jaffrelot, *The Hindu Nationalist Movement in India*, p. 25
- 19 See Chatterjee, *Nationalist Thought and the Colonial World: A Derivative Discourse* (Zed Books, London, 1986), chapter 1
- 20 Geertz, *The Interpretation of Culture* (Fontana, London, 1993), pp 218-19
- 21 See also L A Fallers, describing ideology as the "apologetic part of culture", quoted in Jaffrelot, *The Hindu Nationalist Movement in India*, p. 12
- 22 See ibid "Neither Geertz (nor Fallers) places sufficient emphasis on the social background of the interpreters who shape ideologies"
- 23 Hall, 'The Problem of Ideology: Marxism without Guarantees' in David Morley and Kuan-Hsing Chen (eds), *Stuart Hall: Critical Dialogues in Cultural Studies* (Routledge, London, 1996), p. 26
- 24 This argument is, I believe, valid regardless of the objective extent of hegemonic control exerted by the state; a good deal of work has demonstrated the limitations of this control in the Indian context, most notably Ranajit Guha in his 'Dominance without Hegemony and its Historiography' in R Guha (ed), *Subaltern Studies VI*, (Oxford University Press, Delhi, 1989, pp 210-309). For a discussion of this and other work on this topic, see Zavos, *The Emergence of Hindu Nationalism in Colonial India*, chapter 1
- 25 Kesan, September 25, 1905: *Report on the Native Press in Bombay Presidency* (National Archives of India), No 39 of 1905
- 26 Kesan, February 19, 1907 *Report on the Native Press in Bombay Presidency*, No 8 of 1907
- 27 As reported by Morley to the viceroy Lord Minto, December 4, 1908, quoted in S Wolpert, *Tilak and Gokhale: Revolution and Reform in the Making of Modern India* (University of California Press, Berkeley, 1962), p. 237
- 28 On this question of image, it is interesting to note Morley's comment to Minto as early as June 1906: "Not one with more than you do I think it desirable or possible, or even conceivable, to adapt English political institutions to the nations who inhabit India." Nevertheless, he continues, "the spirit of English institutions is a different thing..." Quoted in Wolpert, *Tilak and Gokhale*, p. 186
- 29 Minto admitted in 1909 that "in fact I always thought our proposals are very conservative in many ways and was surprised at the good reception they met with from Congress circles." Minto to Lansdowne, March 18, 1909, quoted in B R Nanda, *Gokhale: the Indian Moderates and the British Raj* (Oxford University Press, Delhi, 1977), p. 318. A few months before the bill was due to pass through Parliament, Morley wondered whether "we shall not be laughed out of court for producing a mouse from the labouring mountain." Morley to Minto August 6, 1908, quoted in Wolpert, *Tilak and Gokhale*, p. 237. For an overview of the content of the reforms, see S Sarkar, *Modern India 1885-1947* (Macmillan India, Delhi, 1983), pp 137-44
- 30 Quoted in Nanda, *Gokhale*, p. 383 (emphasis added)
- 31 In presenting the reforms to the House of Lords in 1909, Morley stated that "Only let us not forget that the difference between Mahomedanism and Hinduism is not a mere difference of articles of religious faith. It is a difference in life, in tradition, in history, in all the social things as well as articles of belief that constitute a community..." Morley on Indian Councils Bill, February 23, 1909; in Philips, *The Evolution of India and Pakistan 1858-1947: Select Documents* (Oxford University Press, London, 1962, vol IV of *Select Documents on the History of India and Pakistan* – general editor, C H Philips), p. 86
- 32 *Tribune*, August 24, 1906
- 33 *Tribune* September 8, 2 September 1906.
- 34 For a summary of the provisions of this Act and its implications, see Christophe Jaffrelot, 'The Genesis and Development of Hindu Nationalism', pp 22-23, for more detailed accounts see N G Barner, 'The Punjab Disturbances of 1907: The Response of the British Government in India to Agrarian Unrest', *Modern Asian Studies* (1967), vol 1, no 4, pp 353-83, and Barner, *The Punjab Alienation of Land Bill of 1900* (Duke University, Durham, 1966).
- 35 In April and July, see Jaffrelot, 'The Genesis and Development of Hindu Nationalism', p. 27
- 36 Jhang Sial, April 17, 1909: See *Punjab Native Newspaper Reports* (India Office Library, London) 1909. For further examples of press comment, see the *Hindustan* and the *Watan*, April 16, 1909, in ibid
- 37 Jaffrelot, 'The Genesis and Development of Hindu Nationalism', p. 27
- 38 They were later published in book form: Lal Chand, *Self Abnegation in Politics* (Central Yuvak Sabha, Lahore, 1938), Jaffrelot has gone as far as to describe *Self Abnegation* as a Hindu version of the two nation theory see 'The Genesis and Development of Hindu Nationalism', p. 28
- 39 Chand, *Self Abnegation in Politics*, p. 112-13
- 40 Ibid, p. 113.
- 41 Ibid, p. 98
- 42 Ibid, p. 102-03; this is a notion which Lajpat Rai had been advocating even in 1899 – a point noted by Jaffrelot, 'The Genesis and Development of Hindu Nationalism', p. 32
- 43 Chand, *Self Abnegation in Politics*, p. 118
- 44 Ibid, p. 99
- 45 Ibid, p. 100
- 46 Ibid, p. 109. Chand continues: "The fallacy of the position taken up is rendered absolutely self-evident by actual results. An attempt to boycott Government service and even honorary service failed miserably..."
- 47 Ibid, p. 112
- 48 Ibid, p. 125
- 49 See K W Jones, *Arya Dharm: Hindu Consciousness in Nineteenth Century Punjab*, (Manohar, Delhi, 1976), pp 269-79 on this government crackdown
- 50 Chand, *Self Abnegation in Politics*, p. 116, see also, for example, p. 99
- 51 Jaffrelot, 'The Genesis and Development of Hindu Nationalism', p. 28
- 52 *Punjabee*, October 7, 1909
- 53 A Calcutta English language weekly
- 54 *Punjabee*, October 5, 1909
- 55 Ibid, October 9, 1909
- 56 Ibid, special conference issue, October 23, 1909
- 57 Ibid.
- 58 Ibid, October 26, 1909
- 59 See ibid, October 30, 1909
- 60 The new name was bestowed at the Hardwar session of the Sabha, 1921. For a good account of this period of development see R Gordon, 'The Hindu Mahasabha and the Indian National Congress, 1915-1926', *Modern Asian Studies* (1975), vol 9, pp 145-204.

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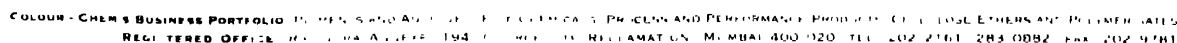
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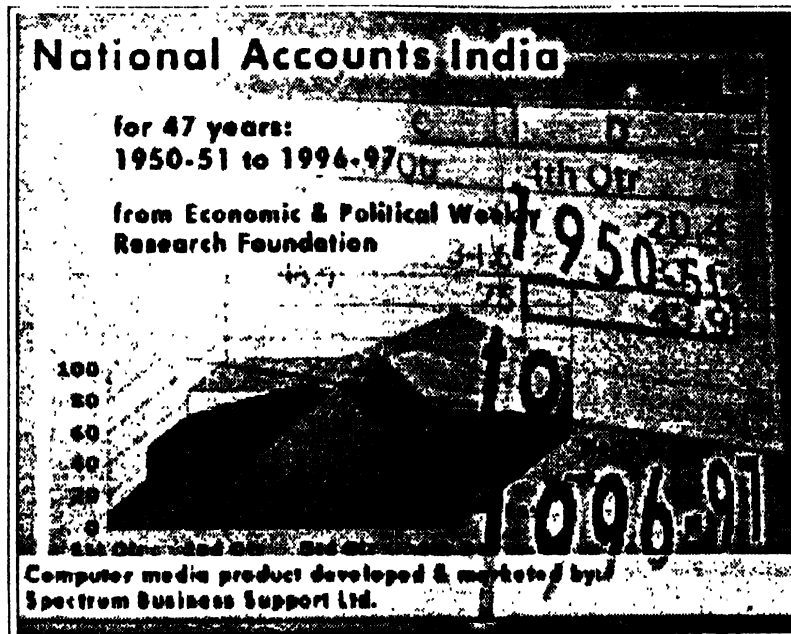


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## Democracy and Cultural Particularisms

That liberal democracy is deliberating on the need to find universalistic principles for resolving particularistic cultural disputes is a demonstration of how the quest for enlarging citizenship in an activist fashion is an ongoing enterprise. Liberal democracy needs to be more concerned with people than with things, with survivors and not with survivals. A universalistic liberal democratic society should devise policies that help people from disprivileged cultures to survive and surge ahead. 2313

## Emerging Economic Challenges

A review of the strategic policy failures which landed the Indian economy, till very recently, in a low-productivity, low-growth impasse and a discussion of the critical areas to focus on in the next phase of economic reforms. 2326

## Two-Party Syndrome and India

Is India heading towards a two-party system? One way to test the two-party hypothesis is to speculate on the results of the forthcoming elections, on presidential discretion and on the formation of coalitions - all of which are notoriously unpredictable. Another way is laid on more solid ground: it poses the problem in a framework of comparative terms - actuality vis-a-vis thoughts, practice vis-a-vis theory, civil society vis-a-vis the state, and all those in turn across political parties. 2330

## Indian Economy: Empirical Patterns and Regularities

Harmonisation of national accounts statistics, balance of payments accounts, monetary and banking data and data on the budgetary operations of the government of India makes it possible to identify many important empirical patterns and regularities, notably the existence of business cycles, the counter-cyclical nature of inflation, the twin deficits problem, the impact of absorption on reserves, the evolution of the debt-income ratio, the relationship between real interest rates and growth and the sustainability of the fiscal stance. 2345

## 'Augmenting' the Ganges

Contending that their lean season requirements are greater than the Ganges flow, India and Bangladesh have seen the solution in 'augmentation'. But in the case of a natural resource such as water, requirements are to be brought down to the level of availability, not the other way round. 2296

## Common Threat

The common threat facing India's wildlife habitats and the livelihood interests of a majority of local communities comes from the rampant 'developmental' process which is encouraging the commercialisation of ecologically and culturally sensitive areas. 2305

## Bengal Politics

The 1999 parliamentary elections may prove to be a turning point in West Bengal politics. The Congress is in no way a threat to the ruling CPI(M) any longer. Mamata Banerjee's Trinamul Congress is now the real opposition. However, Mamata Banerjee's emergence as the principal opposition force is also an ominous sign. 2298

## Industrial Recovery

GDP is expected to grow by 6 per cent in 1999-2000, the same as last year, but a major qualitative change expected this year is the recovery in the manufacturing sector. The impetus to the recovery seems to have originated in increased availability of bank finance. 2286

## Electricity Reform

The Karnataka Electricity Reform Ordinance does not deal with the basic tasks of improving the efficiency and transparency of operations of the state electricity board. It tinkers with form, not substance. 2300

## Agriculture and Reforms

It is time that efficiency considerations prevailed in public spending in agriculture and market signals were allowed to come into full play so that changes in agricultural investment and production are demand-driven in response to domestic and international prices. 2293

## ASEAN after Crisis

The question before ASEAN now is whether it should continue on its old course of non-interference or re-energise itself through open political and economic debate among member states. 2304

## Good Neighbours

AS a former freedom fighter of 1942 vintage and septuagenarian pedant, who values academic and societal mores rather highly, I want to say that India may have won many a battle against Pakistan, but our country has lost a major war against extremes of national hatred, instant patriotism and derailment of amicable neighbourly relations. We, who participated really and effectively in the freedom movement had dreamt about free India fostering the cult and culture of good neighbourly relations between India and Pakistan. Our approach was cautious, since we believed that good fences make good neighbours and clear and well-defined borders could be demarcated between India and Pakistan.

But in India today, we search in vain for our cherished ideals of peaceful coexistence and beneficial mutual political and economic relations between India and Pakistan. Amidst the debris of our dreams, we find that the ruling class political parties and so-called Hindutva intoxicated knicker brigades are spreading the virus of jingoism and instant patriotism. In this political situation, we are ignoring the sane and sound voices of reason and a call for ending the war hysteria and those who plead for purposeful bilateral negotiations with Pakistan. Instead of brouhaha and braggadocio, what we need today is a national and human approach to needs and aspirations of the people of Kashmir. Also India should demonstrate its core managerial and diplomatic competence in tackling the Indo-Pak relations. Instead of focusing only on a show of firmness and heartlessly hard approach to the border issues, the Indian political ruling class

should adopt a more flexible policy of meaningful negotiations with Pakistan.

We freedom fighters wanted to do to India and Pakistan what a spring does to cherry blossoms. (Pablo Neruda's metaphor is a little changed here.) We then believed that there would emerge a viable framework for a co-operative confederation between India and Pakistan. There is still some hope if the masses and people's progressive movements in both the countries compel the ruling classes in India and Pakistan to seek people-friendly solutions to Kashmir and Indo-Pak problems. But it is still possible to do enough, to quote Dag Hammarskjöld. On independence day, let the people of India and Pakistan celebrate the glory and majesty of peace.

JITENDRA DHOLAKIA

Ahmedabad

## Adult Education

WHATEVER the views of the researcher (April 10-16) in regard to adult education, I strongly disagree with the author's assessment of total literacy campaign (TLC) in the light of my assessment of TLC in 11 districts of Tamil Nadu at the instance of the National Literacy Mission and the Madras Institute of Development Studies (MIDS), Chennai. While doing so I had the privilege of watching at close quarters the functioning of the campaign which was in various stages of operation, some in campaign phase, others in the project preparation stage, but all of them under the dynamic leadership of collectors who are now occupying very important and senior positions in the TN government and enthusiastic and committed volunteers ('tannarvathondarkal', i.e. self-motivated young volunteers). The article

has been uncharitable to the band of able district collectors like Sheila Sunkath and Busia Gandhi, at Pudukkottai and Muthuramalinga Thevar. The collectors did not appear to have any difficulty in shaking off their bureaucratic mantle. In fact they appear to have carried their zeal for development work to the secretariat where they are holding senior positions. To my mind this was possible because the district collectors had a band of enthusiastic young men who did not hold an official position in the hierarchy. They readily rose to any occasion and ensured that there was a proper image of the campaign. Also all the directly recruited district collectors had studied development economics and related areas in the course of their on-the-job training. Some wrote informative articles in learned journals and published books which I had the privilege to review. I say this also on the basis of the numerous discussions that our team had with groups of persons from different walks of life: municipalities, panchayats, MLAs and ordinary citizens. Indeed the campaign phase of TLC continued right up to the end of teaching and learning. There are numerous instances of wholehearted participation: In May when our team visited Tirunelveli at about noon a very large number of women under the shade of two or three trees were doing combined studies. We had gone unannounced and each one of them showed us what they had learnt.

But then in the end came the most disturbing question as to what use can this learning and literacy be put to unless there is some way of supplementing their meagre household income. Of course, the team was delighted to be told that the pawnbrokers can no longer dupe them. The question about earning income made us all uncomfortable because that was the real hitch, the failure to weave appropriate functionality adequately into the teaching-learning process in spite of the existence of several programmes at the grass roots level for improving the lot of the poor and illiterate. This was due to the failure of the development activities and departments meant for the upliftment of the poor to come anywhere near the learners. This was the most important failure of National Literacy Mission to which we drew attention resulting in a general circular to all. Indeed a golden opportunity for effective implementation of all development programmes at the grass roots level was lost due to the absence of a well-thought-out strategy to which the author has rightly referred.

C B PADMANABHAN

Chennai

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All other countries	100	70	70	50

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## Nurturing the Money Market

**D**EVELOPMENT of the money market in India has been one of the major goals of the Reserve Bank of India. For two reasons. One, because the shift from direct to indirect instruments of monetary policy, consequent on liberalisation and deregulation, has made a well-developed money market critical to the success of the central bank's open market operations. And two, because of the urgent need for a mechanism that provides reasonable access to suppliers and users of short-term funds to fulfil their borrowing and investment needs at an efficient market clearing price.

Over a period of time, therefore, the bank has taken a number of steps to widen and deepen the money market. Indeed the last monetary policy announcement of the bank focused extensively on reforms in this area. Following the announcement, there have been a number of firsts. In May the bank conducted the first-ever price auction of government securities. In a price-auction, as distinct from the earlier auctions where bids were made based on expected yields, bids are made in terms of the price which bidders are willing to pay for loans which have already been issued in the past. The biggest advantage of price auctions is that the re-issue of loans issued earlier results in the consolidation of outstanding loan balances. Consequently instead of having a large number of loans of different nomenclature, some with very little floating stock, it is possible to have a few loans with large floating stock needed for more efficient secondary market trading and consequently better price discovery. Soon after, the bank came out with a calendar of Treasury bill auctions, thereby greatly improving on the present system wherein sudden announcements of auctions take the markets by surprise and do not allow them to plan their strategy in advance. In early July, interest rate swaps and floating rate agreements (FRAs) were permitted, making it possible to shift from fixed to floating rates of interest and vice versa.

And now, in what is perhaps a harbinger of the most important development in the money market during the year, the bank-appointed committee on repos has recommended a series of wide-ranging changes in the present regime. The report follows close on the heels of the recent relaxation allowing 35 non-bank entities to enter the repo market, albeit in a limited way. If and when the bank accepts the committee's recommendations, it would be the first significant step towards dismantling the restrictions with which the bank had trussed up the repo market following the securities scam in 1992.

Repos, or repurchase transactions, are money market transactions where funds are mobilised by selling securities and agreeing to repurchase them at a predetermined date and rate. The difference between the sale and repurchase price is the interest or earning for the period. Repos straddle both the securities and the pure money market as they combine elements of both a securities purchase/sale operation and also a money market borrowing/lending operation and are critical to facilitating smooth adjustment of short-term liquidity among participants in the money market. A reverse repo is the mirror image of a repo. Here securities are bought with a simultaneous commitment to sell them back. Hence whether a transaction is a repo or a reverse repo is determined only in terms of who initiates the first leg of the transaction. As compared to pure call money and inter-corporate deposit markets where transactions are not backed by any security, the repo market is characterised by transactions which are fully backed by securities. Consequently, counterparty risks are minimised. It is for this reason that repos are among the most popular money market instruments in the more developed markets. In India too, repos had become exceedingly popular in the late 80s/early 90s.

However, in the panic that set in after the detection of widespread misuse of repos during the scam, the RBI had clamped down on the repo market. And though over the past few years there have been some relaxations from time to time, the plethora of restrictions had created a fragmented market with all its attendant inefficiencies. The prohibition on forward contracts under Section 16 of the Securities Contracts (Regulation) Act, 1956, also made matters difficult, because in terms of the government notification issued under this section of the act, read with the act's Section 28, only certain permitted institutions were exempted from this ban and that too only in certain specified securities. In fact the special court looking into the scam-related developments held that all repo transactions undertaken by banks and institutions were illegal and void as they were prohibited under the SCRA and the government notification of June 1969. The result was that the RBI became completely paranoid about allowing repos on a large scale and even after it partially revoked its knee-jerk reaction of banning repos outright, it so knotted up the market with regulations that repos all but died.

It is against this backdrop that the recommendations of the committee come as a breath of fresh air. The committee recognises that the first impediment to the development of a vibrant repo market is the GOI notification of June 1969

prohibiting forward transactions in securities. Accordingly it calls for a repeal of the notification as also of the existing Public Debt Act 1944, which does not recognise the existence of government securities in electronic form. With these legal impediments out of the way, the committee goes on to recommend a system of both 'over-the-counter' (OTC) and exchange traded repos. All entities who have both subsidiary general ledger (SGL) accounts and current accounts with the RBI will be allowed to undertake both repos as well as reverse repos in all government securities. For the moment, however, this will be permitted only in Mumbai. As far as other entities, including corporates, are concerned, they will be allowed to undertake repos and reverse repos in government securities, PSU bonds, private corporate debt securities and bonds issued by FIs provided these are held in demat form in a depository (so that the problems associated with physical transfer are eliminated) and transactions are routed through an approved stock exchange with a well capitalised clearing corporation as the legal counterparty. Essentially, therefore, all debt paper will be eligible provided it is in dematerialised form and certain other safeguards in terms of uniform accounting practices and daily marking to market are in place. The consequent spurt in the number of repos for varying maturities will effectively result in the emergence of a term structure of interest rates. This is critical to the growth not only of debt markets but also of hedging instruments.

While it is indisputable that the committee's recommendations are a quantum jump from the position as it exists today, where the committee seems to have erred in limiting 'over the counter' transactions to only those entities who have both SGL and current accounts with the RBI. It is an undisputed fact that setting up an exchange, a clearing corporation, etc, will take a very long time and will cost a lot of money. In the meanwhile, the needs of the very large and significant non-bank financial entities would not be met, defeating the very purpose of opening up the repo market. The RBI would, therefore, be well advised to consider allowing these entities to route their repo transactions through constituent SGL accounts with primary dealers. Even in the case of OTC deals, there is no reason why such transactions should be limited only to what can be routed through RBI, Mumbai. It is time the bank took steps to expedite its long-pending plans of computerising its functions and bringing about connectivity between its various offices so that transactions are not restricted only to Mumbai. Only then will the repo market come of age.

## AFFIRMATIVE ACTION

### Changing Context

THE Supreme Court pronouncement on reservation in super specialties, being hailed as a landmark judgment, is in fact nothing of that sort. It is a vivid indicator of both the limitations of institutions like the courts of law and the problems that affirmative action is likely to throw up in the course of the changes that its own impact on society brings about. A five-judge Constitution bench of the Supreme Court has ruled that the purpose of reservation was to ensure that reserved category candidates should not be denied the opportunity of benefiting from post-graduate medical courses and that they come up to such standards as were expected of medical graduates with such qualifications. While general category candidates did not suffer from any social disability, the special opportunity provided by reservations could not be made available to those who were substantially below the levels prescribed for the general category. Such candidates would not, the court has decided, be able to fully benefit from specialised training designed to produce "high calibre well-trained professionals for the benefit of the public". It struck down the UP and the Madhya Pradesh acts which had prescribed what the bench thought were unreasonably low qualifying grades for the reserved category.

Certainly, on first reading it does seem like a pragmatic decision. But it raises far more questions than it resolves. First, it assumes that reserved category students, suffering from social disadvantages and therefore unable to compete in the general category, will not be able to emerge as high calibre well-trained professionals. After all, these same students will have completed the first level of the professional medical course and will presumably be "rendering service to society" at that level. Is there an invisible barrier to their "fully benefiting" from the specialised training at the later stage? If poorer grades present a barrier to the pursuit of training, then it would be the same whether in the lower or higher levels of professional training. Surely, well-trained professionals are needed at all levels – as general practitioners, service engineers, accountants, nurses, etc. Are we to interpret the judgment to mean that unfit professionals may be tolerated at lower levels but not at higher ones?

The bench could have instead elaborated on a more logical line of reasoning: that it would be reasonable to assume that the social disadvantages that the reserved candidates suffered from would have been

somewhat mitigated by the time they arrived at the higher levels of professional training, hence making it unnecessary to artificially create a level playing field. That it has not sought to give an explanation along these lines partially indicates the court's dilemma. The purview of the court is after all to rule on the immediate matter of the validity of reservations. And while it can make predictions of outcomes, it does not deliberate upon the impact of affirmative action so far. It is in this sense caught in the same maze that the socio-political system is trapped in – while one way of mitigating social disability is by affirmative action, how is its impact to be monitored? When do we declare that a level playing field has been achieved? Has affirmative action become an excuse for the absence of social and developmental programmes which would make such 'reservations' unnecessary? Today with the socially deprived, the scheduled castes and tribes and the backward castes, accessing political power in an enduring way, partly because of the state's affirmative provisions but essentially because of transformations at the societal level, the issue of the legitimacy of reservations will come up more and more frequently. And as often as not, it will be the judicial system which will have to be deliberating on the matter. This is reason enough to seek some clarity on what kind of role the courts will play in the circumstances. For this institution is in the peculiar position of being able to initiate, and has in the past prompted societal reform; but equally it can become moribund and choose to be dictated by a limited, even technical perspective. Is the recent judgment indicative of a trend in the latter direction?

## TRADE TALKS

### Time to Get Serious

THE ministerial meeting of the G-15 countries in Bangalore next week is being dressed up to look like a major milestone in the supposed efforts of the developing countries, whom the G-15 is supposed to represent, to evolve a common approach to the industrial countries' push for a new round of multilateral trade negotiations, the so-called Millennium Round, which will come up for discussion at the meeting of the 134-member countries of the World Trade Organisation (WTO) in Seattle in November. It can confidently be predicted, however, that it will be nothing of the sort. There are many reasons for this, including above all that the quest for the will-o'-the-wisp of a common position of so large and diverse a group as the developing countries on fresh trade negotiations as a whole

(as distinct from possible commonality of interests among specific sub-groups of countries on particular issues forming part of such negotiations) was a futile exercise to start with. That this doomed objective has nevertheless been so ardently clasped to its bosom by the government of India reflects the partiality of the present leadership of the government's ministry of commerce for demagoguery, a typical example of which was the commerce secretary's claim last month, widely quoted in the press, that India had been, alas, misled into signing the WTO agreement.

The commerce minister and his officials have over the past many months sought to give the impression, without however saying so categorically, that the government they speak for is opposed to a fresh round of trade negotiations. In support of their position they have advanced arguments such as that there is a heavy overhang of commitments yet to be fulfilled arising out of the WTO agreement and that the developed countries have been dragging their feet on their existing trade liberalisation obligations. However, these arguments do not cut much ice. The WTO agreement specifies timetables for the fulfilment of different obligations by different groups of countries as well as provides for forums and procedures for action in respect of recalibrants. This is not to deny that there still remain very serious problems of market access all round, including for particular goods and services of the poorer countries including India. But to deal with them it is imperative that the international efforts to progressively liberalise trade are continued.

If by its political posturing, the commerce ministry was trying to test the waters of international support, among the developing countries in particular, it must have got all the answers it was seeking. The response to the Bangalore meeting of the G-15 must itself be reckoned to be a reliable straw poll: only eight of the 17 countries constituting the group have even bothered to send ministerial level delegations to the meeting. Clearly, unless the new government which takes office after the coming parliamentary election changes tack on international trade issues, there is a real danger of our fulminations against the WTO and the richer countries being seen as an attempt really to cover up the fact that India continues to be among the most protected markets among any group of countries, rich or poor.

Shorn of political hyperbole, there are a number of issues which call for serious consideration in the context of the Seattle conference and on which India should, and could, mobilise opinion among like-minded countries. Most important of these is the developed countries' attempt to link

trade liberalisation to international acceptance and enforcement of universal norms in regard to such matters as employment of child labour or labour and environmental standards. These demands, strenuously lobbied for by NGOs and labour unions in the rich countries as well as some of their older and less competitive industries, are little short of a campaign to shut out exports from the developing countries by negating significant cost advantages they enjoy. The issue is not the desirability by themselves of the norms sought to be prescribed, but that the attempt to enforce them through what amounts to imposing trade sanctions against the poorer countries deserves to be resisted and rejected. It needs to be recognised instead that to be able to introduce these norms the poorer countries need to raise their incomes and productivity levels, to which expansion of their trading opportunities should be expected to make an important contribution. Clearly, any attempt to further restrict their market access in the name of so-called social clauses will be a retrograde step even from the standpoint of the social objectives sought to be achieved. But to address these and other real issues meaningfully and effectively, the new government due to take office in Delhi in a few weeks will need to make a clean break with the empty rhetoric of the recent past and get serious about global trade negotiations which will go on, whether we like it or not.

## ANDHRA PRADESH

### Bipolar Contest

WITH the finalisation of the seat-sharing arrangement between the Telugu Desam Party (TDP) and the Bharatiya Janata Party (BJP) for the Lok Sabha and state assembly polls, Andhra Pradesh is all set to witness an essentially bipolar contest between the ruling TDP and the Congress. A host of non-Congress, non-TDP-BJP parties in the state stand in danger of being squeezed out of the political space even before the battle has begun. Some veterans like S Jaipal Reddy of the Janata Dal(S) and C Rajeswar Rao of the CPI, having read the writing on the wall, have either joined one or the other of the two formations or vacated their seats in their favour.

Though the TDP and the BJP were both on the look-out for allies to fight the Congress in the state, the final seat-sharing agreement reached between the two shows that it is the BJP which has had to yield ground. Despite its steady growth in the state, especially in the coastal Andhra and Telangana regions, the BJP is nowhere near being a force strong enough to fight

elections on its own. Differing with the party's state leadership, the central leadership of the BJP reckoned that having an ally in the TDP, even though the latter was not a part of the NDA, would not only enable the BJP to range one more party against the Congress in the post-poll scenario, it would also help to consolidate the anti-Congress vote in the state where the Congress has remained strong. Only against such calculations does the BJP settling for just eight Lok Sabha and 25 assembly seats (out of a total of 294) make sense. On the other hand, it was equally essential for TDP leader Chandrababu Naidu to project the impression that he had not given in to the BJP, especially in order not to lose support altogether among Muslim voters who can be decisive in quite a few parliamentary and assembly constituencies. Naidu also put off his decision to align with the BJP almost to the last moment so that even if there was dissension within his party over the decision, it would not have time to crystallise into organised opposition and affect the TDP's electoral prospects significantly.

Besides Muslims, women, especially rural poor women, are another important constituency that has been known to tilt electoral outcomes in Andhra Pradesh. Aware that the ending of the rice subsidy scheme and the scrapping of prohibition have alienated large sections of women, Naidu had to come up with a populist scheme such as 'Deepam' to supply subsidised gas connections to 10 lakh women below the poverty line. Though the scheme ran into rough weather with the Election Commission and has had to be put off, Naidu has given sizeable representation to women among his party's candidates, since the Congress, with Sonia Gandhi as its leader, is expected to play the women card in the elections. The TDP has put up new women candidates for the Jukkal, Paravathipuram, S Kota and Paderu assembly seats and for the Khammam and Guntur parliamentary seats.

The Congress, though better placed in Andhra Pradesh than in the other southern states, is plagued by dissensions which took an acrimonious turn when the Congress legislature party leader, P Janardhan Reddy, chose to defy the Pradesh Congress Committee president Y S Rajashekhar Reddy and launch his own separate election campaign. The party has also witnessed bickering over the large representation given to Rayalaseema in the party's election and campaign committees. If Chandrababu Naidu has to cope with the anti-incumbency factor, the Congress leadership, with its infamous record of frequent change of chief ministers when in power, has the problem of containing factionalism within the party.

# CURRENT STATISTICS

EPW Research Foundation

The rise in the WPI has been exceptionally low; even the increases in the three consumer price indices have come down sharply, the 12-month rise in them ranging from 5.3 to 6.7 per cent compared with 8.9 to 12.4 per cent in the previous 12-month period. Apart from a very low rise in the WPI of 'food articles', there has been a significant fall in the index of manufactured food products. The WP food index thus shows a rise of only 1.1 per cent in the past 12 months in contrast to a 12.3 per cent increase in the preceding 12 months.

## Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82 = 100)	Weights	July 31, 1999	Over Month	Over 12 Months		Fiscal Year So Far		Variation (Per Cent): Point-to-Point			
				Latest	Previous	1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96
All Commodities	100.00	357.7	0.2	1.6	8.1	1.0	4.4	5.0	5.3	6.9	5.0
Primary Articles	32.30	383.9	0.6	1.6	12.7	1.0	8.6	9.3	5.5	7.0	5.4
Food Articles	17.39	452.2	1.1	3.1	14.3	3.0	11.5	11.7	4.0	9.6	9.8
Non-Food Articles	10.08	370.5	-0.1	-1.9	12.3	-3.3	5.9	7.5	8.5	3.5	-1.9
Fuel, Power, Light and Lubricants	10.66	397.2	0.7	4.6	8.8	4.7	-1.1	-1.2	11.4	16.9	3.7
Manufactured Products	57.04	335.5	-0.1	1.0	5.2	0.2	3.1	3.8	4.0	4.9	5.0
Food Products	10.14	339.2	-1.5	-3.3	8.2	-0.8	7.6	4.9	5.5	14.1	-0.7
Food Index (computed)	27.53	410.6	0.3	1.1	12.3	1.8	10.2	9.5	4.5	11.1	6.3
All Commodities (weekly average basis) (April 3-July 31, 1999)	100.00	356.7	0.2	5.5	5.4	3.1	7.1	6.9	4.8	6.4	7.8

Cost of Living Indices	Latest Month	Over Month	Over 12 Months		Fiscal Year So Far		Variation (Per Cent): Point-to-Point			
			Latest	Previous	1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96
Industrial Workers (1982=100)	420.0 <sup>a</sup>	0.2	5.3	12.4	1.4	5.0	8.9	8.3	10.0	8.9
Urban Non-Man Emp (1984-85=100)	346.0 <sup>a</sup>	0.6	6.1	10.5	1.8	4.5	9.0	7.2	10.2	8.2
Agri Lab (1986-87=100) (Link factor 5.89)	301.0 <sup>a</sup>	1.0	6.7	8.9	1.7	3.7	8.8	3.8	10.5	7.2

Money and Banking (Rs crore)	July 16, 1999	Over Month	Over Year	Fiscal Year So Far		Variation			
				1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96
Money Supply (M <sub>3</sub> )	1016401 <sup>a</sup>	-2831(-0.3)	158464(18.5)	50252(5.2)	37653(4.6)	145865(17.8)	118436(16.9)	97841(16.2)	
Currency with Public	182878	-2264(-1.2)	27602(17.8)	12759(7.5)	9272(6.4)	24115(16.5)	13917(10.5)	13829(11.7)	
Deposit with Banks	828638 <sup>a</sup>	-329(neg)	130472(18.7)	36419(4.6)	27427(4.1)	121479(18.1)	104173(18.4)	84162(17.5)	
Net Bank Credit to Govt	419192	7088(1.7)	51412(14.0)	32520(8.4)	37189(11.2)	56080(17.0)	41972(14.5)	30840(12.0)	
Bank Credit to Comm'l Sector	498379	9103(1.9)	64259(14.8)	11436(2.3)	1381(0.3)	54204(12.5)	56432(15.0)	31659(9.2)	
Net Foreign Exchange Assets	153205	-1011(-0.7)	27387(21.8)	4572(3.1)	-752(-0.6)	22064(17.4)	21073(20.0)	23356(28.4)	
Reserve Money (July 30)	255995	-5329(-2.0)	31213(13.9)	-3225(-1.7)	-1620(-0.7)	32818(14.5)	26417(13.1)	5527(2.8)	
Net RBI Credit to Centre \$	154329	-2366(-1.5)	4397(2.9)	8913(6.1)	16316(12.2)	11799(8.8)	12914(10.7)	1934(1.6)	
RBI Credit to Bks/Comm Sector	18077	-3490(-16.2)	4109(29.4)	-7410(-29.1)	-1314(-8.6)	10205(66.8)	2029(15.3)	-15557(-54.0)	
Scheduled Commercial Banks (July 30)									
Deposits	740578 <sup>a</sup>	8806(0.6)	113932(18.2)	31485(4.4)	28161(4.7)	118837(19.9)	92886(18.4)	71780(16.5)	
Advances	372028	2657(0.7)	48978(15.2)	6025(1.6)	-1029(-0.3)	41924(12.9)	45677(16.4)	24387(9.6)	
Non-Food Advances	349537	2157(0.6)	43945(14.4)	349(0.1)	-6001(-1.9)	37593(12.1)	40790(15.1)	26580(10.9)	
Investments (for SLR purposes)	281298	4235(1.5)	43208(18.1)	27179(10.7)	19385(8.9)	35414(16.2)	28192(14.8)	25731(15.6)	
Commercial Investments and bills rediscounted with FIs	52659	2086(4.1)	15803(42.9)	3915(8.0)	4991(15.7)	16879(53.0)	12324(63.1)	4168(27.1)	

<sup>a</sup> Includes Rs 17,945 crore on account of proceeds from RBIs since August 28, 1998; excluding them the year-on-year and the 1998-99 fiscal year growth of money supply would be 16.4 per cent and 15.6 per cent, respectively. Likewise, bank deposits without RBIs grew by 15.7 per cent and 15.5 per cent, respectively \$ after closure of govt accounts.

Index Numbers of Industrial Production (1993-94=100)	Weights	May 1999	Fiscal Year So Far		Full Fiscal Year Averages				
			1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96	1994-95
General Index	100.00	147.9	146.7(6.3)	138.0(8.2)	142.8(3.8)	137.6(6.6)	129.0(5.5)	122.3(12.8)	108.4(8.4)
Mining and Quarrying	10.47	119.0	116.0(-0.2)	116.2(2.6)	120.3(-1.7)	122.4(5.9)	115.6(-2.0)	117.9(9.6)	107.6(7.6)
Manufacturing	79.36	151.9	150.9(7.2)	140.7(8.1)	146.3(4.1)	140.6(6.7)	131.8(6.7)	123.5(13.8)	108.5(8.5)
Electricity	10.17	146.2	145.1(4.0)	139.5(14.5)	138.4(6.5)	130.0(6.6)	121.9(3.9)	117.3(8.1)	108.5(8.5)

Capital Market	August 14, 1999	Month Ago	Year Ago	1999-2000 So Far		1998-99		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1998-99	1997-98	1996-97
BSE Sensitive Index (1978-79=100)	4488(51.2)	4710	2969(-31.3)	3245	4729	2783	4281	3740(-3.9)	3893(15.8)	3361(-0.2)
BSE-100 (1983-84=100)	1990(50.1)	2031	1326(-29.5)	1409	2047	1242	1890	1651(-2.7)	1697(15.9)	1464(-5.5)
BSE-200 (1989-90=100)	455(48.3)	465	307(-26.8)	322	468	289	429	380(0.8)	377(14.9)	328(-5.0)
S and P CNX-50 (Nov 3, 1995=1000)	1292(49.5)	1335	864(-29.6)	931	1349	812	1213	1078(-3.5)	1117(15.4)	968
Skandia GDR Index (Jan 2, 1995=1000)	836(46.2)	980	572	581	980	515	1015	653(-30.5)	940(1.1)	930(-4.4)

Foreign Trade	June 1999	Fiscal Year So Far		Full Fiscal Year		Variation			
		1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
Exports: Rs crore	11247	34241(8.0)	31717(4.1)	141604(8.8)	130101(9.5)	118817(11.7)	106353(28.6)		
US \$ mn	2607	7983(3.0)	7747(-8.9)	33613(-3.9)	34976(4.5)	33470(5.3)	31797(20.8)		
Imports: Rs crore	15705	44410(3.4)	42934(19.5)	176099(14.2)	154176(11.0)	138920(13.2)	122678(36.3)		
US \$ mn	3641	10354(-1.3)	10487(4.6)	41802(0.9)	41449(5.9)	39132(6.7)	36678(28.0)		
Non-POL: US \$ mn	2867	8328(-9.0)	9174(22.7)	35928(10.3)	32526(11.9)	29096(-0.2)	29152(28.3)		
Balance of Trade: Rs crore	-4458	-10169	-11218	-34495	-24076	-20102	-16325		
US \$ mn	-1033	-2371	-2740	-8188	-6472	-5663	-4881		

Foreign Exchange Reserves (excluding gold)	August 6, 1999	August 7, 1998	March 31, 1999	Variation Over		Variation Over			
				Month Ago	Year Ago	Fiscal Year So Far	1998-99	1997-98	1996-97
Rs crore	133635	102367	125446	2604	31268	8189	-144	22935	22137
US \$ mn	30756	24096	29530	558	6660	1226	-1880	3554	3607

Notes: (i) Superscript numeral denotes month to which figure relates e.g., superscript 3 stands for March; (ii) Figures in brackets are percentage variations over the specified or over the comparable period of the previous year. neg. negligible \* unchanged



# Ownership of Bank Deposits by Type and Economic (As on Last Friday of March)

Sector of the Economy	1998				1997				1996				1995			
	Current		Savings		Current		Savings		Current		Savings		Current		Savings	
	Term	Total	Term	Total	Term	Total	Term	Total	Term	Total	Term	Total	Term	Total	Term	Total
I Government Sector	9974	9243	25159	44377	9658	7161	15553	32373	7274	6172	16848	30294	7371	4832	12618	24821
II Corporate Sector (non-financial)*	15592	2550	22047	40189	14489	1958	14900	31348	10503	1274	12962	24739	12129	1086	13438	26653
III Corporate Sector (financial)*	15949	1869	26935	44753	12860	1361	24884	39105	11891	993	13904	26788	12584	572	12698	25854
IV Other Institutions*	20885	16401	52247	89531	19305	11583	44710	75598	17690	12665	39019	69374	15826	11301	34467	61594
V Individuals incl HUF	18527	107044	252831	378402	16095	91391	218833	326319	25397	82066	183291	280753	15233	75346	153997	244577
1 Non-Residents	22.5	77.4	65.8	62.6	22.1	80.2	68.0	64.2	24.2	79.3	67.7	64.1	23.8	80.7	67.4	63.4
2 Residents	689	6000	57441	64131	812	4788	52147	57747	412	4750	40537	45698	402	4796	32718	37916
i) Farmers	0.8	4.3	15.0	10.6	1.1	4.2	16.2	11.4	0.6	4.6	15.0	10.4	0.6	5.1	14.3	9.8
ii) Businessmen, Traders, Professionals, etc	17838	101044	195390	314271	15283	86603	166686	268572	14985	77316	142754	235055	14831	70550	121279	206661
iii) Wages and salary earners	21.7	73.1	50.9	52.0	21.0	76.0	51.8	52.8	23.5	74.7	52.7	53.7	23.2	75.6	53.0	53.5
iv) Others	4069	32156	67809	104034	3476	17343	35604	53612	504	15772	31167	47443	642	15352	27347	43341
Grand Total (1 to V)	92370	138293	384147	604811	72929	113918	321805	508652	63656	103443	270904	438004	63963	93369	228622	385954
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Sector of the Economy	1990				1986				1982				1971			
	Current		Savings		Current		Savings		Current		Savings		Current		Savings	
	Term	Total	Term	Total	Term	Total	Term	Total	Term	Total	Term	Total	Term	Total	Term	Total
I Government Sector	4260	2025	5542	11827	1723	950	2847	5520	614	381	1573	2568	366	511	877	
II Corporate Sector (non-financial)*	5873	357	4528	10758	2490	251	2914	5655	838	85	821	1743	243	166	143	
III Corporate Sector (financial)*	4820	532	5590	10942	2863	153	2228	5244	173	325	804	2301	18.8	193	478	
IV Other Institutions*	5711	2268	5901	13880	3401	1096	3605	8101	2026	504	1652	4181		63	7.8	
V Individuals incl HUF	8905	40970	77040	126915	3600	21564	37614	62778	1722	13598	17677	32997	857	1541	2371	4769
1 Non-Residents	30.1	88.8	75.1	72.8	25.6	89.8	76.4	71.9	27.0	91.3	78.5	75.4	56.8	100.0	77.1	77.9
2 Residents	225	2228	13609	16063	34	1321	4511	5865	15	675	800	1490				
i) Farmers	0.8	4.8	13.8	9.2	0.2	5.5	9.2	6.7	0.2	4.5	3.6	3.4				
ii) Businessmen, Traders, Professionals, etc	8680	38742	63431	110853	3566	20244	33103	56913	1707	12923	16877	31507				
iii) Wages and salary earners	29.4	83.9	64.3	63.6	25.3	84.3	67.3	65.2	26.8	86.8	74.9	71.9				
iv) Others	415	7942	12516	20873	100	3365	5368	8833	41	2484	2055	4581				
Grand Total (1 to V)	29570	46152	98600	174323	14077	24014	49208	87299	6372	14893	22526	43791	1508	1541	3076	6124
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Denotes not available. Figures in italics are percentages to grand totals. \*For these three sectors breakup of foreign sectors share since 1995 are not available, hence they are not included against the respective heads but included in the grand total. Source: RBI Bulletin, various issues.

## COLOUR-CHEM

**Mixed Performance**

SPECIALITY chemicals major, Colour-Chem, has five divisions – fine chemicals, pigments and additives, leather chemicals, textile chemicals, cellulose ethers and polymerisates. The company got out of the textile dyes business in 1995 in line with the global strategy of its then parent company Hoechst AG, which held 50 per cent stake in the company. The said business was transferred to DyStar India, which was a 100 per cent subsidiary of DyStar GmbH, a 50:50 joint venture of Hoechst AG and Bayer AG. However, since it was not possible to transfer the assets, Colour-Chem signed a toll manufacturing agreement with DyStar to manufacture dyes for a conversion fee that covers the fixed and variable costs and includes a margin.

With Hoechst AG now spinning off its speciality chemicals division and merging it with Clariant AG, the shares held by the former in Colour-Chem too are to be transferred to Clariant. However, although the merger to Colour-Chem and Clariant India (Clariant AG's branch in the country) could result in synergies, the conflict in interest due to the textiles dye business has indefinitely deferred this move.

Meanwhile, Colour-Chem witnessed a mixed performance during the year, 1998-99. While net sales declined by 8.2 per cent over the previous year, operating profit was higher by 71.8 per cent during the same period. However, a huge non-operating expenditure on account of its voluntary retirement scheme almost wiped out its profits during the year with its bottom line declining by 93.7 per cent. Despite the gloomy picture put forward by these figures, a closer look at the company's profit and loss account suggests that things are not as bad as they seem. If one were to exclude the previous year's non-operating income of Rs 29.5 crore (compensation for assignment of textile dye business) and the Rs 27.1 crore payment/provision for voluntary retirement scheme during 1998-99, the company's net profit scenario would sharply change for the better, showing a significant improvement in its performance during this period. Despite this, it is a fact that the weak economies in Asia Pacific, Latin America and Europe are

resulting in a rough time for companies engaged in manufacturing speciality chemicals. However, the silver lining for the company is that it has already spent a large amount on its restructuring programme, which entails strategic cost reduction through closures and outsourcing, relocation of its marketing office and closure of its hydrogen plant, not to mention the voluntary retirement scheme. This being a non-recurring expenditure, things could brighten up for the company in the coming years when its efforts bear fruit.

## TELCO

**Bumping Along**

Tata Engineering and Locomotive Company (Telco), the country's largest truck maker, is on a bumpy ride following a slowdown in the economy. To make matters worse, the commercial vehicle segment, where the company is the market leader, was most affected by this slowdown and the market for these vehicles diminished by 9 per cent over the previous year. (This fall was even steeper at 35 per cent a year earlier.)

Following the alarming build-up of inventory, the company decided to curtail production significantly during the first half of 1998-99 to remedy the situation. However, this meant maintaining dealer inventories at lower levels, and a consequent decline in sale of medium and heavy commercial vehicles during this period (down 49 per cent). As a result, its market share in this segment fell by 11 per cent during the first six months of the year. Although the company did manage to increase its market share in this section by 4 per cent in the second half of the year, taking its total market share to 66 per cent, the damage had already been done. Net sales for the year fell by 10.7 per cent over the previous year, 1997-98, while operating profit declined by 24.3 per cent during the same period. A sharp increase in interest cost (up 27.9 per cent) and an 8.5 per cent higher depreciation took its toll on the company's bottom line, which crashed by 66.8 per cent during the year under review. Earnings per share dived from Rs 11.5 during 1997-98 to a mere Rs 3.8 during 1998-99, and the company decided to trim the dividend rate to 30 per cent (1997-98: 50

per cent) as a damage-control measure. In the light commercial vehicles segment, too, the company witnessed a 3 per cent fall in sales, while it underperformed the market in the multi-utility vehicle segment by posting a 5 per cent fall in market share to 28 per cent.

Ironically, while Telco's high degree of vertical integration is a boon for it in better times, this very factor is responsible for the company's underperformance in trying times. While it reaps all the benefits of producing virtually all its components in-house, the advantage turns into its Achilles heel when the going gets tough with the adverse situation magnifying itself all along the value chain. In an attempt to shake off its unwanted flab, the company is now planning to apply a strategy that is expected to transform it from a domestic truck maker to a world-class automotive company. The launch of the company's small car, the Tata Indica, in December 1998, was the first move in this direction. Realising its weakness, Telco has also decided to embrace outsourcing and shun high levels of vertical integration. Meanwhile, the outlook for the current year, 1999-2000, too appears bleak. The company has reportedly been saddled with a spate of cancellations of its Indica bookings (down 15 per cent) owing to delay in delivery. The company's sale of cars declined to 1,737 in April this year from 2,342 during the previous month. The bulk of Telco's passenger car sales volumes come from Indica, with the Sierra and Estate contributing minor volumes. In the medium and heavy commercial vehicle segment, too, sales declined from 9,745 units in March 1999 to 3,064 units in April, while that of light commercial vehicles fell from 4,374 units to 1,814 units during the same period. Though April is generally considered to be a lean period for the company, the near future appears gloomy for Telco, especially since the automotive sector has not shown any major signs of recovery.

## HERO HONDA

**On Full Speed**

Hero Honda, the largest manufacturer of motorcycles in the country, is a 50:50 joint venture between the Munjals and Honda Motor Company of Japan. The

Financial Indicators	Colour-Chem		Telco		Hero Honda	
	March 1999	March 1998	March 1999	March 1998	March 1999	March 1998
<b>Income/appropriations</b>						
1 Net sales	29490	32138	567582	635725	152915	114267
2 Value of production	29563	31384	562593	634847	153818	114624
3 Other Income	1252	1722	13361	8101	1778	1077
4 Total income	30815	33106	575954	642948	155596	115701
5 Raw materials/stores and spares consumed	12376	13263	362452	411581	108725	81646
6 Other manufacturing expenses	5336	9058	55894	58662	5579	4164
7 Remuneration to employees	3996	3714	69490	60937	6172	4921
8 Other expenses	4406	4335	19438	21024	14460	11171
9 Operating profit	4701	2736	68680	90744	20660	13799
10 Interest	834	978	40574	31728	762	791
11 Gross profit	1411	6276	38887	58690	19515	12833
12 Depreciation	1131	1007	28132	25924	2242	1879
13 Profit before tax	280	5269	10755	32766	17273	10954
14 Tax provision	30	1325	970	3300	5136	3294
15 Profit after tax	250	3944	9785	29466	12137	7660
16 Dividends	840	2050	8520	15484	2778	879
17 Retained profit	-590	1894	1265	13982	9359	6781
<b>Liabilities/assets</b>						
18 Paid-up capital	1165	1165	25590	25588	3994	1997
19 Reserves and surplus	11424	12014	350505	349930	26064	18702
20 Long-term loans	5485	5793	259441	231605	7207	9215
21 Short-term loans	1416	2433	85082	99269	2949	960
22 Of which bank borrowings	1416	2433	72428	98728	948	7
23 Gross fixed assets	18188	17526	569865	487073	41607	30991
24 Accumulated depreciation	8253	7185	165334	141899	10744	9458
25 Inventories	4937	4984	85611	96595	13599	9018
26 Total assets/liabilities	24735	26820	1023580	894032	67720	46477
<b>Miscellaneous items</b>						
27 Excise duty	3769	3699	91875	96980	288	266
28 Gross value added	3607	15344	147928	144011	25778	18573
29 Total foreign exchange income	7592	11400	53202	63388	4647	6132
30 Total foreign exchange outgo	2488	3665	74764	74279	23558	13179
<b>Key financial and performance ratios</b>						
31 Turnover ratio						
(sales to total assets) (%)	119.22	119.83	55.45	71.11	225.80	245.86
32 Sales to total net assets (%)	151.31	150.14	78.76	90.00	380.25	370.11
33 Gross value added to gross fixed assets (%)	19.83	87.55	25.96	29.57	61.96	59.93
34 Return on investment (gross profit to total assets) (%)	5.70	23.40	3.80	6.56	28.82	27.61
35 Gross profit to sales (gross margin) (%)	4.78	19.53	6.85	9.23	12.76	11.23
36 Operating profit to sales (%)	15.94	8.51	12.10	14.27	13.51	12.08
37 Profit before tax to sales (%)	0.95	16.39	1.89	5.15	11.30	9.59
38 Tax provision to profit before tax (%)	10.71	25.15	9.02	10.07	29.73	30.07
39 Profit after tax to net worth (return on equity) (%)	1.99	29.93	2.60	7.85	40.38	37.01
40 Dividend (%)	65.00	160.00	30.00	55.00	75.00	40.00
41 Earning per share (Rs)	21.46	338.54	3.82	11.52	30.39	38.36
42 Book value per share (Rs)	1080.60	1131.24	146.97	146.76	75.26	103.65
43 P/E ratio	130.76	NA	67.73	NA	45.64	NA
44 Debt-equity ratio (adjusted for revaluation) (%)	43.57	43.96	68.98	61.68	23.98	44.52
45 Short-term bank borrowings to inventories (%)	28.68	48.82	84.60	102.21	6.97	0.08
46 Sundry creditors to sundry debtors (%)	71.44	67.01	74.48	55.66	519.77	222.13
47 Total remuneration to employees to value added (%)	110.78	24.20	46.98	42.31	23.94	26.50
48 Total remuneration to employees to value of production (%)	13.52	11.83	12.35	9.60	4.01	4.29
49 Gross fixed assets formation (%)	3.78	12.66	17.00	26.47	34.26	13.83
50 Growth in inventories (%)	-0.94	-14.93	-11.37	-15.50	50.80	32.27

NA: means not available.

company has been going from strength to strength and had, only last year, declared a bonus issue to reward its shareholders and to affirm its good fortune. During the year, 1998-99, while net sales were higher by 33.8 per cent over the previous year, 1997-98, the company's operating profit jumped by 49.7 per cent, reflecting its improved operating efficiency, not to mention the considerable benefits derived out of its expanded capacity and its state-of-the-art plants in Gurgaon and Dharuhera consistently raising output. Though interest charges were higher by 19.3 per cent and tax provision increased by 55.9 per cent during this period, the company's bottom line advanced by 58.5 per cent. Encouraged by its performance, Hero Honda raised its dividend rate from 40 per cent last year to 75 per cent on the post-bonus equity, entailing a higher outgo.

The company has become the first and only motorcycle manufacturer in the country to touch record sales of 5,30,545 units during the year under review, which was a growth of 30 per cent over the previous year. To capitalise on the good demand for its vehicles, Hero Honda has now drawn up plans to invest around Rs 300 crore over the next three years in line with its strategy to roll out a new motorcycle model every year. The company seems to be determined to maintain its leadership position in the four-stroke motorcycles segment by offering choice and upgraded models to its customers. It had already launched a powerful 156 CC sporty-look motorcycle 'CBZ' in 1998-99 mainly to attract the young. The new models which will be introduced are expected to be in the range of 100-156 CC and are to be more technologically advanced than the existing 100 CC models. However, they will be priced lower than the CBZ model.

Meanwhile, Hero Honda's joint venture partner, Honda Motor Company, is planning to go solo on its scooter project after burning its fingers in its earlier scooter joint venture with the Firodias of the Kinetic group. Reports suggest that these scooters will be produced by its other local venture, Honda Sael Cars India. However, the Japanese company will have to obtain a no objection certificate from the Munjals for the same as according to the shareholder agreement between the Munjals and Honda, Hero Honda has the right to manufacture all two-wheelers with the Honda brand name in India.

## Industrial Recovery on the Horizon

*GDP is expected to grow by 6 per cent in 1999-2000, the same as last year, but a major qualitative change expected this year is the possible recovery in the manufacturing sector after three years of sluggish growth; the impetus to recovery seems to have originated in increased availability of bank finance.*

### I Economic and Financial Trends

THERE are signs of recovery discernible in the real economy, led by some decent agricultural growth and renewal of consumer demand and infrastructure-related construction activity, as also looking up of investment demand in industry. Though in a cyclical recovery situation, pick-up in the output of investment goods is known to follow with a lag, it is interesting that an uptrend in it has already begun contemporaneously with the recovery in consumer and intermediate goods during the first quarter of this fiscal year.

Expectations are that GDP will grow by 6 per cent in 1999-2000, the same as in the previous year, but a major qualitative change expected this year would be the possible recovery in the manufacturing sector after three years of sluggish growth, if the first quarter indications are any guide. Real GDP originating in agriculture is expected to grow by about 2 per cent in the year on top of a rise of 7.6 per cent in 1998-99. Foodgrains production, which made a significant recovery by 5.2 per cent from 192.4 million tonnes in 1997-98 to 202.5 million tonnes in 1998-99, is expected to cross 205 million tonnes, a rise of 1.3 per cent, though the government has set an ambitious target of 210 million tonnes. Likewise, the index of non-foodgrains output is expected to rise by about 2 per cent after recording a smart spurt of 11 per cent in 1998-99.

In industry, the CSO's general index has

registered a rise of 6.3 per cent during April-May 1999 against 4.2 per cent last year. The highest recovery has taken place in consumer durable goods (a rise of 18.9 per cent against 4.7 per cent), followed by capital goods (15.4 per cent against 8.8 per cent) and intermediate goods (8.7 per cent against 5 per cent). Basic goods have continued to show a meagre growth of 2.2 per cent (3.2 per cent in April-May last year) due to persistent decline in output of coal and low growth of petroleum and petroleum products and hydel power. Among the major industries to contribute to the growth are white goods, automobiles (both commercial vehicles and others), cement, steel and non-ferrous metals, and significantly wide sections of electrical as well non-electrical machinery though growth in some of the industries has been over an unduly low base. On the other hand, while some agriculture-based industries like tea and jute have suffered a setback, some others like sugar, edible oils and coffee have experienced noticeable growth.

Indications of a possible industrial recovery are also seen in corporate sector data and data on banking and financial sector trends. Sales of manufacturing companies have registered a growth of 10 per cent in the first quarter of the current financial year, though pressure on their selling prices and bottom line has continued following recessionary conditions in industry. Excise duty collections have risen by about 29.5 per cent in the first quarter. In money and banking, bank credit to the commercial sector has shown a turnaround; there has been an expansion in non-food

credit by Rs 831 crore until July 16 this financial year, against a fall of Rs 5,899 crore in the comparable period last year. Including banks' investment in corporate bonds, etc, the accommodation provided by scheduled commercial banks has worked out to Rs 4,745 crore in the current year so far against a fall of Rs 908 crore last year. Better still, bank credit to the commercial sector (including from co-operatives and banks' investments in public trustee securities) is estimated to have risen by Rs 11,436 crore in the fiscal year so far against Rs 1,381 crore in the comparable period last year. Thus it could be said that the impetus for recovery has originated in higher disbursement of bank finance through a variety of instruments: conventional bank credit, investment in corporate bonds and, above all, in infrastructure bonds of state government PSUs.

As for investible funds from the capital market and FIs, the situation continues to be sluggish despite a buoyancy in the secondary market. Capital issues (other than through debt instruments included above) have remained meagre. So have been the operations of the all-India term-financing institutions – a fall of 19.4 per cent in sanctions and a rise of only a 3.8 per cent in disbursements in April-May 1999. In fact, the topmost institutions, IDBI and ICICI, have shown drastic reductions in their disbursements during the period.

A more negative influence on the investment impulse is, however, expected from the trends in budgetary disbursements. Available data suggest that the total expenditure of the central government at Rs 58,655 crore during April-June 1999 was lower by 1 per cent as compared with the previous year and the fall was the sharpest at 38 per cent in capital expenditure.

### II Call and Forex Markets

The continued abundance of liquidity, combined with the market expectations of a cut in the Bank rate and the cash reserve

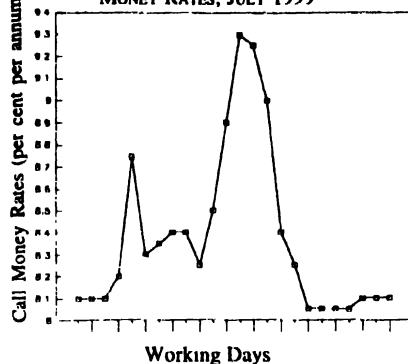
TABLE 1: ESTIMATED FLOW OF LIQUIDITY INTO THE FINANCIAL SYSTEM DURING JULY 1999

(Rupees crore)

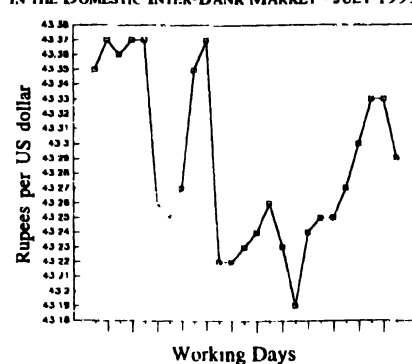
Week Ended	30			23			16			9			2		
	Inflow	Outflow	Net	Inflow	Outflow	Net	Inflow	Outflow	Net	Inflow	Outflow	Net	Inflow	Outflow	Net
Auctions and Redemptions															
14-day T bills	700	300	400	300	300	0	300	700	-400	800	300	500	400	300	100
91-day T bills	100	92	8	100	62	38	130	98	32	120	98	22	94	94	0
182-day T bills	-	-	-	-	100	-100	-	-	-	-	100	-100	-	-	-
364-day T bills	200	500	-300	-	-	-	175	218	-43	-	-	-	0	10	-10
Government securities	-	2000	-2000	-	-	-	-	2500	-2500	-	2130	-2130	-	2500	-2500
Coupon Payments	722	-	722	566	-	566	11	-	11	70	-	70	387	-	387
CRR Interest	-	-	-	-	-	-	-	-	-	2000	-	2000	-	-	-
Net Foreign Assets (Variation)	822	-	822	1563	-	1563	-	219	-219	-	424	-424	-	89	-89
Total	2544	2892	-348	2529	462	2067	616	3735	-3119	2990	3052	-62	881	2993	-2112
Memo Items															
Open Market Operations (RBI)	-	-	-	50	50	0	-	6	-6	-	2	-	-	-	-
Repos by RBI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: A negative sign implies net outflow – means nil.

GRAPH A: DAILY TOP-END QUOTATIONS OF CALL MONEY RATES, JULY 1999



GRAPH B: SPOT QUOTATIONS FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET - JULY 1999



ratio (CRR) following persistent decline in inflation rate and signs of industrial recovery, helped maintain the overnight call market steady and stable within a narrow range of 8.00 to 8.50 per cent except for a couple of days prior to the reporting Friday on July 16, when the rates touched 9.25/30 per cent due to the rush of banks to cover reserve needs ahead of the security auction on July 15 (Graph A); there were substantial outflows of funds from the banking system during the week ended July 16 (Table 1). The second half of the month saw the call rates ruling within a narrow range of 8.00 to 8.10 per cent; this was the period when there were return flows of funds (Tables 2 and 3).

An interesting feature of the call rate behaviour in the recent period has been its dissociation from its earlier anchor, the RBI's repo rate, after the latter was slashed from 8 per cent to 6 per cent on March 1. Since then the RBI's refinancing rate and the Bank rate have been fixed at 8 per cent and the call money rate has remained range-bound at around that rate. In the current situation of abundant liquidity, what seems to be determining the call rate generally is the average cost of funds (deposits) for

the banking industry, and for the first time in the recent monetary history, the Bank rate and the refinancing rate have generally coincided and also coincided with the banks' cost of funds. It is for the latter reason that the call rate is not generally falling below 8 per cent. The scheduled commercial banks have used the RBI's refinancing window to the extent of about Rs 4,300 crore to Rs 7,100 crore during June-July, which has been, it appears, more to supplement banks' resources than to indulge in any significant arbitrage activities; in reality there has been less scope for such arbitrage between the refinancing window and the call money market, or even between the money market and the forex market.

On the other hand, after the initial downward correction of the rupee value following the Kargil conflict though warranted by the inflation and interest rate differentials, the forex market remained stable throughout July; in fact, over the month, the rupee gained some ground; the exchange rate had touched Rs 43.38 to a US dollar in early July but thereafter it remained firmer with the rate touching a low of Rs 43.20 on July 20 and receding somewhat to Rs 43.29 by the end of the

month (Graph B). The easing of the rupee had to do with the continuous inflow of dollars from FIIs and expectations of further reductions in domestic interest rates. The last two weeks of the month, in fact, saw accretions of \$ 515 million to the country's foreign currency reserves.

The market rumours of a cut in CRR resulted in a further receding of the dollar forward premium, which was already falling and ruling at low levels. The annualised six-monthly forward premium, which was ruling at about 5.70 per cent towards the end of June, steadily fell to a little over 4.50 per cent by the end of July (Graph C). As forward premia have not been presaging any significant depreciation of the rupee in the near future compared with funds costs, importers are said to be keeping their positions open; at best the hedging takes place for the spot period, which is reflected in a firming up of the cash/spot premium (Graph D). Kargil type situations always created serious volatility in the rupee rate in the past as speculators took the slightest opportunity to strike speculative deals – a tendency which has now been severely curbed by the RBI by its policy and moral suasion actions. In fact, in the post-Kargil situation, the forex operators, itching for speculation, have been orchestrating pressure on the RBI to revoke the ban imposed in August 1998 on rebooking of forward contracts by corporates after their cancellation: this was done after it was found that the source of severe volatility in the forex market then was the buying and selling of spot dollars by corporates without booking the forward leg of the transaction; they were found to be misusing the freedom given to them in December 1993 to book spot and forward deals on two separate days. Instead, the importers would book only at spot rates and then cancel and rebook repetitively, thus significantly adding to the rupee's intra-day movements and boosting volumes. The RBI then ruled that the spot and forward legs had to be booked simultaneously and that the cancelled forward purchase contracts should not be rebooked. The fact of the matter is that it is not as though genuine hedging is not permitted for importers; it is just that repetitive cancellations and rebooking, which had a destabilising influence on the market, are not allowed.

TABLE 2: DAILY QUOTATIONS OF HIGHS AND LOWS OF CALL RATES IN PER CENT PER ANNUM: SIMPLE STATISTICAL CHARACTERISTICS

	All Five Weeks of the Month	July 1999 Week Ended					All Four Weeks of the Month	June 1999 Week Ended			
		30*	23	16*	9	2*		25	18*	11	4*
Simple Mean	8.2	8.0	8.2	8.6	8.3	8.0	8.2	8.7	8.2	8.1	7.9
Standard Deviation	0.4	0.1	0.3	0.4	0.2	0.1	0.4	0.3	0.3	0.2	0.2
Co-efficient of Variation (percentages)	4.4	1.1	3.8	4.5	2.1	1.8	4.9	3.4	3.7	2.5	2.5

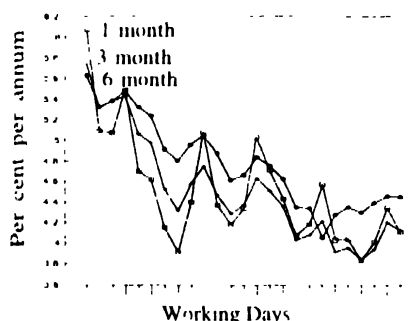
Data for reporting Fridays (RF) are omitted.

TABLE 3: CALL MONEY RATES

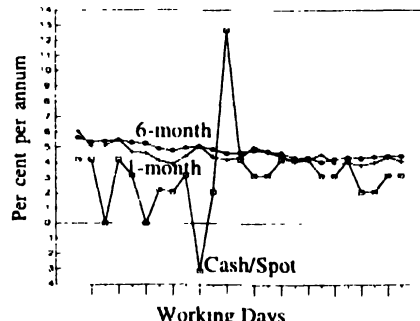
Items	July 1999					June 1999				
	30(RF)	23	16(RF)	9	2(RF)	25	18(RF)	11	4(RF)	
Weekly range	na	7.90-9.50	8.00-9.25	8.00-8.90	7.35-8.40	8.00-9.00	7.00-9.00	7.85-8.75	6.75-9.15	
	(1.00-7.50)	(5.00-7.50)	(0.50-6.7)	(5.50-9.00)	(5.00-9.00)	(7.00-9.00)	(3.00-6.00)	(5.75-9.00)	(2.50-6.20)	
Weekend (Friday)	7.75-8.10	8.00-8.25	7.50-9.25	8.20-8.40	7.60-8.20	8.20-8.60	7.40-8.00	8.00-8.30	7.40-8.10	
	(1.00-4.50)	(5.75-6.50)	(0.50-5.0)	(6.25-6.90)	(5.00-7.00)	(7.00-7.75)	(5.00-5.75)	(6.10-6.40)	(4.75-6.00)	
DFHI lending rates(range)	na	8.00-9.50	8.20-9.70	8.25-9.20	7.90-8.40	8.10-9.25	8.00-10.25	8.00-9.00	8.10-8.15	
	(2.10-7.50)	na	(6.90-2.7)	(5.75-9.00)	(9.00-1.00)	(7.00-9.00)	(4.00-6.60)	(6.05-9.00)	(5.00-6.25)	

Figures in parentheses represent weekly range during similar period last year.

GRAPH C: ANNUALISED DAILY 1-MONTH, 3-MONTH AND 6-MONTH FORWARD PREMIA IN PERCENTAGE FOR THE US DOLLAR BY THE DOMESTIC INTER-BANK MARKET FOR JULY 1999



GRAPH D: ANNUALISED DAILY CASH/SPOT, 1-MONTH AND 6-MONTH FORWARD PREMIA IN PERCENTAGE FOR THE US DOLLAR BY THE DOMESTIC INTER-BANK MARKET FOR JULY 1999



### Rupee Derivatives

On July 8, the Reserve Bank announced the final guidelines on interest rate swaps and forward rate agreements. The guidelines follow the credit policy announcement of April 1999 and allow participants – both, banks and corporates – to hedge their interest rate risks. Players have been allowed to use any rate prevailing in the domestic market as the benchmark rate for the purpose of interest rate swaps. Most of the deals used either Reuters' MIBOR or NSE MIBOR as the benchmark rate on day one. There is, however, no significant rate that has evolved to earn the status of a benchmark rate in the Indian scenario. Indeed, the Reserve Bank did disallow on the very first day a deal between two banks that had used forward rate as the benchmark rate. While the decision may have been based on abundant caution, the rejection of the deal highlighted the absence of a benchmark rate. Nevertheless, the market was anxiously awaiting the guidelines. The enthusiasm was reflected in deals worth over Rs 600 crore being recorded on the very first day. Of these deals worth Rs 500 crore were done on corporate account. The enthusiasm, however, faded with little interest in the products on subsequent days. In other words, absence of an effective benchmark rate may affect development of these products in the near future unless sincere efforts at market-making are made.

### III Primary Market

#### Dated Securities

The government has completed over two-thirds of its gross borrowing programme or 80 per cent of its net borrowing programme by the middle of August. Interestingly, of the total borrowings, over 62 per cent have been through securities beyond 10 years. This was a much-needed strategy as the repayments peak in the coming two-three years.

There were four issues in July. First, there was the reissue of 11.90 per cent 2007 on July 1. As reported in the last month's review, the issue was closed with public subscription of Rs 1,305 crore and devolvement on RBI of Rs 1,195 crore; the cut-off price was Rs 100.30 implying a yield of 11.74 per cent. Second, the government re-issued 12.32 per cent 2011 paper for the third time through a price-based auction on July 15. For a notified amount of Rs 2,500 crore, the RBI received 119 bids for an amount of Rs 4,656.60 crore. The RBI accepted only 36 bids for an amount of Rs 1,173 crore at a cut-off price of Rs 102.14 with an implied yield of 11.97 per cent. The balance of Rs 1,327 crore devolved on primary dealers who attributed the devolvement to the timing

of the auction. The auction came at a time when the overnight call market was witnessing tightness, though temporarily, and the rate was around 9.25 per cent. Banks also were reported to have quoted high yields hoping to buy the paper at a discount from the primary dealers subsequently. With the RBI fixing an underwriting commission of 35 per cent, primary dealers were expected to pass on a part of it to buyers.

Thirdly, the government privately placed the 2.30 per cent 2016 stock worth Rs 2,500 crore with the RBI on the next day, that is, July 16. The placement was done at par.

Finally, the improved liquidity situation towards the end of the month again revived the interest in long-dated paper. The government re-issued 17-year 12.30 per cent 2016 by auction on July 29. The cut-off price of this paper was fixed at Rs 100.43 producing a yield of 12.24 per cent. The cut-off price matched the market expectations. For a notified amount of Rs 2,000 crore, the RBI received 181 bids for an amount of Rs 6834.50 crore. It accepted 28 bids for the notified amount.

#### Treasury bills

The short-term interest rates were ruling high and as such the Reserve Bank attempted at realigning the rates on short-term papers. While the central bank met with some success in cutting the rates for 14-day bills, which could be reduced by a significant 52 basis points, it was hard put to do so with the rates on bills of longer

TABLE 4: AUCTIONS OF 14-DAY TREASURY BILLS

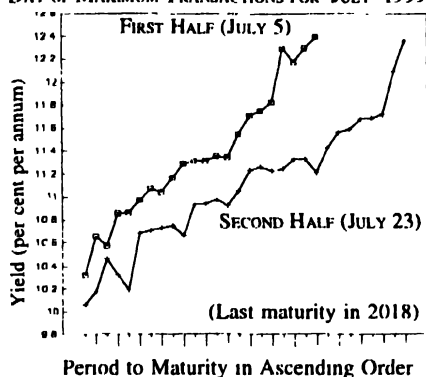
(Amount in rupees crore)

Date of Auction	Notified Amount	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent) of Issue	Amount Outstanding on the Date
		No	Face Value (Amount)	No	Face Value (Amount)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)*	(8)	(9)	(10)
<b>1998</b>									
July 3	100.00	3	110.00	3	130.00	0.00	99.77	5.99	600
		(-)	(-)	(-)	(-)	(0.00)	[99.78]	[5.73]	
July 10	300.00	3	125.00	2	100.00	50.00	99.75	6.52	550
		(1)	(150.00)	(1)	(150.00)	(150.00)	[99.75]	[6.52]	
July 17	300.00	8	875	3	300.00	0.00	99.76	6.26	750
		(-)	(-)	(-)	(-)	(0.00)	[99.76]	[6.26]	
July 24	500.00	9	485.00	9	485.00	15.00	99.74	6.78	800
		(-)	(-)	(-)	(-)	(0.00)	[99.75]	[6.52]	
July 31	500.00	16	1550	5	500.00	0.00	99.76	6.26	1000
		(-)	(-)	(-)	(-)	(0.00)	[99.77]	[5.99]	
<b>1999</b>									
July 2	100.00	17	329.50	14	100.00	0.00	99.67	8.61	500.00
		(1)	(200.00)	(1)	(200.00)		[99.68]	[8.35]	
July 9	100.00	19	686.00	1	100.00	0.00	99.69	8.09	1000.00
		(2)	(600.00)	(2)	(600.00)		[99.69]	[8.09]	
July 16	100.00	15	179.00	10	100.00	0.00	99.67	8.61	1000.00
		(1)	(200.00)	(1)	(200.00)		[99.67]	[8.61]	
July 23	100.00	20	460.50	8	100.00	0.00	99.69	8.09	600.00
		(1)	(200.00)	(1)	(200.00)		[99.69]	[8.09]	
July 30	100.00	15	233.00	9	100.00	0.00	99.69	8.09	600.00
		(1)	(200.00)	(1)	(200.00)		[99.70]	[7.82]	

Figures in parentheses in cols 3 to 6 represent numbers and amounts of non-competitive bids which are not included in the total.

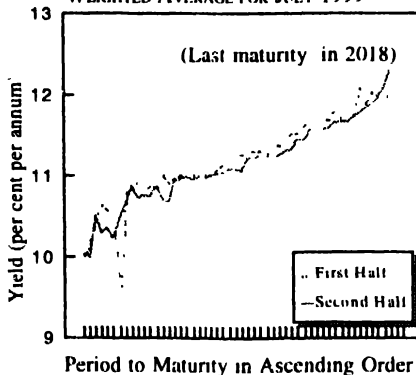
Figures in the square brackets under cols 8 and 9 represent weighted average price and respective yield. \* Bracketed figures in col 7, if any, relate to devolvement on primary dealers, exclusive of RBI. - No bid

GRAPH E: YIELD CURVES FOR DATED SECURITIES:  
DAY OF MAXIMUM TRANSACTIONS FOR JULY 1999



maturities in which there were considerable devolvments on primary dealers and on the RBI itself. The yield on 91-day bills was reduced by 29 basis points, that on 182-day bills by 4 points and on 364-day bills by 5 points. The relative yield on the 14-day paper at 8.60 per cent or so has been certainly much more attractive than the yield of 9.25 – 10.33 per cent for the 90-day, 180-day and 364-day papers. Therefore, the former has been attracting a good response. In the second auction of the month in this paper, the RBI received bids worth Rs 686 crore against the notified amount of Rs 100 crore; it accepted only one bid for the entire Rs 100 crore at a yield of 8.09 per cent thus slashing the yield from 8.61 per cent. Although the next auction saw the cut-off yield again rise to 8.66 per cent due to temporary stringency, the reduction was restored in the last auction as the market response improved (Table 4). The 91-day bills also seem to attract a steady flow of funds, though the RBI attempt to maintain a stable yield rate for it to serve as a bench-

GRAPH F: YIELD CURVE FOR DATED SECURITIES -  
WEIGHTED AVERAGE FOR JULY 1999



mark rate has meant some devolvment (Table 5). While the devolvment has been very sizeable in the case of 364-day TBs (Table 7), there has been none in the new 182-day bills (Table 6).

#### Bonds Market

Activity in the primary bonds market remained buoyant, dictated by the needs of state-level public sector undertakings

and the financial institutions. In the first quarter of the current fiscal, over Rs 10,000 crore had been proposed to be mobilised through the primary issues of debt instruments, out of which the reported collection was Rs 6,135 crore.

In July, there have been fresh issues worth over Rs 4,500 crore, out of which about Rs 2,100 has reportedly been collected. The proposed amount including the carry-over of issues floated in the previous month, the total issues for collection amounted to over Rs 6,000 crore, against which more than 50 per cent or Rs 3,500 crore collection has been reported.

With the sole exception of Hindustan Organic Chemicals (HOC), all the issues in the PSU category were from state-level bodies. The government of Maharashtra came out with three issues (in addition to the one from MKVDC the closing date of which had been extended to August 10 due to poor response): first, Maharashtra State Road Development Corporation (MSRDC) proposed to raise initially Rs 400 crore, and later on, the issue size

TABLE 6 AUCTIONS OF 182-DAY TREASURY BILLS

(Amount in rupees crore)

Date of Auction	Notified Amount	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)	Amount Outstanding on the Date of Issue
		No	Face Value (Amount)	No	Face Value (Amount)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1999									
July 7	100 00	17	368 00	4	100 00	0 00	95 27	9 93	400 00
		(-)	(-)	(-)	(-)		[95 27]	[9 93]	
July 21	100 00	24	262 00	11	100 00	0 00	95 29	9 89	500 00
		(-)	(-)	(-)	(-)		[95 31]	[9 84]	

Figures in parentheses in cols 3 to 6 represent numbers and amounts of non competitive bids which are not included in the total. Figures in the square brackets under cols 8 and 9 represent weighted average price and respective yield

TABLE 5 AUCTIONS OF 91-DAY TREASURY BILLS

(Amount in rupees crore)

Date of Auction	Notified Amount	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut-off Price (Rupees)	Cut off Yield Rate (Per Cent)	Amount Outstanding on the Date of Issue		
		No	Face Value (Amount)	No	Face Value (Amount)				Total	With RBI	Outside RBI
(1)	(2)	(3)	(4)	(5)	(6)	(7)*	(8)	(9)	(10)	(11)	(12)
1998											
July 3	100 00	4	70 00	2	20 00	30 00	98 20	7 33	3460 35	235 70	3224 65
		(1)	(50 00)	(1)	(50 00)	(50 00)	[98 20]	[7 33]			
July 10	150 00	8	185 00	6	100 00	-	98 10	7 75	3791 35	200 70	3590 65
		(3)	(281 00)	(3)	(281 00)	(50 00)	[98 13]	[7 62]			
July 17	200 00	10	279 00	4	103 00	-	98 10	7 75	3646 35	190 70	3455 65
		(2)	(280 00)	(2)	(280 00)	(97 00)	[98 10]	[7 75]			
July 24	200 00	6	265 00	6	200 00	-	98 10	7 75	3422 00	190 70	3231 30
		(2)	(250 65)	(2)	(250 65)	-	[98 11]	[7 71]			
July 31	200 00	12	643 00	6	200 00	-	98 11	7 71	3547 00	190 70	3356 30
		(2)	(275 00)	(2)	(275 00)	-	[98 11]	[7 71]			
1999											
July 2	100 00	13	118.50	6	73 00	27.00	97 73	9.29	3505 35	308 20	3197 15
		(1)	(25 00)	(1)	(25 00)						
July 9	100.00	14	139 50	10	98.00	2 00	97 73	9.29	3475 35	310 20	3165 15
		(-)	(-)	(-)	(-)						
July 16	100 00	13	118 50	5	62.00	38.00	97 73	9 29	3475 35	348 20	3127 15
		(-)	(-)	(-)	(-)						
July 23	100 00	16	166 00	9	92 00	8.00	97 74	9 25	3475 35	356 20	3119 15
		(-)	(-)	(-)	(-)						
July 30	100 00	23	427.50	6	100 00	0 00	97 81	8.96	3375 35	356 20	3019 15
		(-)	(-)	(-)	(-)						

Figures in parentheses in cols 3 to 6 represent numbers and amounts of non-competitive bids which are not included in the total

Figures in the square brackets under cols 8 and 9 represent weighted average price and respective yield

\* Bracketed figures in col 7, if any, relate to devolvment on primary dealers, exclusive of RBI - nil



was raised to Rs 950 crore in view of a wholesome reception. With a novelty of benchmark linked rates, it offered four options to investors: (a) 5-year 1-month bond with annual coupon of 13.65 per cent; (b) 10-year bond with 14.15 per cent; (c) 10-year bond with a coupon of 14.15 per cent for first year, and subsequently, the rate would be a spread of 2 per cent over the benchmark rate which is the weighted average secondary market yield on 10-year government of India securities; and (d) 12-year bond the coupon of which is 2.15 per cent over the PF rate which is currently at 12 per cent. The issue has been so successful that it has collected so far a reported amount of Rs 818 crore against the initial target of Rs 400 crore which was to be later revised upward to Rs 950 crore; the issue carries an option to retain an unspecified oversubscription.

The other two issues from the GoM are the Vidharbha Irrigation Development Corporation (VIDC) and Maharashtra Jeevan Pradhikaran (MJP). Both the issues are guaranteed by the state government, have a size of Rs 250 crore each, and are of 7-year tenure carrying 13.5 per cent coupon with YTM at 13.96 per cent. While the former has collected a mere Rs 95 crore, the response to MJP has been very encouraging as it has garnered over Rs 200 crore.

There were also new issues from the states of UP, Gujarat, Tamil Nadu, Sikkim, Punjab, Kerala, Karnataka and Himachal Pradesh. All the issues were of 7-year tenure and offered coupons rates between 12 per cent and 14 per cent. The 200-crore 7-year tripartite guaranteed bond from the Gujarat Electricity Board offered a coupon of 13.5 per cent for half yearly payment (YTM: 13.95 per cent) or 14 per cent for annual payment. In the form of security, the issue carried a tripartite agreement between the government of Gujarat, the trustees of the issue and the Electricity Board with regard to the payment of interest and re-payment of the principal amount. The issue has been fully subscribed. Tamil Nadu Industrial Development Corporation (TIDCO), which successfully met with the targeted amount of Rs 170 crore, hit the market with 7-year guaranteed bond to mobilise funds for the railway project in the state. Other issues, too, were getting good response from the investors.

ICICI was back in the market with Safety Bonds with a proposal to raise Rs 600 crore (which includes Rs 300 crore as greenshoe option). There have been some reductions in the interest rate offered from what it had offered in the previous issue in May. So is reduction in upper limit in the tenure which has been reduced from 23-year 10-month to 18-year 11-month on the Money Multiplier Bond. The interest rate, for instance, on the Encash Bonds

which earlier had 11 per cent for the first year is now been offered at 10.5 per cent. The Tax Saving option provides the benefits under sections 88 and 54EA. The issue which closed on August 5 has reportedly collected over Rs 300 crore. With this issue the ICICI also brought sub-brokers under the memorandum of understanding regarding incentives offered. Earlier, ICICI had already signed an MoU with brokers and lead managers to adhere to standardised incentive structures to control the unhealthy price-based competition among brokers. ICICI was also creating history of sorts by co-branding its bonds with consumer goods. ICICI-Bajaj Scooter Bond, ICICI-Maruti Relationship Bond, ICICI-Only Vimal Vaatsalya Bond, etc, were some examples of such co-branding. The bonds are deep discount bonds.

Close on the heels of the ICICI issue has been the issue from IDBI which is making its first foray in the current financial year. This public issue from the premier FI has proposed to raise Rs 1,500 crore which is inclusive of a greenshoe option of Rs 750 crore. When compared closely, one finds little similarity between the two issues. While ICICI is offering basically 3-year instruments, the IDBI has remained glued to a rather conventional tenure of 5 years. Even for the 5-year papers of both the FIs, IDBI is offering a better yield than the one offered by the ICICI. HUDCO also entered the market with two variants of its priority sector bonds with tenures of 7-year and 10-year to collect Rs 200 crore through book-building process. It has an option to retain an oversubscription up to Rs 200 crore. The indicative range of coupon rate for 7-year bond is 12-12.25 per cent and that of 10-year bond is 12.25-12.50 per cent. IL&FS launched a bond

fund and mobilised Rs 47.4 crore initially. The fund is open-ended. Earlier in June, UTI had also floated a bond fund and had received a good response. GE Capital also approached the market with the shortest 30-day debenture to raise Rs 50 crore. The fixed coupon rate is set at 9.6 per cent; but the floating rate is 100 basis points over MIBOR rate.

As for the closures, in view of abundant liquidity situation, invariably all the issues successfully met with the targeted amount.

There is a lot of activity in store in the bonds market in near future. The forthcoming issues include Tamil Nadu Electricity Board (Rs 500 crore), HP State Electricity Board (Rs 275 crore), Konkan Railway Corporation (Rs 250 crore), Rajasthan State Mines and Minerals (Rs 50 crore), Rajasthan State Road Transport Corporation (Rs 100 crore), Gujarat State

TABLE 8: REPO TRANSACTIONS IN GOVERNMENT PAPER (OTHER THAN WITH THE RBI), JULY 1999  
(Rupees crore)

Repo Period in Number of Days	Amount (Rupees Crore)	Range of Interest (Per Cent Per Annum)
<b>A Dated Securities</b>		
1	300	8.35 (8.35)
2	205	8.00-9.40 (8.83)
3	50	8.10 (8.10)
5	75	8.15-8.85 (8.41)
6	25	8.35 (8.35)
9	50	8.40 (8.40)
12	105	9.00 (9.00)
14	462	8.50-9.32 (8.99)
35	50	9.50 (9.50)
62	50	10.20 (10.20)
<b>All Issues</b>		
1-62	1372	8.00-10.20 (8.79)
<b>B 364-Day TBs (All Issues)</b>		
1	14	8.55 (8.55)

Figures in brackets are weighted average interest rate.

TABLE 7: AUCTIONS OF 364-DAY TREASURY BILLS  
(Amount in rupees crore)

Date of Auction	Notified Amount	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)	Amount Outstanding on the Date of Issue
		No	Face Value (Amount)	No	Face Value (Amount)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<b>1998</b>									
July 1	100.00	1	5.00	0	0.00	100.00	92.61 [92.61]	7.98 [7.98]	10152.81
July 15	200.00	13	320.00	8	75.00	25.00 (100.00)	91.72 [91.79]	9.03 [8.94]	9174.25
July 29	200.00	15	739.25	6	200.00	0.00	91.73 [91.75]	9.02 [8.99]	8350.84
<b>1999</b>									
July 30	500.00	28	587.50	1	10.00	490.00	90.64 [90.64]	10.33 [10.33]	13000
July 14	500.00	31	610.59	12	218.09	281.91	90.64 [90.64]	10.33 [10.33]	13300
July 28	500.00	42	1110.00	18	500.00	0.00	90.68 [90.70]	10.28 [10.25]	13618

Figures in the square brackets under cols 8 and 9 represent weighted average price and respective yield. Figures in brackets represent devolvement on primary dealers (PDs)

APPENDIX TABLE: SECONDARY MARKET OPERATIONS IN GOVERNMENT PAPER: RBI'S SGL DATA

(Amount in rupees crore)

Descriptions	Week ending July 1999: Yield to Maturity on Actual Trading												Total for the Month of July 1999		
	30			23			16			9			2		
	ATM	YTM	CY	ATM	YTM	CY	ATM	YTM	CY	ATM	YTM	CY	ATM	YTM	CY
<b>1 Treasury Bills</b>															
A 14-Day Bills	156.80	8.62		72.17	8.19		101.72	8.27		148.00	8.11		81.29	8.39	
B 91-Day Bills	91.27	9.13		147.35	8.95		103.16	8.89		180.85	8.74		130.75	8.70	
C 364-Day Bills	81.00	9.97		187.75	10.06		104.50	9.49		15.00	8.77		-	-	
<b>2 GOI Dated Securities</b>															
A Converted (Per Cent Year)															
13.25.2000	-	-	-	-	-	-	-	-	-	0.06	10.33	12.88	25.00	10.48	12.95
11.75.2001	215.00	10.75	11.54	467.05	10.78	11.55	192.25	10.85	11.56	210.10	10.87	11.56	111.00	10.93	11.58
12.50.2004	469.00	11.25	11.97	902.50	11.25	11.97	300.07	11.28	11.98	388.65	11.32	12.00	324.23	11.36	12.01
Sub-total	684.00	11.09	11.84	1369.55	11.09	11.83	492.12	11.11	11.82	598.81	11.16	11.85	460.23	11.20	11.96
B Regular (Per Cent Year)															
5.50.1999	-	-	-	-	-	-	-	-	-	-	-	-	8.40	3.38	5.51
13.00.1999	20.00	10.07	12.94	155.00	10.03	12.94	40.00	10.05	12.93	50.00	10.07	12.92	50.00	9.95	12.91
13.40.1999	26.50	10.01	13.22	17.00	10.01	13.22	93.53	10.10	13.22	20.00	10.21	13.22	25.50	10.33	13.21
11.40.2000	230.00	10.46	11.29	801.00	10.52	11.30	460.00	10.59	11.30	430.00	10.66	11.31	228.75	10.74	11.32
11.64.2000	145.00	10.31	11.50	-	-	-	75.00	10.52	11.52	116.00	10.55	11.52	70.00	10.66	11.53
12.14.2000	-	-	-	50.00	10.36	11.97	10.00	10.44	11.98	25.00	10.42	11.97	17.00	10.59	11.99
12.60.2000	-	-	-	45.00	10.23	12.45	-	-	-	-	-	-	0.15	9.59	12.39
10.85.2001	20.00	10.68	10.82	-	-	-	5.00	10.85	10.85	35.00	10.84	10.85	15.00	10.93	10.87
11.47.2001	-	-	-	10.00	10.86	11.33	18.00	10.94	11.35	15.00	10.97	11.35	-	-	43.00
11.55.2001	115.00	10.67	11.36	424.50	10.75	11.39	399.78	10.82	11.40	520.00	10.84	11.41	45.00	10.89	11.42
12.08.2001	-	-	-	15.00	10.73	11.81	-	-	-	10.00	10.87	11.83	-	-	25.00
13.55.2001	40.00	10.84	12.85	42.19	10.91	12.87	10.00	10.97	12.88	50.00	10.99	12.88	40.00	11.06	12.89
13.75.2001	45.00	10.70	13.11	5.00	10.75	13.11	-	-	-	20.00	10.91	13.13	10.00	10.91	13.13
13.85.2001	5.00	10.69	13.24	2.00	10.67	13.23	-	-	-	-	-	-	-	-	7.00
11.00.2002	40.00	10.91	10.98	40.00	10.95	10.99	28.00	10.97	11.00	75.00	10.98	11.00	0.50	10.97	10.99
11.15.2002	135.00	10.93	11.09	335.00	10.98	11.10	166.00	11.00	11.11	26.00	11.03	11.12	80.00	11.07	11.13
11.55.2002 I	75.00	10.96	11.37	105.00	11.01	11.39	20.00	11.03	11.39	50.44	11.07	11.40	45.02	11.03	11.39
11.68.2002	188.00	10.94	11.47	268.00	10.97	11.47	198.00	11.02	11.49	95.00	11.04	11.49	25.00	11.07	11.50
12.69.2002	-	-	-	45.00	10.99	12.21	-	-	-	5.00	11.10	12.23	-	-	50.00
12.75.2002	-	-	-	10.00	10.98	12.21	1.74	11.03	12.22	-	-	-	-	-	11.74
12.75.2002	10.00	11.00	12.21	-	-	-	-	-	-	-	-	-	-	-	10.00
11.10.2003	35.00	11.04	11.08	30.00	11.05	11.09	-	-	-	-	-	-	6.40	11.09	11.10
11.75.2003	5.00	11.04	11.50	10.00	11.09	11.52	-	-	-	-	-	-	-	-	15.00
11.78.2003	20.00	11.07	11.52	15.00	11.12	11.54	25.00	11.14	11.54	79.45	11.16	11.55	5.00	11.18	11.56
11.83.2003	30.00	11.07	11.55	-	-	-	-	-	-	15.00	11.17	11.59	-	-	45.00
11.50.2004	108.00	11.23	11.39	265.00	11.25	11.40	249.00	11.27	11.41	230.00	11.30	11.42	110.20	11.34	11.44
11.75.2004	10.00	11.24	11.54	-	-	-	-	-	-	5.00	11.28	11.55	-	-	15.00
11.95.2004	105.00	11.25	11.65	-	-	-	65.00	11.29	11.66	70.00	11.32	11.68	20.00	11.36	11.69
11.98.2004	628.00	11.25	11.66	397.00	11.27	11.67	80.04	11.27	11.67	310.00	11.31	11.68	155.00	11.36	11.71
12.59.2004	28.50	11.24	12.00	175.00	11.26	12.00	15.39	11.28	12.01	53.70	11.29	12.01	-	-	272.59
11.19.2005	193.00	11.32	11.26	255.47	11.33	11.26	30.00	11.35	11.27	10.00	11.35	11.27	60.45	11.37	11.28
11.25.2005	37.73	11.32	11.29	30.00	11.34	11.29	7.00	11.40	11.32	15.00	11.37	11.31	10.00	11.41	11.33
11.68.2006	120.00	11.42	11.55	160.00	11.46	11.57	115.00	11.51	11.59	200.00	11.52	11.60	145.00	11.56	11.62
11.75.2006	105.00	11.42	11.58	90.00	11.47	11.61	105.00	11.51	11.63	75.00	11.54	11.64	8.29	11.54	11.64
11.50.2007	-	-	-	5.00	11.57	11.55	-	-	-	-	-	-	10.00	11.63	11.59
11.90.2007	734.50	11.55	11.70	985.78	11.59	11.72	808.00	11.65	11.76	2446.63	11.71	11.79	60.00	11.71	11.79
12.50.2007	15.00	11.54	11.93	25.00	11.61	11.97	10.00	11.67	12.01	35.00	11.69	12.02	-	-	85.00
13.05.2007	113.25	11.57	12.15	180.00	11.61	12.17	42.00	11.67	12.21	90.00	11.72	12.24	75.08	11.74	12.25
11.50.2008	-	-	-	-	-	-	-	-	-	-	-	-	5.25	11.70	11.63
12.00.2008	45.02	11.65	11.78	-	-	-	-	-	-	5.16	11.80	11.88	0.10	11.63	11.76
12.25.2008	81.10	11.67	11.88	115.10	11.68	11.88	-	-	-	-	-	-	-	-	196.20
11.50.2009	8.20	11.65	11.60	32.30	11.69	11.63	45.00	11.69	11.63	-	-	-	-	-	85.50
11.99.2009	311.09	11.71	11.81	483.68	11.73	11.82	200.00	11.74	11.85	85.50	11.82	11.88	95.83	11.82	11.88
11.50.2010	-	-	-	30.00	11.78	11.70	-	-	-	-	-	-	0.35	12.09	11.93
12.29.2010	110.00	11.82	11.96	111.00	11.85	11.98	228.35	11.88	12.00	45.00	11.90	12.01	140.00	11.92	12.03
12.00.2011	3.65	11.90	11.93	-	-	-	5.25	11.99	12.00	10.00	12.03	12.03	20.25	12.05	12.04
12.32.2011	410.00	11.93	12.03	1274.25	11.97	12.06	478.70	11.96	12.06	84.85	12.09	12.15	124.71	12.02	12.10
12.40.2013	299.40	12.10	12.16	879.14	12.11	12.17	355.07	12.13	12.19	57.62	12.16	12.21	177.91	12.17	12.22
12.30.2016	-	-	-	-	-	-	5.00	12.26	12.26	16.50	12.29	12.29	-	-	21.50
12.60.2018	82.40	12.33	12.36	106.41	12.37	12.40	137.45	12.39	12.41	151.70	12.40	12.43	84.31	12.41	12.44
Sub-total	4734.95	11.37	11.72	8027.48	11.41	11.76	4532.81	11.40	11.75	5633.96	11.42	11.72	1977.82	11.40	11.79
<b>C Zero Coupon Bonds</b>															
2000	-	-	-	47.20	10.27	7.26	10.00	10.28	7.24	57.20	10.32	7.25	5.00	10.41	7.27
2000(II)	11.00	10.17	7.75	10.00	10.21	7.77	60.00	10.24	7.79	45.00	10.35	7.81	-	-	126.00
2000(III)	120.00	10.19	7.73	317.42	10.22	7.75	308.47	10.24	7.76	397.00	10.33	7.78	143.00	10.44	7.81
Sub-total	131.00	10.19	7.73	374.62	10.23	7.68	378.47	10.24	7.75	499.20	10.33	7.72	148.00	10.44	7.79
<b>D RBI's Open Market Operation</b>															
(A+B+C+D)*	5549.95	11.30	11.64	9771.65	11.32	11.62	5403.59	11.29	11.47	6731.97	11.32	11.44	2586.04	11.31	11.59
<b>3 REPO</b>															
364-Day Bills	-	30.00	-	-	-	-	-	-	-	-	25.00	-	-	-	55.00
Govt Securities	205.00	-	-	464.00	-	-	330.00	-	-	373.00	-	-	-	-	1372.00
Sub-total	235.00	-	-	464.00	-	-	330.00	-	-	398.00	-	-	0.00	-	1427.00
<b>4 State Govt Securities</b>	18.12	11.88	12.18	74.77	12.02	12.09	8.36	11.90	15.15	12.07	12.13	59.02	12.05	12.12	175.42
Grand total (1 to 4)	6132.14			10717.67			6051.34			7488.97			2857.10		33247.23

(-) means no trading YTM = Yield to maturity in percentage per annum CY = Current yield in per cent per annum \* Yield rates of these sub-groups of t-bills and dated securities have been used for the graphs

Securities with small-size transactions and inflation linked bonds have been dropped from the above list but included in the respective totals

Notes: 1) Yields are weighted yields, weighted by the amounts of each transaction.

2) Current yield has not been worked out for treasury bills

Road Transport Corporation (Rs 150 crore), MTNL (Rs 978 crore), Bank of Maharashtra (Rs 170 crore), and Reliance Industries. In all about Rs 2,500 crore are sought to be raised through 6-month to 7-year tenure bonds with coupon rates ranging from 10.5 per cent to 13.15 per cent.

There was meanwhile a good demand for Indian debt by overseas investors. This was evident in the response to the \$ 100 million 7-year floating rate notes issued by Power Finance Corporation at end-June. The paper offered 145 basis points over LIBOR or 150 basis points spread at which the previous debt was issued.

### Securitisation

Taking note of the growing market for securitisation, the Reserve Bank has set up an internal group to look at this product. The group is to prepare a status paper on securitisation and suggest further course of action to the Reserve Bank. The main issues involved in the development of securitisation relate to legal changes. Despite the legal hurdles there is a growing market of roughly Rs 10,000 crore of securitised credit as on date.

## IV Secondary Market

There has been a quantum jump in the secondary market transactions in both government and commercial papers. As per NSE data, the daily turnover in government securities shot up from Rs 648 crore

in June to Rs 1,076 crore in July and that in all non-government securities from Rs 28 crore to Rs 55 crore (Table 9).

### Gilt-edged Paper

The government securities market witnessed renewed buoyancy, with three phases seen in July: an early buoyant phase on reports of Pakistani withdrawal from Kargil followed by stable but firm prices ruling for about a fortnight; again a spurt during the week starting July 19 on rumours of a Bank rate cut along with a cut in CRR, but soon followed by selling pressure on July 24 when expectations were belied. Overall, four weeks ending July 30 saw a dated securities turnover of Rs 58,944 crore compared with Rs 50,230 crore during the four weeks ended June 25. Prices of long-dated securities firmed up considerably. In fact, the prices in the secondary market were capped only by the securities auction results. On rumours of an interest rate cut, the market built up huge positions in the government securities. Interest was predominant in long-dated securities, particularly in securities maturing between 2005 and 2008 and those maturing beyond 2009. Securities maturing between 2005 and 2008 traded to the extent of Rs 2,872 crore in the week ending July 9. After this week, however, the market interest shifted to securities maturing beyond 2009. The weekly trading volume in these securities was Rs 1,454 crore, Rs 2,917 crore and Rs 2,325 crore

in the week ended July 16, 23 and 30, respectively (Appendix Table). As a result of such buoyancy, the prices of securities sharply firmed up and yields witnessed a sharp fall over the month. Interestingly, the fall in the yield rate has been observed in papers of all maturities. For instance, for securities maturing during 2000-01 the minimum of YTM fell from 10.33 per cent to 9.25 per cent, for those maturing during 2004-05 from 11.18 per cent to 11.16 per cent and for those maturing after 2009 from 11.76 per cent to 11.63 per cent. As a result, the yield curve has appeared to be a steeply upward slopping one during the first and second halves of the month (Graphs E and F).

### Repos and OMOs

Given abundant liquidity that buoyed the government securities market yielding higher returns, no applications were received since June 7 in the daily repos conducted by the RBI at a fixed 6 per cent. On the last day of the month, that is, July 31, however, there was a sole application of Rs 12 crore and the next working day, that is, on August 2, Rs 33 crore. The repos once again became dormant after this.

The RBI's OMOs too were considerably less aggressive during July. In four weeks, the RBI conducted OMOs only worth Rs 223 crore, bringing the total OMOs of 1999-2000 so far to Rs 18,620 crore as on July 23; there were OMOs during the week ended July 31. Even the repo transactions outside the RBI were very low in July – only Rs 1,372 crore as against Rs 3,432 crore in June (Table 8).

### Non-bank Entities and Repos

The RBI allowed 35 non-bank entities in the repo market on July 19. Non-banking entities, such as, primary dealers, financial institutions, mutual funds, gilt funds and insurance companies will now be able to borrow from the call money market through repos with other institutions notified by the government. While deepening the repo market, this is also the first step towards moving the non-bank entities out of the overnight call market.

### Bonds

The secondary market showed a renewed interest in PSU bonds, floating rate bonds and CPs (Table 9). Total transactions in taxable bonds shot up from Rs 81 crore (or a weekly average of Rs 20 crore) to Rs 197 crore (a weekly average of Rs 33 crore). Likewise, dealings in floating rate bonds (from Rs 90 crore to Rs 190 crore) and CPs (Rs 308 crore to Rs 616 crore).

[V P Prasanth, Rafiq L Ansari and Dipti Parikh were actively involved in the preparation of this note]

TABLE 9 OPERATIONS OF NATIONAL STOCK EXCHANGE (NSE) DURING JULY 1999 – ACTUAL, TRADED AMOUNT  
(Rupees crore)

Descriptors	Week Ending July					Total during		
	30	23	16	9	2	July	June	May
1 Treasury Bills	196.40	135.16	101.89	87.05	76.07	596.57	993.51	524.50
i) 14-day Bills	-	8.60	-	11.65	2.25	22.50	40.41	3.00
ii) 91-day Bills	20.28	25.36	15.86	6.40	30.05	97.95	108.83	146.50
iii) 182-day Bills	-	20.20	13.03	20.00	28.77	82.01	18.77	-
iv) 364-day Bills	176.12	81.00	73.00	49.00	15.00	394.12	825.50	375.00
2 Dated Securities	7105.07	7083.69	4535.32	4123.82	2381.07	25228.97	14551.12	19238.25
A GOI Securities	7099.06	7040.56	4526.93	4071.00	2366.92	25104.46	14409.63	18607.54
i) Converted	867.56	1097.16	492.93	431.00	407.92	3296.56	1634.13	2512.54
ii) Regular	6043.00	5681.00	3727.00	3275.00	1809.00	20535.00	12080.00	15398.00
iii) Zero Coupon	188.50	262.20	306.00	365.00	150.00	1271.70	520.00	555.00
iv) Cap Indexed Bonds	-	0.20	-	-	-	0.20	0.00	11.00
v) GCB	-	-	1.00	-	-	1.00	2.50	-
vi) Repo	-	-	-	-	-	0.00	173.00	131.00
B State Govts. Stocks	6.02	43.13	8.39	52.82	14.15	124.51	141.50	630.71
3 PSU Bonds	17.92	32.95	45.73	56.05	44.68	197.33	90.45	87.15
i) Tax free	-	1.00	25.92	1.25	2.35	30.52	9.66	25.70
ii) Taxable	17.92	31.95	19.81	54.80	42.33	166.81	80.79	61.45
4 Commercial Papers	197.00	180.00	65.00	135.00	39.00	616.00	308.00	288.00
5 Certificates of Deposits	20.00	-	-	-	-	20.00	35.00	20.00
6 Debentures	0.39	2.09	46.55	5.18	8.00	52.21	45.50	67.18
7 Floating Rate Bonds	35.00	75.00	10.00	50.00	20.00	190.00	90.00	75.00
8 Others *	10.00	30.00	36.00	101.36	58.38	235.74	97.00	262.99
Grand Total (volume)	7581.78	7538.89	4830.50	4558.46	2627.20	27136.83	16210.58	20561.07
Average per day working								
a Government Paper (1+2)	1216.91	1203.14	772.87	701.81	409.52	1076.06	647.69	823.45
b Others (3+4+5+6+7+8)	46.72	53.34	32.21	57.93	28.34	54.64	27.75	33.35

- No trading - GCB Government Compensation Bonds. \* includes Non-SLR Institutional Bonds, SLR Institutional Bonds, Bank Bonds, Promissory Notes, Units of UTI, Company Notes and Zero Coupon PSU Bonds and others.

# Agriculture and Economic Reforms

R Thamarajakshi

*It is time that efficiency considerations prevail in public spending in agriculture and market signals are allowed to come into full play so that changes in agricultural investment and production are demand-driven in response to domestic and international prices. Government should focus on productive investment, technology and research, marketing and storage and agro-processing facilities and provision of food safety-nets for the vulnerable poor and development of a diversified agriculture in line with emerging demand patterns.*

It is generally recognised that the ongoing economic reforms have not directly involved the agricultural sector. There has, however, been emphasised on increasing exports of agriculture-based products, on futures trading for certain agricultural commodities and on development of agro-processing and cold storage facilities. There are also indications of corporate interest in some subsectors of agriculture. But a comprehensive agenda for reforms in agriculture has yet to emerge. Obviously, the content of such an agenda would be one of making farming and allied activities competitive, guided by market forces. Clearly this cannot be on par with industrial reforms, as questions of management of food policy and food security, constraints and inflexibilities in regard to changes in cropping pattern and input subsidies, e.g. on fertiliser, power and irrigation, are involved. Perhaps that is why reform policy has, for the present, not been able to go beyond agricultural export promotion. In the meanwhile, given the linkages of agriculture with the rest of the economy and continued dependence of two-thirds of the labour force on agriculture, economic reforms in the organised sector accounting for only about 10 per cent of the workforce and 40 per cent of domestic product have implications for relative investment, productivity and incomes in the agricultural sector as also in the non-agricultural, informal sector. In what follows, it is proposed to outline these developments in agriculture during the reform period.

**Investments in agriculture:** With the emergence of emphasis on a market-based system, the share of overall public investment in total investment in the economy has been declining even from the early eighties (a period which was a curtain-raiser for industrial reforms partly by choice

and partly on advice from international lending institutions) when industrial reforms were launched in the first instance; the share of public investment in all sectors taken together declined from 47.8 per cent during 1980-85 (Sixth Plan) to 34.3 per cent during 1992-97 (Eighth Plan). Further the share of public investment has also fallen short of planned investment. Apart from the fact only 8 per cent of total public investment had gone to agriculture during 1992-97, the shortfall in actual investment in this sector compared to planned level was around 40 per cent. Significantly, in this period, actual public investment in the tertiary sector exceeded the planned level (Table 1).

A comparison of sectoral growth of gross capital formation (GCF) at constant (1980-81) prices in the pre-reform period (1985-91) and reform period (1991-97) throws up important aspects with reference to agriculture. Real GCF in agriculture has been around 10 per cent only with 90 per cent going to the non-agricultural sectors. As against an increase of 46 per cent in overall GCF in the reform period over the pre-reform period, that in agriculture was less at 36 per cent (Table 2).

Since agriculture is basically a private activity, public investment has a critical role to play in creating the infrastructure in terms of irrigation, roads, markets, storage facilities, electrification and technology development, besides education and health. Not only is there a need for sizeable public investment, but also it should have a definite content and focus as above. In this context, GCF in the public sector in agriculture both in absolute and relative terms has been rather low whether in the pre-reform or reform period, besides recording a decline in the latter period; real GCF in agriculture in the public sector

declined by 14.3 per cent compared to an increase of 13.3 per cent in total public sector GCF. While GCF in private sector rose in agriculture, the rise was lower (58 per cent) than that in non-agriculture (74 per cent) apart from the fact that the absolute size of private sector GCF in agriculture, although much higher than public sector GCF in agriculture, was comparably quite low in relation to the size of private sector GCF in non-agriculture (Table 3).

During 1993-98, while around 6 per cent of public sector GCF was in agriculture, the corresponding figure for the private sector was about 9 per cent, the decline in the case of private sector

TABLE 1: PLANNED AND ACTUAL SECTORAL PUBLIC INVESTMENT 1992-97  
(Rs '000 crore at 1996-97 prices)

Sector	Planned	Actual	Per Cent of Planned
Agriculture	64.9	38.3	59
Secondary	244.9	219.0	89
Tertiary	190.2	203.0	107
Total	500.0	460.3	92

Source: GOI, Planning Commission, Ninth Five-Year Plan.

TABLE 2: GROSS CAPITAL FORMATION  
(Average for each period at constant (1980-81) prices, Rs crore)

	Agriculture	Secondary	Tertiary	Total
1985-91	4342 (10.2)	20970 (49.4)	17150 (40.4)	42462 (100.0)
1991-97	5891 (9.5)	31384 (50.5)	24831 (40.0)	62106 (100.0)

Note: Figures in brackets are percentages to total.  
Source: Central Statistical Organisation (CSO).

TABLE 3: GROSS CAPITAL FORMATION IN PUBLIC AND PRIVATE SECTORS  
(Average for each period at constant (1980-81) prices, Rs crore)

	Agriculture	Non-Agriculture	Total
<b>Public Sector</b>			
1985-91	11347 (6.9)	18229 (93.1)	19576 (100.0)
1991-97	1155 (5.2)	21020 (94.8)	22175 (100.0)
<b>Private Sector</b>			
1985-91	2995 (13.1)	19891 (86.9)	22886 (100.0)
1991-97	4736 (11.9)	35195 (88.1)	39931 (100.0)

Note: Figures in brackets are percentages to total.

Source: CSO. The revised series of GCF at 93-94 prices recently released by the CSO also confirm the aforesaid trends

GCF through the period of reform being more conspicuous (Table 4).

**Irrigation:** Among the determinants of growth in agriculture, investment in

TABLE 4 GROSS CAPITAL FORMATION IN AGRICULTURE (Percentage to total GCF, at 1993-94 prices)

Year	Public Sector	Private Sector	Total
1993-94	6.3	10.7	8.9
1994-95	6.1	10.1	8.9
1995-96	6.4	8.9	8.6
1996-97	6.0	9.4	8.1
1997-98	5.6	8.9	8.3

Note. Percentage in each column is that to total GCF in the respective sectors.

Source: CSO

TABLE 5 INVESTMENT IN IRRIGATION (At constant 1996-97 prices, Rs crore)

Period	Major and Medium	Minor	CAD	Total
1985-92	29332.8	16308.2	3684.9	49325.9
1992-97	31057.6	17302.5	3162.9	51523.0

Source: Planning Commission, Ninth Five Year Plan

TABLE 6 PROGRESS OF IRRIGATION (Million hectares)

	1985-86	1990-91	1991-92	1996-97
Irrigated area*	62.4	70.8	72.8	80.7
Major and Medium	25.8	26.0	26.3	28.4
Minor**	36.5	44.8	46.5	52.3

Notes: Cumulative level at the end of the year.

\*\* Figures indicate the net benefit after allowing for seepage.

Source: Economic Survey, various issues

TABLE 7. PER WORKER VALUE ADDED (Rs at constant 1993-94 prices)

	1987-88	1993-94	1998-99
Agriculture	8404	10435	12179
		(4.0)	(3.3)
Secondary	29519	38684	53276
		(5.2)	(7.5)
Tertiary	34719	46724	66074
		(5.8)	(8.3)
All	17022	22160	29353
		(5.0)	(6.5)

Notes: (i) Gross value added at 1993-94 prices derived for 1987-88 on comparable basis

(ii) Workforce pertains to 15+age groups

(iii) Figures in brackets refer to average annual growth rates over the preceding period.

Sources: (i) CSO, Revised estimates of National Accounts at 1993-94 prices and earlier issues of National Accounts.

(ii) NSSO, Employment-Unemployment Survey: 50th round (1993-94) and 53rd round (1997) Assumed 1997 WFRs obtain for 1998-99

irrigation is crucial. Investment in major, medium and minor irrigation and CAD in the reform period stood at Rs 51.5 thousand crore which was slightly (4 per cent) higher than that in the pre-reform period, with more than two-thirds of total investment in irrigation going to major and medium irrigation and CAD in both periods. Plan spending on irrigation has declined from 10 per cent in the Sixth Plan to 7.6 per cent in the Seventh Plan and to 6.4 per cent in the Eighth Plan (Table 5).

During the reform period, area under major and medium irrigation increased by 2.1 million hectares compared to near constancy in the pre-reform period. However, area under minor irrigation in the former period rose by 5.8 million hectares compared to 8.3 million hectares in the latter period (Table 6).

**Production and value added:** There was no acceleration in the growth of agriculture despite the fact that the per cent of value of modern inputs (fertilisers, pesticides, electricity and diesel oil) at constant 80-81 prices to the value of gross agricultural output marginally increased from an average 11 per cent during 1985-91 to 13 per cent during 1991-96 and, more particularly, the per hectare consumption of fertilisers rose perceptibly from 56.7 kgs to 70.6 kgs in the periods under comparison. In fact, the compound growth rate of foodgrains production dropped to 1.66 per cent per annum during 1990-98 from the peak level of 3.54 per cent per annum during 1980-90 and the average growth rate of gross value of output of agriculture at 1980-81 prices in the reform period was lower at 3.1 per cent per annum than that during the earlier period at 4.3 per cent. A similar pattern as in the growth of gross value of agricultural output has occurred in gross value added. The average growth rate of GDP from agriculture during 1993-99 was less than that during 1987-94. Besides, the average growth rate of GDP from agriculture during 1987-99 as well as 1993-99 was lower than that of GDP from the non-agricultural sectors. Since the sectoral distribution of workforce has remained almost constant in these periods, the differentials in inter-sectoral growth have led to considerably lower levels of per worker value added in agriculture vis-a-vis the non-agricultural sectors. The average annual growth rate of per worker value added in agriculture during 1993-99 was less than that during 1987-94, whereas the corresponding growth rates in secondary and tertiary sectors in the recent period were higher than the respective

rates in the earlier period. In both periods, the growth rate in the case of the agricultural worker was less than that of his counterparts in non-agriculture (Table 7).

During 1987-99, the share of agriculture in real GDP declined from 31.6 per cent to 26.8 per cent while that in workforce remained at 64 to 65 per cent. Consequently per worker value added in agriculture which was 28 and 24 per cent of that in the secondary and tertiary sectors in 1987-88 declined to 27 and 22 per cent respectively in 1993-94. The relative per worker value added in agriculture vis-a-vis the non-agricultural sectors became more adverse in 1998-99 with the former coming down to 23 and 18 per cent respectively of the respective per worker value added in the secondary and tertiary sectors. This is notwithstanding the improvement in agriculture's barter terms of trade during the nineties; also in foodgrains terms of trade particularly after 1993-94. The improvement in foodgrains terms of trade along with the observed deterioration in relative per worker value added in agriculture would impact on the poorer sections of the agricultural population who are net purchasers of foodgrains (Table 8).

**Real Wages of Agricultural Labourers and Poverty:** There has also been an increase in the proportion of casual labour mainly at the cost of the self-employed; of the workforce, about 34 per cent of rural males and 46 per cent of rural females are casual workers. While this has been accompanied by a rise in real wage earnings, this is a continuation of the uptrend that started in the eighties, and the rise in the six-year period of 1987-94 was only

TABLE 8. SECTORAL SHARE OF GDP AND WORKFORCE AND INDEX OF VALUE ADDED PER WORKER

	1987-88	1993-94	1998-99
Primary sector			
GDP	31.6	30.3	26.8
Workforce	64.1	64.4	64.7
Value added	100.0	100.0	100.0
Secondary sector			
GDP	28.2	25.8	26.5
Workforce	16.2	14.8	14.6
Value added	351.2	370.7	437.4
Tertiary sector			
GDP	40.2	43.9	46.7
Workforce	19.7	20.8	20.7
Value added	413.1	447.8	542.5

Notes: (i) GDP and workforce in different sectors are percentages respectively of total GDP at 1993-94 prices and total workforce.

(ii) Workforce pertains to 15+age groups.

(iii) Value added is index of per worker value added at 1993-94 prices.

5.9 per cent. Besides, the absolute levels of rural wages in 1993-94 were lower than the minimum levels to assure a reasonable level of living, let alone a reasonable level of social security for the agricultural labourers.<sup>1</sup> Further it may be that but for the improvement of foodgrains terms of trade in the nineties, real wage increases would have been higher. A slackening in the rate of annual growth of real wages from 4.8 per cent in the eighties to 2.4 per cent in the nineties so far has also been noticed.<sup>2</sup> Although there is an estimated decline in poverty ratios, the percentage decline in rural sector has been less at 4.6 per cent, compared to 15.2 per cent for urban sector in the recent period, 1987-94. This is despite the disbursements in this period of a total sum of Rs 14,000 crore (at 1981-82 prices) for rural poverty alleviation programmes. There is also a view<sup>3</sup> that there is no strong evidence of a decline in the incidence of rural poverty since 1993-94.

**Suggestions:** The above discussion points to the urgent need for implementing a reform agenda for agriculture comprising enlarged productive investment by public sector in infrastructure for agriculture and a market-based pricing system for agricultural products and inputs. It is true that the declining trend in public investment in agriculture and the relatively small share of agriculture in public as well as private investment were observed even in the eighties and these continued in the nineties also. Similarly, the increase in private sector investment in agriculture is notice even during 1985-90, prior to reform period and this trend continued into the nineties.

In regard to exports, according to a reported CII study, there has been no structural shift in India's export basket in the post-liberalisation period. The latest *Economic Survey* has observed that the share of agriculture has been more variable than that of manufactured exports, declining during 1991/92-1994/95, rising in the subsequent two years and dropping again since 1997-98. Given the significance of agriculture for the provision of productive employment and social safety nets in the context of industrial restructuring, and also for growth of agro-based exports, steps should have been taken alongside industrial reforms to reverse the declining trend in public investment and to raise the levels of productive investment in agriculture. This has obviously not happened.

As of now, enormous sums of irrigation, power, fertiliser and food subsidies

dominate public spending on agriculture. Food and fertiliser subsidies alone account for Rs 20,000 crore, leaving little scope for essential productive investment by the public sector in physical and social infrastructure. Immediate steps to downsize these subsidies and rationalise the pricing of inputs are required. At present, there are inflexibilities in the pricing of both agricultural outputs and inputs. With the obliteration of the distinction between procurement and support prices for quite some years now, support operations for cereals are undertaken at the higher levels of procurement prices which are also annually increased. But whereas the eighties saw the revision of central issue prices almost annually, this has not been the case in the nineties. Partly due to this and partly due to the restraint on prices of manufactured goods following liberalisation policies, the domestic barter terms of trade and specially foodgrains terms of trade have moved in favour of agriculture during the reform period. Clearly, such improvements benefit those who have marketable surpluses to offer, and cause hardship to the rural poor who purchase their foodgrains from the market. As a matter of fact, notwithstanding this improvement in relative prices, there has been a deceleration in the growth of agricultural production and foodgrain production in particular. Also, relative

value added from agriculture on a per worker basis vis-a-vis non-agriculture has worsened in the reform period. Despite large food subsidy and massive expenditures on anti-poverty programmes, rural poverty has not significantly declined. It is time that efficiency considerations prevail in public spending in agriculture and market signals are allowed to come into full play so that changes in agricultural investment and production are demand-driven in response to domestic and international prices. The role of government is to focus on productive investments, technology and research, marketing and storage and agro-processing facilities and provision of food safety nets for the vulnerable poor, and development of a diversified agriculture in line with emerging demand patterns.

### Notes

- 1 Planning Commission, *Ninth Plan* and Ruddar Dutt, 'Labour and Employment in the Ninth Plan', paper presented at the National Seminar on Ninth-Five Year Plan, 'Challenges and Strategies', Indian Economic Association Trust for Research and Development, New Delhi, April 1999.
- 2 'Towards Rural Development and Poverty Reduction', paper presented at the NCAER-IEG-World Bank Conference on Reforms in the Agricultural Sector for Growth Efficiency, Equity and Sustainability, New Delhi, April 15-16, 1999.
- 3 Ibid.

## Special Issue

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# The Fallacy of 'Augmentation'

## Demands on Ganga Waters

Ramaswamy R Iyer

*India and Bangladesh argue that their lean season requirements are greater than the Ganges flow. Both agree that 'augmentation' is the solution. But true augmentation can only come from efficient use of water and tapping other sources of water. In the case of a natural resource such as water, requirements are to be brought down to the level of availability of river flows, not the other way around.*

IN the Indo-Bangladesh talks over the last two decades and more regarding the sharing of the waters of the Ganga at Farakka, a persistent theme has been 'augmentation'. As early as 1974, it was agreed in the 'joint declaration of the prime ministers of India and Bangladesh' that there was not enough water in the Ganga in the lean season to meet the combined needs of the two countries and that those flows would need to be augmented. The 1977 agreement between the two countries was both a five-year water-sharing agreement and an agreement to work out an acceptable proposal for augmenting the lean season flows. 'Sharing' and 'augmentation' were two equally important and linked components of that agreement, as also of the 1982 and 1985 memoranda of understanding. It was only the 1996 treaty that for the first time refrained from linking the two ideas: it was essentially a water-sharing treaty. Nevertheless, that treaty too contained a reference to augmentation in the Preamble as well as in Article VIII, which stated that "the two governments recognise the need to co-operate with each other in finding a solution to the long-term problem of augmenting the flows of the Ganga/Ganges during the dry season".

Thus 'augmentation' is an old and accepted idea. There was a divergence between India and Bangladesh on how the augmentation was to be achieved. The Indian view was that Ganga was water-short and needed to be augmented by a diversion of waters from the Brahmaputra which had a large surplus. Bangladesh argued for an augmentation within the Ganga system by storing a part of the seasonal high flows behind seven large dams in Nepal. Each side had serious reservations on the other's proposal. This divergence was one of the reasons for the prolonged impasse between the two countries over the Ganga waters issue; even-

tually, it was only by putting the augmentation question aside that a sharing treaty could be concluded. It is not necessary to go into that old controversy here. What needs to be noted is that both sides are in complete agreement on the need for an augmentation of the lean season flows of the Ganga. Now that 'sharing' has been settled, talks over 'augmentation' are likely to be resumed.

The case for augmentation can be broken down into two propositions: (i) that there is a shortage of water in the Ganga; and (ii) that this should be made good by an addition of water to the Ganga from somewhere. Both those propositions need to be looked at closely, but first the very notion of 'augmentation' (which has become so familiar that we tend to take it for granted) has to be examined.

'Augmentation' implies an addition to the available water. But can we really add to the quantum of water in the Ganga by building storages upstream? The answer is clearly 'no'. We cannot increase what is available in nature. What we can do is to hold back a part of the high flows behind a dam and release it during the lean season. In other words, 'augmentation' means no more than a modification of the seasonality of the flows. This can be thought of not only in the case of the Ganga but in the case of other seasonal rivers as well. Should we then undertake the modification of the seasonality of all seasonal rivers? Such a proposition is not likely to be seriously argued. There is no such thing as an augmentation project: no project is ever proposed merely for that purpose. If dams are to be built at all, they will have to be built for other purposes, such as irrigation, power generation, flood moderation, and so on. The 'augmentation', if any, of lean season downstream flows can only be an incidental and secondary consequence of a project built for other purposes.

Further, while 'augmentation' (of downstream lean season flows) is problematic because it is bound to be subordinated to the primary objectives of the project in question, a reduction of downstream flows in the major part of the year is a certainty. All dams stop flowing waters for the purpose of storing, diverting and using them, and must therefore necessarily reduce downstream flows. This usually figures as a prominent element in the enumeration of the adverse impacts of damming a river. A reduction of downstream flows could have several consequences: it could affect the river regime, cause serious problems to aquatic life and riverside communities, hamper economic activities such as fishing, the plying of boats, agriculture, etc, impair the self-regenerating capacity of the river and affect water quality, diminish groundwater recharge, adversely affect estuarine conditions, lead to the increased incursion of salinity from the sea, and so on. One of the issues in the Narmada controversy is the impact of the dam on downstream areas. In the Cauvery dispute, the complaint of Tamil Nadu is that the flows into that state have been reduced by the building of storages by Karnataka. Lower riparians can be normally expected to object to the building of dams upstream. It is therefore rather strange that Bangladesh is actually asking for dams to be built in Nepal! If Farakka had not come into existence and the question of 'sharing' and 'augmentation' had not arisen, Bangladesh would probably have strenuously objected to any dam-building proposals in India or in Nepal on the ground of adverse impacts. The short point is that 'augmentation' and 'reduction of flows' are the obverse and reverse of the same coin, and that we cannot have the one without the other.

A diversion of waters from the Brahmaputra could of course mean an addition to the flows of the Ganga. Bangladesh is not convinced that there is in fact a surplus in the Brahmaputra for diversion; leaving that aside, we must note that such a diversion project would have its own environmental, social and human consequences. The Indian proposal (of the 1970s) of a Brahmaputra-Ganga link canal running through Bangladesh was objected to by Bangladesh on many grounds, at least some of which were valid. That proposal is not being seriously pursued now, and in any case, it is very unlikely that Bangladesh will ever accept it. The alternative of a link canal running entirely



through Indian territory seems unlikely to be a viable proposition. Such long-distance water-transfers are highly problematic and extremely difficult to justify. Insofar as India wishes to utilise the waters of the Brahmaputra, it will have to explore more modest possibilities within the north-east and the immediate neighbourhood (perhaps including limited transfers between adjoining rivers within the Brahmaputra system) rather than think in terms of a large transfer westwards.

'Augmentation', then, is a very dubious proposition. Let us now return to the question of the need for it, as perceived by the two governments from the 1970s onwards. Taking the 'shortage' argument first, the perceived inadequacy of Ganga waters is based on the fact that while the lowest '75 per cent dependable' flow in the river in the leanest part of the lean season was determined as 55,000 cusecs, each of the two countries projected its own need for Ganga waters as equal to or exceeding that quantum. However, how reliable are those estimates of demand? Apart from the fact that each country tended to overstate its claim because of the existence of a dispute, it must also be noted that the projections were based on the prevailing patterns of water use. If a careful estimate were made in either country with due regard to economy and efficiency in the use of this precious natural resource, we may well find that the two countries can manage with much less water than they think they need. The 'shortage' in the Ganga may turn out to be a myth based on the present wasteful and profligate use of water. In terms of water endowment, the areas that we are concerned with here are not among the most water-stressed in the world; there are countries (in west Asia, for instance) which have much less water and have learnt to use that water very carefully. From their point of view, our complaints about a shortage of water in the Ganga may sound strange and incomprehensible.

As for the second part of the proposition, assuming that after a careful examination the combined needs of the two countries are in fact found to exceed the lean season flows in the Ganga, does it follow that those flows should be 'augmented', i.e. that more water should be added to the Ganga from somewhere, whether from within the Ganga system or from another river, for being taken out and shared? That is a very odd idea, the strangeness of which has been blunted by repeated iteration. It is necessary to get away from

familiar and accustomed grooves of thinking and take a fresh look at this matter.

Where a river runs through more than one country, the countries concerned must reach an agreement on the sharing of the waters of that river. Such an understanding has in fact been reached in relation to the Ganga, and embodied in the 1996 treaty. There is nothing more to be done insofar as the Ganga is concerned, except to resolve such practical difficulties as arise in the actual operation of the treaty. If indeed there is not enough water in the Ganga, then the two countries should look to other sources. There is no reason why they should think in terms of putting more water into the Ganga ('augmenting' its flows) for the purpose of being taken out and shared, as if all water must necessarily come only from the Ganga.

What the two countries must do is to take a look at the totality of their water needs and the totality of water availability in all forms (other rivers, surface water bodies, groundwater, deep aquifers, soil moisture, wetlands, and of course rainfall), and make careful plans for proper resource management on a holistic and integrated basis. (Incidentally, local water conservation through water harvesting and

watershed development would in fact constitute true 'augmentation'.)

The recommendation that emerges from the foregoing analysis is that the two countries should stop talking about the 'augmentation' of the lean season flows of the Ganga, and instead, think in terms of good water-resource management. Such efforts will be essentially internal to each country, but there can be a sharing of experience between countries, and co-operation in areas close to one another.

It is conceivable that one or more of the projects in Nepal (Karnali, Pancheswar, Sapta Kosi) that have been talked about may survive the most stringent scrutiny from all angles (including that of downstream impacts), prevail over all opposition, obtain the necessary finances, and actually get constructed; and that it (or they) may in fact result in increased lean season flows at Farakka as a secondary consequence. One is profoundly sceptical regarding this possibility, but if it happens, the increased flows will of course be available for being shared by the two countries under the Ganga treaty. This article is questioning not such a contingent (but remote) possibility but the soundness of 'augmentation' as an idea and an objective.

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# End of the Congress: New Turn in Bengal Politics

Poromesh Acharya

*The 1999 parliamentary election may well prove to be a turning point in West Bengal politics. The Congress and the CPI(M), it has been alleged, have come to a tacit understanding. True or not, it is a fact that the Congress is in no way a threat to the CPI(M). Mamata Banerjee is now the real enemy. At the same time, Mamata Banerjee's emergence as the principal opposition force is also an ominous sign.*

BENGAL politics is likely to take a new turn after the 1999 parliamentary election. A long innings of Bengal Congress is going to be over. New teams are awaiting for their turn. Never before was Bengal Congress in such a pitiable condition as is now. There are no doubt many reasons for this decline of Bengal Congress. But the process had set in long before. The most important reason, however, may be the absence of any political ideology required for maintaining the real unity of a political party. In the absence of any ideological position, power may act as some kind of adhesive. But erosion sets in when not in power for long. And that has happened to Bengal Congress. Bengal Congress had no ideological position in near past but the hangover of being in power for nearly 30 years after independence allowed the party to nurse the illusion of regaining it. Twenty-three years of Left Front rule shattered the illusion of regaining the power. And that was too much for an outfit of assorted political manoeuvrers.

The party struggled for survival with only the negative slogan of CPI(M) misrule and corruption. However true the charge, it did not carry much weight as the credibility of the people who had put it forward was much in doubt. It was widely believed that many Congress leaders had acquired considerable property by dubious means and often with the connivance of or patronage from CPI(M) functionaries. Obviously, the issue raised by the Congress lost much of its edge. In fact, the CPI(M)-led Left Front could survive in power so long because the people of Bengal did not like to accept the Congress as the alternative. The carrot and stick policy of the Left Front yielded results. The negative slogan of Congress did not click, but CPI(M) survived in power on the strength of negative votes.

The real decline of Bengal Congress started during the rule or misrule of

Siddhartha Sankar Ray. The general belief is that the massive rigging through which he came to power was an insult to Bengal's pride. The notorious regime was marked by police killings of about a thousand naxal youths and more than a hundred CPI(M) cadres. The heinous crimes committed by Ray's police during 1970-71 were a blot on the political history of Bengal. Bengalis never could forget that. Besides, the new generation of leaders who came up during this period ultimately proved to be a burden for the party. These self-seeking band of leaders without any exposure to the traditional Congress movement in no time pulled apart the party into centres of personal fiefdom with notorious elements loyal only to individual leaders. The process of disintegration that commenced under Ray's leadership is now nearing completion. The firebrand Mamata Banerjee played a major role in accelerating the process.

It may be true that there is a long tradition of inner-party feud and personal bickering among leaders of Bengal Congress. It is also true that inner-party feuds on occasions led to the formation of separate provincial committees. Instances are there also of launching of separate political outfits. The leadership struggle among Subhas Chandra Bose, Jatindranath Sengupta and Birendranath Sasmal after the demise of Chittaranjan Das may be mentioned as an example. It was not just fair competition for leadership among rivals. It went far beyond that. The leadership struggle between Saratchandra Bose and others of Bengal Congress in the forties was not clean. Neither was the ouster of the Gandhian leader Prafulla Ghosh from the premiership of Bengal after independence by the Bidhan Chandra Roy and Kiransankar Roy group with the help of another Gandhian leader, Prafulla Chandra Sen, and Atulya Ghosh be said to have been fair. But all these did not pose any

threat to the existence of the Congress in Bengal. The most severe blow before Mamata's punch had come perhaps from Ajoy Kumar Mukherjee in the late sixties, when after quitting the Congress he formed the Bangla Congress and paved the way for the United Front with the CPI(M) to come to power after defeating the Bengal Congress for the first time after independence. Even this could not finish the Congress. It survived, though with depleted strength. The Congress vote bank absorbed the shock and remained more or less constant till 1996.

It may be noted that though the Congress could not come back to power, the percentage of non-Left votes did not decline over the years in any significant way. In the 1984 parliamentary election, the Congress and its allies and the Left Front received almost equal votes. The Congress and its allies got 48.2 per cent of the total valid votes cast and the Left-Front 48.4 per cent, though the Congress won only 16 parliamentary seats. After the 1977 election this was the peak reached by the Congress. However, it continued to get around 40 per cent of the valid votes in subsequent elections as well, except in 1991 when it got 36.92 per cent. The total non-Left votes did not decline in any appreciable way after 1984. In the 1991 election the BJP took away 11.65 per cent of the non-Left vote. In the 1996 parliamentary election the Left Front got 49.08 per cent of the valid votes while the Congress got 40.09 per cent and the BJP 6.88 per cent. The voting disparity between the Left Front and the Congress may not have been very significant in terms of their respective popularity. The difference may have been due to the better organisational ability of CPI(M) and also the advantage it had of being in power. It is evident that till 1996 the Congress was a force to reckon with.

A perceptible change in the pattern of voting was noticed in the 1998 parliamentary election, after the birth of the Trinamul Congress (TMC) of Mamata Banerjee and the emergence of a new alliance between the TMC and BJP in West Bengal. There was a sharp decline in the Congress vote. However, the Left Front did not benefit from this decline of the Congress vote. Out of 42 parliamentary seats, the Congress could manage to win only one seat in Maldah. More significant is the fact that the BJP opened its account winning a seat for the first time, that too defeating a sitting CPI(M) member of parliament from the red bastion of Dum Dum. In terms of votes as well there was a significant change. The Congress vote

was reduced to a low 16.45 per cent while the TMC-BJP alliance got 34.62 per cent. Together they got 51.07 per cent, which shows a slim but sure non-Left majority. The Left Front received 46.83 per cent and the CPI(M) alone 35.41 per cent. The Left Front, however, was able to retain the same number of seats as in the previous election with a marginally reduced vote. The percentage of votes for BJP went up to 10.19 per cent, while the TMC got 24.43 per cent of the valid vote. It is unlikely that the Congress will ever be able to reverse the erosion in its vote bank. Not being in power for so many years and without any hope for regaining it, the Congress is destined to be in the doldrums.

The fall of Bengal Congress cannot be explained properly without an understanding of the rise of the TMC in the existing scenario of Bengal politics. If corruption, nepotism, maladministration and deterioration of the service sector were factors influencing the voters, neither the Congress nor the Left Front should have won any election. But the voters had no choice. Bengal Congress, a leaderless and rudderless party with a condemned past, cannot be an alternative to the Left Front which is organisationally far superior and is led by a power-loving but seasoned leadership capable of maintaining a 'bhadralok' appearance. The Congress took nearly 30 years to be deprived of all its ideological trappings and be condemned as a party of power-mongers. But power has gone to the head of the leaders of the Left Front in 23 years. Now they have also been charged with suffering from the same power-related diseases and to have lost all their ideological moorings. In the process people also lost almost all inspiration for political and social initiative.

It is in this gloomy scenario of Bengal politics, when the people were looking for a third alternative with all of their scepticism, that Mamata Banerjee emerged as the principal opposition leader, touching the right political note and at the right time. Both the Bengal Congress and the Bengal Left are responsible for her emergence in Bengal politics as a major player. Notwithstanding the infantile disorders she suffers from, people by and large believed her to be honest and a leader capable of fighting the corruption and high-handedness of Left leaders and cadres. She has been able to build up the image of an uncompromising anti-establishment leader and a friend of the poor. In the context of the frequent violent inter-party clashes that are taking place, particularly in rural Bengal, leading to many deaths and considerable destruction

of property, and the general perception of the partisan role of police, Mamata Banerjee has emerged in the public eye as a champion of the suffering people. It is interesting that even among the followers of other Left parties, particularly among those who have suffered at the hands of the over-zealous CPI(M) cadres, there are quite a few who have a soft corner for her. There is no doubt that she is the only anti-Left leader in Bengal who has a growing mass base. It was she who charged the Congress with being the 'B-team' of the CPI(M) and could make the charge credible to the people. In the process she sounded the death-knell of the Bengal Congress.

In the ensuing parliamentary election, the Bengal Congress is not likely to get a single seat without the tacit support of the CPI(M) at the local level. Except the lone seat they had won from Maldah in the last election, there may be one or two other constituencies, like Raigunge in West Dinajpur and Berhampur in Murshidabad district, where the Congress candidates are likely to offer any challenge. The fate of the new alliance of TMC and BJP will largely depend on how far it can win over the Congress voters in this election. The alliance can ensure the victory of its candidates only through the forfeiture of the security deposits of Congress candidates. Otherwise the Left Front will sweep the polls, gaining from the division of non-Left votes. There may be considerable erosion in the original Left vote, but the CPI(M) will make an all-out effort to make up for this erosion with its organisational strength and well-oiled so-called technical machinery. All political parties try to take recourse of this method, but the most organised one naturally derives the most benefit. In a close contest this ultimately determines the result and the ruling party is likely to be the gainer in this game.

The 1999 parliamentary election may well prove to be a turning point in Bengal politics. Allegations are there already that the Congress and the CPI(M) have come to a tacit understanding to fight the common enemy. However, if the Congress does not suffer heavily at the hustings, the survival of the TMC as the leader of the third alternative will be at a stake. If Mamata Banerjee can increase the votes of her party, diminishing the Congress vote-bank and winning a substantial number of floating votes, her political future will be assured. On the other hand, a decrease in the number of votes compared to what her party had got in the 1998 election will surely spell trouble for her political existence. The Left Front, particularly the

CPI(M), will make an all-out effort to cut her down to size, whether by hook or by crook. The Congress is in no way a threat to the CPI(M). Mamata Banerjee is now the real challenge.

Mamata Banerjee's emergence as the principal opposition leader is also an ominous signal for Bengal politics. This is not because of her gimmick-proneness nor for her lack of aptitude for the so-called dignified political tradition of the Bengali bhadralok - which is what she is as often accused of by Left politicians - but because of her erratic temperament and lack of political farsightedness. However, she has proved to be very consistent in pursuing her one-point agenda of teaching the Left Front, more precisely the CPI(M), a lesson for its arrogance. In pursuing this agenda, she not only sounded the death-knell of Bengal Congress but also facilitated the entry of BJP into mainstream politics in Bengal. The trend that has been set in Bengal politics by both the ruling and opposition parties can be said to be one of crude pragmatism, devoid of any sense of propriety. If achieving power becomes the aim-in-itself, allowing any means for achieving it, politics degenerates to power-mongering. And that has happened in Bengal politics. Mamata Banerjee may be the crudest example, but the Left leaders do not lag far behind. The Bengal communists came to power accusing the Congress of ideological degeneration and power-mongering. Now they are in the same trap. Twenty-three years of power has robbed the communists of all of their ideological moorings. The Congress went through the same process and after 50 years they are now almost pushed out of the political arena of Bengal. Will communists follow them? Perhaps not before Jyoti Basu, the master pragmatist and the bhadralok icon, departs from the political arena.

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# Karnataka Electricity Reform Ordinance

## Much Ado about Nothing

D K Subramanian  
Vinod Vyasulu

*Power generation and distribution has long been a state monopoly in India. State electricity boards have suffered from excessive and arbitrary government interference. They have run at a loss and have failed to meet the power needs of their consumers. Unbundling and privatisation have recently been discussed. The Karnataka Electricity Reform Ordinance is meant as a step in the direction of improving efficiency and transparency of operations. But it is not likely to solve the basic problems. It tinkers with form not substance.*

THE governor of Karnataka has promulgated the Karnataka Electricity Reform Ordinance 1999 to bring about major changes in the way the power sector is organised in Karnataka. There has been a great deal of debate in recent years on the chronically crisis-ridden electric power situation in this state.<sup>1</sup> Why the route of an ordinance was chosen is not clear: what is the urgency? When a debate has been going on, it could as well have taken place in the assembly, and a law passed at the end of the debate. This would have enabled all stakeholders to put forward their concerns, and acceptable compromises could have been arrived at. This process would have avoided the impression that the government is trying to do something surreptitiously, and that would have helped in getting the co-operation of all concerned in accepting the major (and perhaps for many, painful) changes that are undoubtedly required. But the decision has been taken, and we have to move on.

This paper is organised as follows. The background to the current situation is provided in Section I as this is essential to understand the nature of the reform that is needed. Some comments are made on the ordinance recently promulgated in Karnataka in Section II. No effort is made to provide a summary of the ordinance – it is assumed the reader is familiar with it. The lessons to be learned from this episode are briefly discussed in Section III.

### I Background

It is necessary to begin by remembering that the state electricity boards were set up several years ago with high hopes, and after careful study.<sup>2</sup> It was then felt that electric power is a crucial sector that must remain in the government domain for several reasons. For one, the electricity industry, it was believed, is a 'natural monopoly', where only the state can function effectively. Another reason was

the prevailing ideology of the time – the government must control the commanding heights of the economy. Electricity was undoubtedly part of the commanding heights. The third was the need to reap the economies of scale from a vertically integrated electricity industry, so that socially underprivileged sectors could be cross-subsidised. There could have been other reasons too. Thus generation of electric power (from non-atomic sources) and its distribution were kept in the same organisation at the state level. In this sense, the electricity boards were a vertically integrated unit in the same sense, for example, as Telco was. This was seen as a strength of the organisation to meet its social obligations.

The boards were to function free of day-to-day government control. That is why they were not set up as government departments, but given autonomy in many matters. They were to take commercial and business factors into account, and function accordingly. They were to give a modest return of 3 per cent to the government. If for any reason the government decided on subsidies, it was to reimburse the board in full. The board structure was considered flexible enough to ensure this. It was a well considered and well planned strategy.

Over time, in the mid-1970s, the union of India felt the need for expanding its role in this sector.<sup>3</sup> This is not surprising, as the generation, transmission and distribution of electricity was seen as a function that the government had to discharge – there was no question of private sector participation.<sup>4</sup> As a result, changes were made in the existing arrangements, and generation activity was also undertaken by central agencies – the National Thermal Power Corporation (NTPC) and the National Hydel Power Corporation (NHPC) being the two major organisations in this area. This led to a number of complexities in the working of the electricity

system. What if the bills of the central agencies were not paid by state boards?<sup>5</sup>

Experience has taught us that the boards have not done well. Before restructuring the boards, we must understand whether failure is attributable to the boards or to the government. Only if the reasons for failure were internal to the boards will a new organisational design help. When drawing up the new design, we must decide if the new system is to be an enabling one in which the new structure is free to evolve within a defined framework, or if it is to function within strict guidelines specified in the act. Our tendency in India is the latter – many things are spelled out in the law as passed. But this is not the best way to build institutions.

There are many reasons for the poor performance of the boards – and these could vary across the states. We focus here on Karnataka. This state had, effectively, separated generation and distribution of power. The KEB has been responsible for distribution, and the Karnataka Power Corporation (KPC) for generation. By and large, the KPC has been showing profits. The problem has been with the KEB, that is, with transmission and distribution.<sup>6</sup> It is this that this ordinance is meant to solve. Except perhaps for disinvestment and consequent privatisation at a later date, the KPC is not the subject of this discussion. The regulatory body seems to be an add-on. The government of India has set up a Central Electricity Regulatory Authority (CERA), and it has advised the states to set up such a body. The government seems to have taken advantage of the ordinance to do this as well. The merits of setting up a regulator on its own, rather than as part of a KEB restructuring exercise, have not been discussed. If they had been, turf wars could have been avoided.

There has been opaqueness in functioning – information is not shared with the public and others interested. The organisation has become another government department,<sup>7</sup> remote from consumers, dependent on decisions and funds from the state government, and yet supposedly responsible for results. That result has been serious disruption of the power sector – with consequent impacts on the state economy.

It may be worthwhile to recall the experience of Bangalore industry with the Bidadi multi-fuel project in this connection. Government was not only completely non-cooperative, it did not honour agreements entered into in good faith. This is not a promising base for future co-operation. Users of electricity too are so unhappy with the way they are treated by the KEB that they will support any move that is seen as cutting the board down to size.

There have been problems with staff – overstaffing, poor motivation, indiscipline, etc. The KEB has a large number of meter

readers, linemen, etc – far more than necessary. This is a problem of long standing. There have been problems of leadership, with generalist administrators rather than technical people heading the boards most of the time. There have been problems of attitude – the KEB has worked like any other government department: blind and unthinking adherence to outdated and irrelevant rules is the norm. It has become remote from the ordinary people, and has placed itself above them. There has been politicisation of the wrong sort. Decisions have been made outside the board and then rubber-stamped routinely.

A new design must, then, learn from all this experience. It must address the key problems and make a new start. We have to see if the model in the ordinance does so. There has been a change in technology during the past 30 years, we can now use sophisticated electronics and computer devices to monitor a system, connect a small generator to the system (this was not possible till a few years ago), meter the consumption of customers from a central place, control substations and generating stations, and regulate the system online for greater reliability and availability.

A community or organisation can have its own power plant at a lower cost of operation. The old theory of economies of scale is no longer valid. Also, due to heavy cross subsidies the cost of grid energy is more than that of self-generation for many organisations. This has led to large-scale localised decentralised power generation coming up in large numbers. Still there is a need for a centralised exchange to share the surplus energy of a given person at a given time to a needy person at that instance. A deregulated market is supposed to do this moving away from large power plants to a large number of small ones sharing their energy with others. The technology for small-scale power plants has also improved considerably and this has resulted in a large number of small plants coming up either for own use or for sales. Any new organisational set up should consider this aspect seriously.

When we have power supplied by various agencies like KEB, NTPC, Atomic Power Authority, Neyveli Lignite Corporation and many individual IPPs, it is necessary to evolve a common control strategy for load despatching so that we can meet the user's requirements without degradations. Load despatch with a common control strategy is the backbone of today's high quality power. This will dynamically state what should be the power generation at a given instant of time based on the load at that instant and will decide the power sharing amongst the many generating stations. This policy should be implemented by directly adjusting the

generation of each plant in the system. Any change in policy should take into account the role of load despatching also. We have the southern regional electricity board doing this job in conjunction with the state electricity board's load despatch centres. A provision for this is necessary.

## II Ordinance 1999

On a first reading, the design created in the ordinance is impressive. It conforms to the insights of economists from industrial organisation theory. It seeks to create a distance between the business of running the power sector and issues of governance. It recognises the needs of consumers, and provides for them. It stresses the importance of competition. All this is most positive.

The ordinance goes into a lot of detail – it is 63 pages long. Thus, the idea is to foresee as many situations that are likely to arise as possible and provide for them in the law itself. This is not enabling legislation that permits evolution to take place within a defined and acceptable framework. It is a law that expects work to be done within a clearly defined framework. This is a negative feature.

We have to ask, though, whether a 'good' design is enough to make an organisation perform. If so, why did the electricity boards fail? Their design was undoubtedly good. One reason for this lies in the clause that permits the state government to 'issue directives' to the board. These directives cannot be rejected by the boards. Given that the boards were often headed by civil servants whose career path had no link with the performance of the board, there was little resistance in the past to accepting such directives. Often, a formal directive was not even necessary, a phone call would do.<sup>8</sup> And these directives are outside the scrutiny of any agency – the government, it is assumed, is always right. The exercise of this near 'divine' right has led in large measure to the present crisis in the boards.

The ordinance contains this clause. We quote from Part-IV on the 'Powers of the State Government', Section 12: "(1) The state government shall have the power to issue policy directives on matters concerning electricity in the state including the overall planning and co-ordination." The use of the word 'shall' is emphatic. The act does not define terms such as 'policy', 'overall planning' and 'co-ordination'. Are the tariffs charged to different classes of consumers matters of policy? In the disputes that followed the recommendations of the Telephone Authority of India in April 1999, this was indeed the case.<sup>9</sup> The government of India issued directives to the TRAI that many felt were uncalled for. This is more than likely to

happen when power is worded in such a vague way.

If the exercise of arbitrary power in the past via directives is the cause of financial and other crises, how can we expect things to be different because we now have a commission instead of a board? This is a question that the ordinance fails to answer.

A regulator is a creature of the legislative branch of government, and not of the executive. The government of Karnataka, headed by the chief minister, is the executive branch of the state. The regulator, as a creature of the legislature, has to serve as a watchdog, not only on the various players in the power sector, but also on the government which is a major player in this sector. The regulator must directly submit its requirements of funds to the assembly, which should approve them, with necessary modifications after debate on the work to be done by the regulator. The regulator must submit an annual report directly to the speaker of the house. The ministry should not be the channel through which the regulator approaches the house. And the funds of the regulator must not be treated as a 'charged' item [clause 8(4)] on which there is no debate. The chief minister should not be the 'boss' of the regulator, if the regulator is to perform. This is essential.

If directives become necessary – and that is a moot point – they must be given by the legislature that creates the watchdog, not the agency being watched. This clause is a way by which a creature of the legislative branch is subordinated to the executive – ironically, with the sanction of the legislature, for it passes the law. But the anomaly remains. This clause enables the executive to bypass the legislature. The fact that funds also come through the government makes the commission more vulnerable.

This clause gives one player power the others lack – it creates a conflict of interest that must be avoided, if we wish to learn from the past. The point is not that the government of Karnataka has no role in making policies in the power sector. The point is that the policy role must be distinct from the operational role. If the same agency decides both, we have confusion as experience in this and other sectors tells us. The policy context must be clearly defined and laid out. The limits of policy must be made clear.

It is therefore necessary to define policy clearly, and vest this policy-making power with the executive branch of the state government. The regulator must be given total freedom (within the framework of the law) in its domain. Its budget must be approved directly by the state assembly, and not routed via the ministry of energy. A system for this has to be set up, but this issue has not been addressed at all. This

can be done by defining its duties clearly, and by ensuring that an appeal to the courts is open to those aggrieved. The GoK must be kept at a distance. This clause must be dropped when the assembly considers this ordinance.

Why should the commission be limited to three members? Can all the specialisations required for it to function be found in three people? Is it not better to prescribe a range, say, between seven and eleven members? Why should the act worry about their *inter se* seniority? If the commission cannot deal with these matters, we are starting on the wrong foot. This only shows the bureaucratic mind-set of those who have drafted this ordinance. It will pervade the agency from the members downward. Is that what we need? How are consumers to be represented? Should not one member represent their interests directly? There should be a more diverse commission. This matter should be reviewed on the basis of larger debate.

The proposed advisory council cannot take the place of skills being available within the regulatory commission. It is at best a forum where the commission can elicit views and opinions. The experience of such advisory committees in other agencies should be looked at before reposing much faith in their efficacy.

Who appoints the members of the commission? It set is to be the government. Is this an unfettered power? Should not the government's nominations be ratified by the assembly? Should not the speaker issue the appointment letters? After all, the regulator is a creature of the assembly, not of the executive. Is the method of selection open? Should not the process be subject to a 'sunshine' law? Should it not be incumbent on the candidates to meet with the different constituencies their decisions will affect, and answer their questions? In the US, any candidate for president of a university in Florida must meet such groups and answer their questions. These groups then give their inputs to the search committee. This is not an affront on anyone's dignity. It is a transparent process, and it will make it easier for different groups to accept unpleasant decisions that such a regulator will have to take.

Should not the selection committee be appointed for a fixed term? The ordinance simply says it shall constitute a selection committee. If the chairman is a retired judge of the Supreme Court surely he/she can handle this responsibility. Clause 57 repeats the power of government in this regard. Clause 57(2)a says that "the procedure to be adopted by the selection committee for the discharge of the functions under the ordinance" may be given by the government. This is a case of overkill. It is as if a committee headed by

a retired judge cannot be trusted. This is a good indicator of the mind-set of the government of Karnataka.

Why should the government decide the remuneration of the members? Why should conditions of service be "as may be prescribed" (clause 6.2)? Prescribed by whom? The bureaucracy? Why? Is it to ensure that persons with high qualifications and experience outside government find this position unattractive? Should this not be left to the selection committee to settle? Does the government have so little confidence in this committee?

Why should the members take an oath of office and secrecy (clause (6.3))? What is the secrecy involved? Is it not the idea that the commission introduce transparency<sup>10</sup> into the operations of this sector? Should the members be fettered from sharing information by such an oath? Who decides what is 'secret'? People holding such high office must be trusted, and if at fault, they must be prosecuted under proper laws. Such arbitrary muzzling must be opposed. This clause must be removed.

Part III, on the proceedings and functions of the commission, does not mention any research – perhaps because our government does not believe in it. For such a commission to do its work, it is essential that it liaise closely with research institutions in and outside the state. It must have access to recent advances in knowledge, not depend on the bureaucracy for such information. It must have some research competence within itself. It is essential to add explicitly that the commission, as part of its proceedings, will interact with research agencies of all kinds. It must have the power, and funds, to sponsor research in areas it considers important. This is an important lacuna in the ordinance.

The functions of the commission must include a clause that empowers it to encourage conservation of energy. It must support measures that lead to greater efficiency in the use of devices that use energy. Demand side management is important. This can be done by focusing on the services that consume energy, and by supporting efficiency improvements in such services in all ways. For example, the use of CFL lamps in place of the common light bulb must be encouraged. The ordinance is silent on this important matter (Section II). That may mean this issue gets no attention at all, or worse, is treated as outside 'the terms of reference'.

There is one more area where confusion may prevail. The commission has the power to issue licences (clause 11c). Clause 19 discusses licences in detail. First, licences are only in transmission and supply or distribution (19.1). Clause 18(1) also refers to 'transmitting electricity' or to 'supplying electricity, including its bulk

supply'. What about retail supply and distribution? Things are not clear in this wordy document.

What are these licences for? Will the commission in its support of competition, limit licences as in the past regime of licence raj? Will the commission insist that a transmitting company transmit power from any generator who wishes it? Will it limit licences to one per area so that there is a local monopoly? There is no indication of whether this power will limit freedom of entry into these activities. There is no indication of the basis on which this power will be used. Given past experience of licence raj in India do we need licensing at all? Will not this power choke competition rather than encourage it? This is a major issue that merits debate.

It is, in our view, not desirable to mention amounts that the commission can impose as fines in the law itself – clause 42, for example, mentions amounts of money – a lakh for this, 20,000 for that. We know from experience that inflation makes nonsense such numbers. Why not leave it to the commission to decide in its wisdom – saying, perhaps, that at the time of passing the act, these amounts seem reasonable for such offences? If not, it will not be uncommon for an offender to pay the fine and continue to offend, because it is so much cheaper to do so. Look at the fines for contravening the provident fund provisions – today the fine amounts are trivial. Unscrupulous employers will find it legal to cheat employees, and pay a fine and do the same again. Such situations can and must be avoided. Perhaps an enabling provision for exemplary and strong punishment of wilful offenders would be a good idea.

What about the technical aspects? An important concern is the issue of load balancing. In peak hours, there may be no problem. But in off-peak hours, it may be necessary to back down some plants. Logically, these should be the high cost plants. But the power purchase agreements that are being signed with some private generating plants guarantee off-take at high levels of generation. In Maharashtra, the agreement with Enron implies that lower cost plants which belong to the MSEB will have to be backed down. This means lower efficiency, and higher costs for consumers. Two points need attention here. One, is there any reason to believe this will not happen in Karnataka? Two, does the regulator have access to all the information needed for such decisions? Will it be in a position to know what central plants are doing? If it has the information, can it impose its will? We have our doubts.

The ordinance is silent about load despatching. Who will do this job? Who will co-ordinate the instantaneous generations of several plants such that they meet the



load requirements and both frequency and voltages are maintained and the participating generating plants agree on the desired generation values? Load despatching is an important function in an electricity board and it encompasses generation and transmission. It should not lead to load shedding frequently due to lack of co-ordination. In what ways will the proposed Karnataka Power Transmission Corporation (KPTC) be different from the KEB? Clauses 14 and 15 deal with the reorganisation of the KEB. Assets and liabilities are to be transferred to the KPTC from the KEB. Apart from the legal requirements, Clause 15 transfers all employees to the KPTC. What will the KPTC do with so many meter readers and the like? Transmission is a capital intensive activity and without money it will pose problems. Distribution can change radically with the use of modern technology. It is, for example, not necessary to have meters (whether tamper proof or not) and meter readers any more, because the consumer's use of power can be 'read' from the sub-station. This is just the way telephone use is monitored for billing purposes. If the regulator wants to encourage the use of such equipment, can the KPTC, with its large staff, do so? Can the regulator reduce corruption in this way? Where will all of the meter readers go? Is the problem one of a 'board' design versus a 'corporation' design or is it more basic? Is it not the question of corruption and overstaffing that is the problem? How does the ordinance tackle this? All that is being done is change the name of the organisation leaving intact its problems.

Things could be worse. The new licensees are unlikely to employ all the KEB people. They will set up shop in a different way. Just as the new private banks operate with fewer people and high technology so will the new private power transmitters and distributors. In what way does this ordinance solve the basic problems of the ailing power sector? Is it not making things worse?

We have said enough to make our basic points. This law, in our view, should be briefer: it should enable the commission to function. It should have a larger number of members, and it should trust them to a greater extent. It should have independent funding from the assembly, and it should give a report directly to the assembly each year. It must support research. And the GoK should be kept away without a remote control in the form of directives it can issue. The structural problems confronting the KEB should be tackled honestly, not shifted in complex organisational re-creations. These, we would argue are necessary preconditions for the success of a regulator. We do not yet know if they are sufficient.

### III Conclusion

Although the reasons for the plight of the KEB and the electricity sector have not been analysed in this paper, it is clear that the board has been suffering because of what the economists call the principal-agent problem. The board has been an agent of customers in its structure. Yet, customers, as principal, had little control on its decisions and actions and therefore board officials, as agents, have been taking decisions in their own interest. The whole picture is much more complicated because there have been a range of subagents as well. Government as 'owner' has been another principal. The system of 'directives' has facilitated their working at cross purposes with remote principals. In its working, not design, the system has been deficient.

The fact that the state had relatively healthy finances at the time, and that it was in a sense an agent of the civil service, also complicated the matter. The board was a nexus of several principals and multiple agents. Subsidies could be used to cover the consequences of various decisions that these agents took. The result was the mess the KEB found itself in over the years.

The new model in the ordinance does not tackle this problem. It tinkers with form, not substance immediately connected with electricity. The state is in the middle of a fiscal crisis, and any source of funds is welcome. There are possibilities of large loans for power from the World Bank. The state government would like to tap these funds. By means of this ordinance, it is getting into the queue.

The World Bank has clear views on the reforms it supports. But this may not be based on an understanding of the ground reality in Karnataka. But it insists on an 'unbundling' exercise and eventual privatisation of the sector. This has happened in Orissa.<sup>11</sup> Whatever the nature of the problem and the debate, the state government would like to make the changes that it thinks will improve its chances of getting a World Bank loan.

Electricity supply is a field in crisis for a number of reasons. It is difficult to make the changes that the structure demands. It is also possible to please the industry lobby by these kinds of changes because it would appear that rates for industry may come down or the supply position improve. With elections approaching, it is prudent to appear to be industry-friendly.

The reforms also enable the state government to abdicate its responsibilities without in any way surrendering power. If there are problems it can blame the regulator or the new corporations. But through the power to give directives, it can pander to its lobbies and feather its own

nest via 'jobs for the boys' policies and the like.

The approval of the ordinance in the house will solve none of the basic problems of the power sector. It will be passed because the government thinks that it will lead to loans. The crisis remains. It can only intensify further.

It is the underlying core of problems that need to be looked at and solved. The best thing that can happen to this ordinance is to let it lapse. The ordinance then would have served the laudable function of focusing attention on this important subject. Given the political situation that may well happen.

### Notes

[An earlier draft was presented at a meeting of the energy committee of the Greater Mysore Chamber of Industry and revised in the light of the discussions there. S Krishna Kumar and R Sudarshan commented on an earlier draft, and we are grateful to them. Responsibility for errors and opinions is ours alone.]

1 Very detailed suggestions for reform have been made. See the DEFENDOUS Approach, *Economic and Political Weekly*.

2 Under the Electricity (Supply) Act, first passed in 1948, and amended many times since. Also relevant is the law passed in 1910.

3 Electricity is in the concurrent list in the Constitution, and both the union and states can pass laws. In the case of conflict, the union laws prevail.

4 There were a few private sector participants, as a result of historical accident—in Ahmedabad, Calcutta and Bombay. But they had little role to play in the growth of the sector.

5 There have been instances of such dues being deducted from the plan assistance a state was entitled to. This makes the matter immensely complicated. Clearly, solutions were long overdue.

6 In specific terms, the problem of transmission losses which are basically those of power theft, and of free supply to some sectors like agriculture. We may note that the agriculture sector as a result gets very poor quality power, and this leads to a vicious cycle of inefficiency.

7 This suggests that the problem is a deep rooted one not unique to power. If this is true basic reforms in government structure will need to precede electricity sector reforms. That is a separate question altogether.

8 This is of course not true of everyone. There have been many who tried to keep an independent position. But if they were in a majority, we would not be in this plight today.

9 Discussed in D K Subramanian and Vinod Vyasulu, 'The TRAI Imbroglio', May 1999, unpublished.

10 One of the reasons for 'unbundling' a complex organisation is to improve transparency. But while the reform efforts may start with such laudable motives, when it comes to drafting laws and regulations, this kind of opaqueness is often built in. This is not the first time this is happening.

11 There are many differences between Orissa and Karnataka. In Orissa, farmers have always paid a minimum of 50 paise per unit for power—it was never free. Further, power use in the agriculture sector was around 8 per cent of the total power produced. The situation in Karnataka is different. We have to ask if these facts are relevant in the context of the restructuring debate.



# ASEAN and Regional Security

S P Seth

*The question before ASEAN now is whether it should continue on its old course of mutual non-interference or re-energise itself through open political and economic debate among its member states even if it means scrutinising their internal affairs.*

THE 10-member Association of South East Asian Nations (ASEAN) was under the microscope in Singapore at a recent annual meeting of its foreign ministers. The ASEAN, once held as a model for regional co-operation, has become increasingly irrelevant following the 1997 Asian economic crisis. All through this difficult period which is still not over, ASEAN was in hibernation. No one in the organisation could envisage a role for it of any kind. This is sad commentary because, not long ago, all big and small powers paid homage to its vitality and effectiveness. Many wanted to be associated with it through membership of its sister regional fora like the ASEAN Regional Forum (ARF), Asia Pacific Economic Co-operation (APEC) organisation and so on.

At its Singapore meeting, the question of how best to re-invent ASEAN was debated by some of its members. During its heyday, the organisation projected an image of regional solidarity based on the principle of mutual non-interference. The question now is whether ASEAN should continue on its old course or re-energise itself through open political and economic debate among its member states, even if it meant questioning and criticising their internal affairs.

Thailand, backed by the Philippines, is a proponent of the reformist line. According to Surin Pitsuwan, Thailand's foreign minister, there is an imperative need to re-invent ASEAN in a more relevant role. As he told the Singapore meeting, "Concerns and doubts have been raised about the standing of ASEAN as a regional organisation and its ability to play a leading role in the international arena". Which led him to pose the question: "Are we tigers ascendant, an integral part of a new Pacific century, or are we last year's wounded cubs, transposed and forgotten?" And he had no doubt that ASEAN would need to reinvent itself on a platform of openness, greater regional economic integration and trade liberalisation.

Malaysia, though, still upholds the old view of maintaining regional solidarity and unity based on mutual non-interference. According to its foreign minister, this has stood the organisation in good stead in terms of ensuring regional peace, stability, and nation-building. He believed that ASEAN was being undermined by 'selective criticism and vilification' by foreigners in the wake of Asian economic crisis. They wanted it "to discard its *modus operandi*" based on "the principles of non-interference in the internal affairs of one another..." He, therefore, urged his colleagues to "pause and carefully think through the options available to us. We should not accept those which are alien to our national psyche and hurtful to our national objectives."

Nothing was, of course, resolved at Singapore. The ASEAN, therefore, is now at a standstill and hence irrelevant, which is a pity because the organisation has an even more important role to play at a time when Asia-Pacific region is showing considerable volatility. For instance, it could play a useful role in moderating/defusing growing tensions from competing sovereignty claims over the Spratly chain of islands in the South China Sea. China and the Philippines are already feuding over some permanent structures built by the former over a reef they both claim. Now Malaysia has joined the fray with the Philippines, having erected a structure on a reef claimed by Manila. China, in any case, claims sovereignty over all of South China Sea, with all its islands and territorial waters.

One way of dealing with this situation is an agreed code of conduct to manage the intractable question of sovereignty over the Spratly islands. The ARF, an expanded forum for discussing regional security issues, however, failed to adopt such a code at its Singapore meeting. The question has been referred to a special working group. Australia fears that a weak code, even if adopted subsequently, will not be adequate to deal with

recurring tensions in South China Sea. Canberra reportedly favours a code with a moratorium on the current race to occupy disputed reefs and/or build structures on them. But, with ASEAN hardly pulling any regional weight now, South China Sea tensions are unlikely to simmer down.

Similarly, ASEAN and ARF are unable to play any role in other regional crises. ASEAN was once considered a potential regional counterweight to China. But, at present time, when China is threatening Taiwan, ASEAN and ARF are mute spectators. When China's foreign minister recently said in Singapore that there should be mutual respect in the region, instead of the 'strong bullying the weak' (alluding to US support of Taiwan's defence), the irony of it was lost on everyone in the face of China bullying Taiwan. In the same way, ARF has virtually no role to play on the Korean question. Recently, there were two naval incidents involving North Korean ships, chased and sunk by the Japanese and South Korean navies respectively. Both had the potential of getting out of control to create a regional security crisis. There is no regional conflict-resolution mechanism in place (apart from ARF which, in any case, is ineffective) to defuse such dangerous situations.

A tense situation is also developing from North Korea's likely test launch of a long-range missile, believed to have a range of 3,500 km or more. Japan, South Korea and the US are pretty uncomfortable about it. Their diplomacy and threats do not seem to be working with Pyongyang. Japan's white paper on defence pretty much captures the mood when it says, "North Korea's missile development, coupled with suspicion over its nuclear weapons development, is a serious concern which is becoming a destabilising factor not only for the Asia-Pacific region, but for the entire world".

It is not that a stronger ASEAN and ARF would have resolved regional problems. But there was hope that ARF might over time develop into a regional structure for conflict management/resolution. But with ASEAN now weak, divided and irrelevant, that promise doesn't look like materialising. And the Asia-Pacific region is developing into a region of multiple flashpoints, any one of which might blow up with dire consequences regionally and globally.

# Wildlife Protection and People's Livelihood

## Building Bridges

*The 'Third National Consultation on Wildlife Conservation and People's Livelihood Rights' was a dialogue between those advocating the cause of wildlife and those struggling to uphold the human rights of communities living in and around wildlife. A report.*

OVER the last few years, conflicts have erupted in many of India's national parks and sanctuaries and other wildlife areas, between officials and NGOs involved with wildlife conservation on the one hand and local communities and social activists on the other. A top down model of conservation, which has ignored the dependence and rights of local communities on the resources of natural habitats as also their traditions of conservation, is one of the main causes of this conflict. Other factors include the increasing politicisation and commercialisation of rural areas, breakdown of traditions, and demands made by the growing human and livestock populations. Simultaneously, wildlife and wildlife habitats, and the resource base of countless rural and tribal communities, continue to be destroyed by the dominant industrial/commercial economy and the rampant consumerism of a rich minority. The same governments that declared protected areas (PAs) (national parks and sanctuaries), have today neither the will nor the means to protect these areas. On the contrary these very areas are being thrown open for activities like mining, dams, industries, tourism, roads and other so-called 'developmental' projects.

A series of consultations, local to national in scope, has been attempting to reduce the differences between positions taken by the conservationists and social activists; in essence, to build bridges. In particular, the common interest of these groups to counteract the powerful industrial and commercial pressures mentioned above, has drawn them together. An attempt has been made to build on this common ground for greater understanding and joint action.

The basic understanding with which these dialogues are being held is that, for all participants, the aims of wildlife conservation and that of ensuring the livelihood security of people living in and

around wildlife habitats, are fundamentally critical.

Participants at the third consultation reiterated the principles that were laid out in the first and second consultations. In particular, the following were reinforced:

- (1) The fundamental right to existence of all wild animals and plants, and the need for protected areas and legal measures to ensure this right.
- (2) The fundamental right of local communities to the survival and livelihood resources which they have traditionally enjoyed, and to participate equitably in conservation programmes.
- (3) The need for the full protection of threatened wildlife species across the country, for which certain inviolate zones (demarcated in a participatory manner) may be necessary.
- (4) The unacceptability of forced displacement of traditional communities from protected areas or other habitats.

### *Commercial and Development Threats*

It was recognised that the major threat facing India's wildlife habitats and the livelihood interests of a majority of local communities, came from a rampant 'developmental' process which was encouraging the industrialisation and commercialisation of even ecologically and culturally sensitive areas.

**Mining:** Concern was expressed at the rapidly expanding scale and magnitude of the mining industry, especially in the new economic climate where mining is being made easier and more lucrative. At least 40 protected areas, and innumerable areas outside of these, were under threat. In addition, it was reported that the ministry of mines and steel was attempting to dilute even the existing environmental regulations governing mining, and to change the Mines Act to make mining permissions much easier. Participants expressed a need to study the specific impacts of mining in

PAs and other wildlife habitats, and obtain a nationwide picture of this. A format for information gathering was circulated by Kalpavriksh. A joint statement was issued by the participants, protesting the spread of mining in ecologically and culturally sensitive areas, objecting to the ministry of mines move to dilute environmental regulations, and strongly recommending that mining policy and Mining and Minerals Act should be amended to keep ecologically and culturally sensitive zones like protected areas and scheduled areas completely inviolate.

### *Recommendations:*

- (1) Investigations into the impacts of mining should be carried out in specific PAs and other wildlife habitats.
- (2) A national level study should be undertaken to get a comprehensive picture of mining in PAs and other wildlife habitats, and to build a database of people working on this issue.
- (3) Moves to dilute the current environmental regulations on mining, including those of public hearing and restrictions in and around ecologically sensitive areas, should be opposed.
- (4) Mining policy and legislation should be amended to make ecologically and culturally sensitive areas off-limits to mining.
- (5) The committee set up by the ministry of mines should be asked to provide a hearing to the participants of the consultation.

**Tourism:** The meeting stressed that conservation and not tourism promotion or revenue generation is the main aim of PAs and other wildlife habitats. Participants recounted many instances of tourism induced violation of local community rights (including alienation of tribal lands) and wildlife conservation principles. Whereas some of the participants were in principle completely opposed to tourism in ecologically and culturally sensitive areas, others were of the opinion that it can be beneficial in terms of sensitising people.

### *Recommendations:*

- (1) Tourism should be planned with the full involvement and consent of the local communities.
- (2) A substantial portion of the revenue earned from wildlife tourism should go to local communities and to the management of the park.
- (3) A strict environmental and social code of conduct should be formulated and enforced.
- (4) Tourist resorts around protected areas, and tour operators, should be charged a

conservation tax that should be put back into conservation and the management of the PA.

(5) Comprehensive studies are needed to assess the ecological and social impacts of tourism in PAs across the country; where already available, these studies need to be collated and analysed.

(6) Wildlife tourism should be diversified, to areas where there is currently no focus, and to subject matters other than large mammals like the tiger, to enable a reduction in pressure on a few PAs.

(7) The 'tiger show' in places like Kanha Tiger Reserve and Bandhavgarh National Park (Madhya Pradesh) should be immediately stopped, as it is disruptive to wildlife.

**Railways and highways:** There have been many cases of wild animals being killed by speeding trains in places where railway lines pass through protected areas and other important wildlife habitats. Examples cited were Rajaji and Dudhwa National Parks in Uttar Pradesh (railways) and Sariska Tiger Reserve in Rajasthan (highways). Participants expressed serious concern about this, and about proposed highways in other areas (e.g., Namdapha Tiger Reserve, West Bengal, and Bhimashankar Sanctuary, Maharashtra). Simultaneously the expansion of the rail and road network across the country has increased access to resource rich areas, facilitating wider exploitation of the resources and also providing channels for illegal trade in timber and wild animals. Nor in many cases do they directly benefit the local communities in such areas. Examples such as Sariska Tiger Reserve, where a decision has been taken to divert a stretch of the highway that was to have gone through the reserve, are worth emulating. A joint statement was issued by the participants, to the union minister of railways, expressing concern about the death of wild elephants by speeding trains in Rajaji National Park in Uttar Pradesh, and urging appropriate action to eliminate future such incidents.

**Recommendations:**

(1) Systematic site-specific documentation should be carried out, of damage to wildlife caused by roads and railways.  
(2) A national picture needs to be built up based on such documentation, to gauge the overall extent of the problem.  
(3) A series of measures should be tried out to eliminate or minimise the conflicts, such as diversion of tracks/roads wherever feasible, avoiding night trains and night traffic on highways within PAs and other

wildlife habitats, and reduction of speed in sensitive areas, and so on.

**Poaching:** Poaching continues to be a serious problem, to some extent within PAs, and especially so in wildlife habitats outside PAs. There is a need to clearly distinguish large-scale and organised poaching involved with wildlife trade (emanating largely outside local communities though often involving individual members of these communities), from cases where local people may kill wild animals to protect their lives, crops, livestock or property, or for food. Both kinds of hunting need to be tackled, but with different kinds of measures. Participants expressed the inability of both villagers and forest officials to tackle organised poaching, especially due to its connections with powerful people in and outside government. There was also concern about false cases of poaching which are often filed against villagers and activists, while the real poachers go scot-free in many instances. On the other hand, examples were mentioned of successful collaboration between forest officials and villagers, to curb poaching (e.g., at Tadoba National Park, Maharashtra).

**Recommendations:**

(1) Joint anti-poaching measures should be initiated at the level of each PA, involving local people, forest officials and NGO representatives to tackle this problem. This will not only help in the detection of poaching cases, but also help to minimise false cases.

(2) At the state level also, anti-poaching units (or, as in Madhya Pradesh, special protection cells for tiger and other endangered species), should involve concerned NGOs and community representatives.  
(3) Vacant posts within the forest department should be filled up on a priority basis, and additional manpower be generated through the involvement of local people and NGOs.

### *Settlement of Rights*

Several million people are living inside India's PAs, or directly dependent on their resources in some way. The rights of these people have not been adequately recorded and settled, though the Wild Life (Protection) Act specifies that this is to be done. The settlement process is now on in full swing, following a ruling by the Supreme Court (SC) in 1997, on a case filed by WWF-India. The SC ordered all state governments to complete the process in one year.

The fallout of this order was a major topic of discussion at the consultation. There has been widespread misunderstanding, especially amongst local communities, that the proclamations issued by the district collectors in this process are eviction orders. There are also widespread reports that customary rights are not being properly recorded, and that lakhs of people may lose their access to natural resources if the relevant clauses of the Wild Life Act are narrowly interpreted. On the other hand, difficulties in settling rights have also led several collectors to recommend the denotification (or deletion) of substantial portions of PAs. The process has also become a front for the entry of various vested interests, such as mining and hydro electric power projects, e.g., in Great Himalayan National Park, Himachal Pradesh, an area is sought to be taken out from the park ostensibly to avoid having to displace two villages, but actually to make way for a proposed hydroelectricity project.

P K Mishra, CWLW of MP, clarified that the settlement of rights process is not a process of eviction. He reported that Rs 1,500 crore would be required by Madhya Pradesh alone if everyone was to be resettled, and this kind of money was not available with the department. He reiterated that the settlement would be done in the interests of local communities. Kalpavriksh circulated a format to enable groups/individuals to systematically document the process of settlement as it is taking place in specific PAs.

**Recommendations:**

(1) A national level documentation of the process of settlements of rights and its impacts on wildlife habitats and on local people, should be carried out.

(2) Detailed guidelines should be drawn up for the conduct of the process of settlement of rights, so that denotifications/deletions can be minimised, and the customary rights of people can be properly recorded and established.

(3) There should be acknowledgement of both recorded as well as unrecorded customary rights in this process.

(4) The forest department and district administration should be asked to issue a clarification in each PA, in the local language, stating that the settlement process is not a process of displacement.

### *Displacement*

Though it is considerably reduced now, participants expressed concern that dis-

placement of people from PAs is continuing in some areas. Though various agencies like the central government, the state governments and Project Tiger authorities have categorically stated that there will be no forced displacement of people from PAs, there is often induced displacement because of the denial of access to basic livelihood resources in these areas. Participants felt that this was not justified. Several participants asked whether any displacement was necessary at all, if a model of conservation that integrates human needs can be worked out. Other participants felt that in some cases, where there was an inevitable clash between the survival of a species or unique habitat and the continued existence of human settlements, resettlement may be necessary. In addition, what would happen once the population of the villages inside PAs grows beyond the carrying capacity of the PA? In this connection many participants pointed to the lack of a national policy on resettlement and rehabilitation (R and D), with regard to PAs. They also stressed that the recent scheme initiated by the ministry of social justice and empowerment, on this subject, was thoroughly inadequate.

#### Recommendations:

- (1) It was felt that displacement must be minimised, completely avoiding it as far as possible. Where considered necessary (the process for consideration of what is 'necessary' itself being participatory), it must be done with a comprehensive R and R package which is designed with the affected populations and involves NGOs and independent experts.
- (2) There was also a need to urgently clarify the difference between forced, induced, and voluntary displacement, and to lobby the government to accept these distinctions. A true test of whether R and R is voluntary needs to be worked out. NGOs and social activists should present a detailed definition of what 'voluntary resettlement' would mean.

#### State Forestry Projects

Many participants expressed concern that the World Bank aided state forestry projects, are leading to commercialisation and privatisation of forests, resulting in loss to local livelihood security and to biodiversity. The example focused upon was the Madhya Pradesh Forestry Project, studied in-depth by Ekta Parishad and the Kisan Adivasi Sanghatana. Concern was also expressed that forest departments are not capable of handling the large sums of

money that are made available in such projects. The projects have also resulted in an increase of social tensions.

Alternative processes for conserving forests which involve people and avoid the need for large-scale external funding, need to be explored. This includes a co-ordination of various government departments working in any given area, so that their resources could be pooled together to achieve conservation and livelihoods security. This has been done occasionally, for instance in the case of the Melghat Tiger Reserve in the early 1990s.

#### Recommendations:

- (1) Forestry projects such as the Madhya Pradesh Forestry Project should be opposed in their current form; future planning for forest conservation and use projects should centrally involve local communities and concerned NGOs.
- (2) State governments must ensure better co-ordination amongst various sectors of the government, so that available resources can be pooled together to ensure conservation and livelihood security.

#### Laws and Policies

Existing laws and policies relating to wildlife and forests have helped in the conservation of habitats and wild animals, and have to a certain extent kept out destructive forces which would have threatened wildlife as well as traditional communities. However, participants felt that these laws and policies have not been conducive to the involvement of local people and the continuation of traditional rights, and have in many cases further alienated local communities from conservation. They have also often been misused to authorise serious repression of local people. Finally, various laws and policies relating to natural resources have been conflicting with each other; in particular, those relating to the industrial/commercial use of resources have undermined those relating to conservation and sustainable use.

There have been a series of interesting initiatives in the last couple of years, some of them attempting to resolve conflicts between wildlife conservation and local community rights. These include:

- (1) A draft new Wild Life (Protection) Act, recommended by a central government committee, which strengthens wildlife habitat protection against commercial/industrial forces, but only makes some token changes in the current act's inability to involve local communities and provide

for livelihood rights; it provides for two new categories of PAs, including community reserves, but these will not be applied to existing PAs.

(2) A central committee to rationalise the boundaries of protected areas, to minimise their arbitrariness and make them ecologically more logical.

(3) A draft law on biological diversity, which provides for substantial involvement of local communities in conservation, sustainable use, and equitable benefit-sharing.

(4) The panchayat legislation, in particular the Panchayat (Extension to Scheduled Areas) Act 1996, which potentially provides for substantial powers of decision-making to local communities.

(5) A central committee to redraft the National Wildlife Action Plan (1983), for the next 25 years; the draft under formulation contains a new chapter on people's participation in conservation.

#### Recommendations:

(1) Appropriate changes in law and policy need to be made, which will prohibit commercial/industrial destruction of wildlife habitats, and facilitate the joint management of these habitats by local communities and government agencies. The draft new Wild Life Act needs substantial additional provisions for this, including the recognition of customary rights and the creation of joint planning boards for each PA.

(2) The committee that has been set up to look into the rationalisation of PA boundaries needs to be more participatory, involving various sectors in its deliberations; in addition, it should not hurry through its work, as the task is complex and vast.

(3) Various laws and policies, dealing with natural resources, need to be harmonised to strengthen conservation and livelihood security.

(4) There should be state-level policies and action plans on achieving conservation and livelihood security, which can focus more on the peculiarities of each state, and can involve a wide range of sectors.

(5) Much more clarity is needed in the relationship between the panchayat legislation and the laws relating to wildlife and forests; in particular, the move by some states (Maharashtra, Madhya Pradesh) to exclude PAs from the purview of panchayat legislation should be reviewed.

(6) Each state should set up forums for regular (at least once or twice a year)

discussion of various issues related to wildlife conservation and people's livelihood rights, where local communities, NGOs, wildlife specialists, and government officials can interact in an atmosphere of openness and equality.

(7) New categories of PAs, as proposed in the draft new Wild Life Act, should be applied to existing PAs also, wherever appropriate.

#### *Damage by Wild Animals*

Several participants, in particular those from local communities, expressed concern about the increasing incidents of livestock lifting and crop damage by wild animals. This is true for both PAs and areas outside. In particular, wild boar related damage was repeatedly mentioned. Measures to reduce such damage were discussed, including those being tried out by communities and those studied by the Wildlife Institute of India.

Concern was also expressed at the thoroughly inadequate rates for compensation for such damage, and the burdensome process of obtaining such compensation.

Participants felt that if these issues were not tackled seriously, public support for wildlife conservation would decline even more. NGO efforts such as the WWF Tiger Conservation Project's immediate compensation scheme were put forward as possible models.

#### **Recommendations:**

(1) There should be a nationwide survey of animal-related damage, in particular due to wild boar, and of measures that are being attempted against this.

(2) Rates of compensation must be immediately increased, to make them equivalent to the market rate of livestock/crop damaged; and the process of compensation must be speeded up and simplified.

#### *Conclusion*

There is an urgent need for a new model of conservation that involves local people in the planning, management, and monitoring of wildlife habitats, including protected areas. Such a model would have to ensure the livelihood security of local communities and the conservation of natural resources and wildlife, by integrat-

ing traditional and modern ecological knowledge, ensuring customary rights and responsibilities over natural resources, strengthening village-level institutions and capacities, co-ordinating various government-level departments, and formulating enabling laws and policies. Regular forums of dialogue, from each site up to state and national levels, are urgently required to enable resolution of conflicts and framing of joint projects and processes.

In conclusion, participants reiterated the need for an active network of individuals and groups to push the above objectives. This was tentatively titled the Conservation and Livelihoods Network, and it was decided that Kalpavriksh would serve as the hub to start with.

[This is an edited version of the joint statement and recommendations issued by the 'Third National Consultation on Wildlife Conservation and People's Livelihood Rights', Bhopal, May 1-3, 1999. A group of about 50 wildlife conservationists, social activists, government officials, villagers, lawyers, researchers, and media-persons attended. The consultation was called by Kalpavriksh, Ekta Parishad, and Tarun Bharat Sangh and was hosted by the Ekta Parishad.]

**The Yearbook of South Asian Languages and Linguistics** is designed to be an international forum for the exchange of ideas amongst South Asian linguists. It brings together empirical and theoretical research and serves as a testing ground for the articulation of new ideas and approaches which may be grounded in a study of South Asian languages but which have universal applicability.

## **THE YEARBOOK OF SOUTH ASIAN LANGUAGES AND LINGUISTICS, 1999**

Chief Editor: **RAJENDRA SINGH**

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*Provides new insights into some significant aspects of Indian languages as examined by modern linguistic researchers. It owes its intrinsic merit to excellent reviews on phonology, morphology and semiotics in the context of some important Indian languages. No less significant are the abstracts of valuable papers. Reports on linguistics researches in Africa, Europe, Japan, North America and Southeast Asia provided enrich the contents of the volume.*

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# Building International Institutions to Avert Crises

Ashima Goyal

**International Finance and Developing Countries in a Year of Crisis: 1997 Discussions at the United Nations** edited by Barry Herman and Krishnan Sharma; Vistaar Publications, New Delhi and United Nations University Press, New York; pp 143 + x.

THIS book gives interesting insights into both the problems and potential of international dialogue. The nineties have been the era of globalisation; adopting acceptable international norms has therefore acquired a new urgency in a number of areas, including environment and trade. But most of all, with respect to mobile international capital. For such a dialogue to be successful, participants must of course reflect the interests of their constituencies, but they must also be ready to aid in the discovery of the small subset of rules that are acceptable to all, and that suit new circumstances.

The book is based on the presentations made by invited experts to a committee appointed to report to the United Nations general assembly on 'financing for development'. Since the meeting took place at the end of 1997, the south-east Asian crisis dominated the discussions. The book begins with an overview and a contribution by the editors who belong to the UN. Other chapters are by Oscar de Rojas, Venezuelan ambassador to the UN and chairman of the committee; Michel Camdessus, the managing director of the IMF; Ariel Buira, member of the board of governors of the Banco de Mexico; Linda Lim of the University of Michigan Business School; Arjun Sengupta, member of the Indian Planning Commission; and Gerald Helleiner of the University of Toronto.

The deliberations had an ideal mix: academics, representatives of developing countries and international agencies. Were they able to present and successfully sift their differing perspectives, in the context of the worsening situation in south-east Asia? There are two problems that can arise in such distilling of dialogue. The first is that the view of the more powerful may prevail and the second that only innocuous generalities may survive the process of consensus building.

All parties reiterate the potential benefits of foreign inflows as a source of finance

for development, but agree that both better domestic policies and new international norms are required to make such inflows safer and to raise their productivity. Sengupta notes that now it is possible for private finance to supplement official, even in areas such as infrastructure, and leveraging ODA with private external finance may help bring additional resources to low income countries in Africa that private capital normally ignores.

But what are the differences in positions? The IMF would like 'sound' macro-economic policies that will ensure the safety of international capital and minimise the contagion risk for neighbours. According to Camdessus, countries should not aim to pursue 'unsustainable high growth'. Developing country representatives, on the other hand, point to the danger from the demonstrated herd mentality and volatility of short-term global capital, and would like special borrowing facilities to be made available in times of crisis. The first view is that of the stern patriarch – help yourself first if you want us to help you. Punishment, it is believed, is essential to force the restructuring which is the only way out of a crisis. The second view points out that support and encouragement are required to brave the turbulence of international financial waters. Foreign capital must also share in any punishment, and tax and other measures that would decrease its volatility must be allowed. Debt-equity swaps or write-offs should be facilitated where necessary.

The dialogue in the book occurred at a very early stage in the crisis. How have events validated the positions taken?

It is now widely agreed that the traditional fiscal and monetary tightening imposed by the IMF in the initial stages of the south-east Asian crisis lead to an aggravation. The punishment was excessive and debilitating. It weeded out the weak,

but also made the healthy sick as contractionary policies turned illiquidity into insolvency. What are the correct policies, what are the constituents of good fundamentals, and when does high growth become unsustainable is not so obvious.

These countries had followed very conservative macro-economic policies, and could not be blamed on that account. But a modified form of the patriarchal view has still dominated since the general consensus seems to be that the countries themselves were to blame. Their banks and financial institutions did not follow modern practices, with regard to the regulation, supervision and disclosure of information. Linda Lim underlines this aspect.

But the more serious issue is that while conservative macro policies did worsen the crisis, they may have contributed to its inception. It is not sufficiently recognised that the conservative monetary policies followed by these countries may have partly caused the crisis. Since nominal exchange rates were largely fixed and monetary policies tight, domestic interest rates exceeded international so that domestic financial institutions had an incentive to overborrow abroad. The high ratios of short-term foreign debt played a major role in the cumulative collapse. Since the large gap between domestic and foreign interest rates arose in a regime of large capital inflows, a depreciation of exchange rates was considered to be unlikely. This created the incentive for large borrowing and resulted in high gearing. These countries have been blamed for not creating all the institutions required for markets to thrive, but the market-supporting macro policies they were following fundamentally distorted incentives to borrow. Allowing markets to determine the exchange rate would not have helped, because, in the context of large capital inflows it would only have appreciated, and lead to an even higher expected future depreciation to equate short-term domestic to foreign interest rates, under a tight monetary policy. Sound macro-economic policies are required, but sound policy has to be more context sensitive.

Although the patriarchal view has dominated in analysis of causality, the rapid recurrence and severity of financial crises, have the potential to hurt the patriarch also. Therefore international organisations have also become more open to



the 'soft' view in considering future reform. Ideas of lowering the mobility of short-term international financial capital; forcing it to share in the costs of adjustment; creating special financing facilities; greater transparency and accountability for international institutions; lower domestic interest rates and managed exchange rates are gaining acceptance. But there is a worry that resorting to a special facility will signal weak fundamentals, and precipitate a cumulative crisis, much as the large devaluations undertaken in south-east Asia actually provoked a greater outflow by signalling problems. Therefore, as Buirra argues, special financing facilities are required before and not after a crisis.

In 1999 south-east Asian countries are beginning to recover. South Korea is expected to grow at 2 per cent and Thailand at 1 per cent. They are following the V-shape observed after the Mexican crisis of 1994, although the recovery is less rapid because of the initial aggravation and widespread contagion. The V-shape was not observed in the Latin American crisis of the eighties, partly because it took much longer to negotiate rescue packages. The international community has learnt from the crises since recovery has been faster in the nineties compared to the eighties. But it can be argued that there is a moral hazard in rescue packages. The signal of Mexico to the investing community was that they would be bailed out by the IMF, and this may have made them careless in lending and been part cause of the south-east Asian crisis. Therefore attention has to turn to measures of prevention in the light of experience. While recovery is faster the frequency of crises has also become greater – this is the circumstance that may force the powerful to share in penalties, so that the developing country view may be translated into policy.

The resolutions adopted by the 52nd session of the general assembly, based on the recommendations of the committee, and reported in an appendix, are an indication of this. They reflect Helleiner's position that increasing integration of developing countries raises risks to them but also to the world economic system. Therefore it is necessary to give them a larger voice in international institutions. Developing countries do have to restructure and adopt efficient financial practices, but international norms that make capital inflows safer are also necessary. And then perhaps the new mobility of global capital can help provide more funds for development and usher in a prosperous new century.

More detailed recommendations for institution building are required than are available in the book, but if past events lead to a softening of the patriarch

a win-win outcome is feasible. The 1997 discussions at the UN indicate a direction that continues to gather strength today.

## Accountability in Defence Establishment

Gautam Navlakha

**Arms Procurement Decision-Making, Volume 1: China, India, Israel, Japan, South Korea and Thailand** edited by Ravindar Pal Singh; SIPRI, Oxford University Press, 1998.

FOR most non-experts writing on defence related matters, it is frustrating to first try to locate sources and then make sense out of inadequate information. Those who have access to official sources are hamstrung by their dependence on their sources to provide any critical or independent thinking. Very often it is crisis or scam that helps reveal the decision-making processes. This obliges one to tread carefully lest partial explanation results in biased understanding. The book under review has to be appreciated against this background.

There are six case studies organised around four major themes: military and politico-security issues; budget, financial planning, and audit issues; techno-industrial issues; and organisation behaviour and public interest issues. This is followed by comparative analysis. The underlying assumption in trying to understand "the barriers to the promotion of accountability" is to contribute to "arms procurement restraint" and eventually promote a "stable and durable peace". The book addresses the problem between the public's 'right to know' versus the government's 'need to know'. For us in India this debate has acquired a life and death meaning since the nuclear weapons test in May 1998. Not only was this decision taken by a coterie without strategic defence review before or after the explosion, but neither the cabinet nor the parliament was taken into confidence. And all this against the background that the ministry of defence turned down the request of the standing committee on defence for a written defence policy document. And yet since 1980-81 India's defence spending has been rising at a furious speed, and parliamentary control of the defence allocation has virtually non-existent. This underscores the importance of this study because it shows what the process is in each country, where they differ from each other, and the

inadquacies of the institutions in the six countries when it comes to exercising legislative control.

The six case studies are uneven, and not all provide answers to the questions posed by the study. For instance there is little information available on the very first issue which encompasses threat assessment and long-term planning. While China has prepared and published a white paper on defence in 1995 this excludes security concerns but provides manpower reductions, defence spending, military-industrial conversion, technology controls and arms control obligations. In contrast there is no written defence policy document available in India. Japan's threat assessments are influenced by the US through the new guidelines for US-Japan defence co-operation, signed in September 1977. While the US plays an equally important role vis-a-vis South Korea the recent decision of the South Korean government to reject the theatre missile defence offered by the US in contrast to its acceptance by Japan and Taiwan shows the different trajectories relations have taken. Significantly, the stance of South Korea on the US offer of TMS shows that there is an effort to restore civilian/legislative control over the military which has ruled South Korea for almost four out of five decades as well as that the government is committed to improving ties with North Korea much against the received wisdom of administrations in the US, Japan, and other busybodies. The study also shows that all the six countries provide an unitemised budget, that formulation of policy is the prerogative of the military and civilian bureaucracy, with varying equations between them but tilting in favour of the security establishment and the regime of secrecy (called euphemistically 'confidentiality').

Be it threat assessment, budget making or audit of expenditure, the problem is



rightly understood as a need for public accountability. But what institutional arrangement is required to reach this goal? How is this to be brought about when threat assessments are rarely, if at all, discussed, information asked for can be refused, data can be embellished, members of legislatures have no independent monitoring or access available to enable them to exercise control over government? Legal and constitutional provisions too do not help matters. For instance Article 9 of the Japanese constitution notwithstanding the budgetary allocations for 'self-defence forces' are stupendous at 1 per cent of GNP. The study lists various barriers to 'developing public accountability norms' but does not venture into delineating the requisite institutional set-up to reform this. For instance the study cautions against "excessive military autonomy in security policy-making and arms procurement decision-making". But this, it says, can be removed through better co-ordination between foreign and defence policies. This obviously implies that bureaucracies between themselves can sort out the differences and that improvement in the intestines of the security set-up would result in accountability. To reduce 'accountability' to mere 'co-ordination' between one branch and another is to rob the keyword of its meaning. In each case it is the security apparatus, i.e., military-civilian bureaucracy and intelligence that prepares the assessment. Once a draft is presented, the study reveals, there is little questioning of threat assessment or other assumptions to an extent where legislative oversight often becomes a mere formality to be gone through. As a suggestion, therefore, it is a non-starter because public accountability means legislatures can question, probe, scrutinise, modify, change, etc., the assessment, policy, and action-plan. In any case compared to the current paucity of information, any accretion in our understanding would go a long way to enhance public awareness and participation.

The book is dismissive of the role of the NPC in the case of China being able to influence defence decision-making. However, in none of the other five countries is the institutional mechanism sufficient to allow for transparency and accountability. The six reports highlight the absence of any input or feedback that people's representatives can make to security analysis, formulation of policy, allocation of budgetary resources, etc. The role of the security apparatus, in preparing threat assessment, etc., with

the control of inflow and outflow of information to the public denies the representatives a chance to pose questions or demand explanations over matters related to 'national security'. Nor do the legislatures have their own body of experts to check and cross-check or scrutinise and verify information. Indeed if we exclude China and India, then the rest of the four countries with their strategic relations with the US and dependence on the US for arms, to large degree suffer influences which fall outside legislative control. Not only do the threat assessments get coloured but even procurement policies get determined. Admittedly there are various degree of closeness between the US and each of the four countries. But crucial decisions about indigenous development of weapon systems or perception of threat are influenced. Thus Japan is willing to accept TMS offered by the US ostensibly against North Korea and obliquely against China. But South Korea has chosen to reject this offer. In the case of Israel the decision to give up indigineous development of weapons was determined by the US offer of military grant to it. As a result more information about these four countries is available in the US than in the countries themselves.

Again much is made in the study of the poor levels of knowledge of security matters, prevalence of traditional or non-institutional means of influence, etc. While all this could be true, they are not the cause but a result of the regime of 'confidentiality'. What is also forgotten is that for public accountability to be the guiding principle, power of the parliament to demand information, monitor budget and expenditure has to be established under law. The exact balance between right to know and need to know has to be defined and demarcated in a way that supremacy of the parliament is not compromised. This would mean that there can be no bar to parliament receiving or demanding information from the government. Whether or not this information should be publicised, or what can be and what ought not to be publicised should be strictly governed, without disallowing parliament or its committees from exercising control.

Finally, one immense sense of satisfaction in reading the book are the footnotes which identify where to look for information and also are in themselves rich sources of information. This icing together with the focus on 'accountability' makes this a useful and timely book.

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not liable to such mercurial fluctuations. This is why it is important to establish universalistic norms to which there must be an overall collective allegiance. Citizenship becomes relevant in this context as it is a universal status that is equally bestowed on every individual within the nation-state. This is what prompted T.H. Marshall to comment that citizenship has a 'tendency towards equality' [Marshall 1977]. This is also why citizenship is a modern concept as rights of citizens equalise people who may otherwise be very different in terms of wealth, power, status, or achievement.

The phrase 'tendency towards equality' has several implications. First it signifies that citizenship does not make people substantively equal at one stroke, but provides the basic conditions for attaining this objective. Secondly, citizenship is, therefore, not a passive concept but is one that must be realised actively in practice [see also Walzer 1987: 216; Turner 1990:207]. Finally, citizenship is a status with a role attached that favours a certain direction, or 'tendency' in the fulfilment of social goals or projects. Citizenship is then a dynamic concept in the sense that it creates fresh tasks for itself in the quest for greater civic freedoms. The manner in which universal franchise was achieved, and the way in which rights expanded from the civil to the political to the social, are examples of this forward drive [Marshall 1963: 76,81].

It is because of this perpetual quest to realise greater freedoms that liberal democracy is today concerned with the question of protecting cultures and in figuring out the most acceptable modalities for doing so. As Will Kymlicka correctly states, "Finding a way to liberalise a cultural community without destroying it is the task that liberals face in each country" [Kymlicka 1989: 170]. The problem then is to be able to address particularistic demands within the framework of universal norms, in this case, those enjoined by citizenship. The advantage of factoring in citizenship in advance lies in enabling us to consciously steer clear of getting nostalgic about tradition, and also in realising that any reconciliation of particularism with universalistic norms must be found in the modern context of a liberal democratic nation state. Citizenship, as we know too well, is impossible to imagine in ancient and medieval societies where monarchies, empires, chiefdoms, but not nation states, existed. It is, therefore, only at the level of the nation state that citizenship can have any substantive meaning and value. This

emphasis on the nation state is quite in keeping with our project of liberalising particularistic demands on the ground rules set by modernity, as the nation state too is a typically modern phenomenon.

#### MINORITY DEMANDS AND LIBERAL DEMOCRACY: ON RIGHTS AND DUTIES

There have been a variety of particularistic demands ever since democracy made all communities and individuals theoretically equal. Disputes that used to be settled by war and bloodshed in the past, are today carried to courts, tribunals, and, as is most frequently the case, to the hustings. Cultural differences and confrontations are no longer episodic in character, but a daily, routine grind. It is therefore imperative to be able to establish ground rules and foundational principles for resolving such disputes without endangering the foundations of liberal democracy.

It need not be dilated at length that democracy is not just about majority rule, but also about protecting minorities, both political and cultural. It is not so much magnanimity that compels liberalism to be favourably disposed towards particularistic demands, even when they are voiced by minorities. In pre-democratic, absolutist regimes minorities could only depend on benevolence and magnanimity to survive. In a liberal democratic society, however, minorities are protected for very selfish reasons. The most significant being that minorities keep alive options that the majority might one day want to switch over to. They provide alternatives in what would otherwise be a closed set up that allows little possibility for further development and refinement of the majority community, no matter how it is defined or how it comes into being. This is why it is important to be vigilant, and not allow democracy to slide into becoming a species of majoritarian rule.

The fact that particularistic demands are an issue in democratic societies is because of liberalism's sensitivity to minority claims. Normally minorities are seen in terms of language and religion alone. This is entirely an outcome of convention and there is no analytical reason behind it. Consequently, such a restriction is really quite arbitrary. But if the resolution of demands that stem from particularistic cultures were made the dominant concern, then it is easy to enlarge the scope of minorities to include all those whose particularistic demands go against what is attributed as the majority position.

The claims of particularism are always made in the language of rights. It is thus

rights to nature, rights to culture, rights to religion, right to a certain form of livelihood, and so forth. It must be clarified immediately, that it is not as if such demands are accepted 'rights' in every case, but that they are always made in the language of rights. Sometimes the vocabulary of rights is used illegitimately. This is because, as we shall soon see, not all these demands can be accepted by a liberal democracy without endangering its basic rationale. And when such illegitimate demands are accepted they inevitably leave a telling and debilitating mark on the body of a democratic society. Ultimately, once again it is really a question of the principles on the basis of which particularisms can be given room within the overall framework of the universalistic norms of citizenship.

In order to flesh out citizenship in a substantive fashion and not let it languish simply as a legal title, the duties of the nation state must also be clearly postulated. It is said that there are no rights without duties. But rights are what we demand from the state, and duties are what we fulfil by virtue of being members of the state. In doing our duties we are not realising ourselves directly as much as we are making the conditions in which such realisations possible, in a general sense. The duties of the state are thus fashioned keeping in mind the dignity of the individual and individual rights. This is yet another departure from tradition.

In tradition, rights never occupied centre stage, it was always duties: duties to king and emperor, duties to the community, duties to parents, and so on. An individual had no locus of his or her own in society. It was only through membership in a community that a person received an identity. It is then rather anachronistic that Article 29.1. of the United Nations Universal Declaration of Human Rights [1948] should insist that "[e]very one has duties to the community in which alone the free and full development of his personality is possible." To lay down such duties to the community is a backward looking resolution. Modern liberal democracy makes it quite clear that only citizenship can enlarge one's potentialities for development. A community can be very uncaring about individual freedoms or about the rights of citizenship.<sup>1</sup> For this reason Albert Hirschman said that a citizen should be able to choose the right to 'exit' from the community. Hirschman goes further to give the right to exit from the community greater weight than the right to voice within the community [see Walzer 1983:218].

In modern times citizenship gives rights first, on the basis of which duties are spelt out. But these duties are not at the level of the individual but at the level of the state. In meeting these duties a citizen must respect other citizens as individuals before anything else. "Hence citizenship", according to Walzer, "has a certain practical pre-eminence among all our actual and possible memberships" [Walzer 1992:105].

So even when some of the exponents of particularistic demands are nostalgic about 'tradition', they continue to frame their claims in the language of rights. This itself reveals a very modern perspective and a very modern attitude. When demands are cast in terms of rights the direct implication is that as citizens every individual has a right towards self-realisation. Liberal democracy must therefore make sure that the conditions for such realisations are protected. Even when demands are made that traditional methods of livelihood be protected it is because certain individuals find those to be the best vehicles for their self realisation. It is not as if tradition is to be retained as a good in itself. In most cases, however, it is misplaced romanticism that furthers the belief that people want to stand by traditional forms of livelihood even when modern alternatives are available.

For example, Gandhians in the Vedchi programme in Valod district in Gujarat, India, discovered to their dismay that tribal students did not want to learn about agricultural techniques, or about spinning cotton, or about handicrafts. Instead they wanted to learn English, science and mathematics which would help them towards, what they considered, was a better future [Shah 1986: 212-3]. In tribal movement for land rights too, urban activists are more keen than the tribals themselves to remain "close to nature" [Baviskar 1997: 215].

In the traditional regime of duties the state and community were superior to the individual. In the modern regime of rights the individual comes before membership to any other organisation. In modern democracies the shoe is really on the other foot. It is now up to the state to perform certain duties so that individuals can exercise their rights, without the strong and the privileged always prevailing over the weak. The tension between particularism and universalism can then be restated. The accommodation of particularistic demands in a universalistic framework should be further understood in terms of how particularistic demands, expressed as minority rights, can be reconciled with the legitimate duties of a

liberal nation state. As Rawls argues, it is not a question of balancing altruism with selfishness at all. This is because "persons need one another since it is only in active co-operation with others that one's powers reach fruition. Only in a social union is the individual complete" [Rawls 1971:525; see also Rousseau 1913, especially Book I, Chapter VI; see also Rawls 1974].

#### FOR A MINIMUM SET OF RESEMBLANCES

It is at this point that Durkheim should be read into liberal theories, particularly into the contributions of John Rawls. Like Rawls, Durkheim also believed that individualism comes into its own only at a particular stage in history. Individualism too is not equated simplistically with contracts, for in a situation of inequality contracts often allow the strong to exploit the weak. It is for this reason that though formal individual liberty and contract were necessary, Durkheim felt there was still so much left to be done to regulate the activities of the modern state [Durkheim 1957: 31; see also Durkheim 1961].

To understand the duties of the state it is better to recall Durkheim's *Division of Labour in Society* (1933). As is well known Durkheim contrasted societies with mechanical solidarity against those with organic solidarity. In mechanical solidarity, people cohere on account of their sameness, but in organic solidarity, cohesion is brought about by a division of labour. While all this is familiar terrain what needs to be attended to is that the contrast between mechanical and organic solidarity should not be seen as a dichotomy. In other words, for Durkheim, while there can be societies based solely on mechanical solidarity, it is impossible for a society to exist on the strength of organic solidarity alone [ibid: 398, 405; see also ibid: 290, 360]. For organic division of labour to establish itself it needs the substrate of mechanical solidarity. Mechanical solidarity provides the basis on which organic solidarity can grow.

The fundamental principle of mechanical solidarity is resemblance. If organic differentiation were not established on mechanical solidarity then society would cease to be a collective enterprise. This basic sameness not only brings about mechanical solidarity but also provides societies with their moral core [ibid: 298]. This is why Durkheim pointedly asserted that "one's first duty is to resemble everybody else" [ibid; emphasis mine].

It is still not clear though how this 'first duty' (mark the word 'duty') to resemble everybody else can be worked out. But this

much is certain that such a duty cannot exist in hierarchical caste structures or in feudal societies. It is only in democratic societies through the medium of citizenship that the first duty to resemble everybody else can be approximated.

Resemblances in this case, i.e. in the sense of 'first duty', should not be understood in terms of similarities of actual goods that people possess or in terms of isomorphic aesthetic preferences and lifestyles. If to resemble should be our first and not last duty, then it is only to ensure that the tenet of equality of opportunity is effectively realised by equalising the basic conditions for competition. Rawls principle of justice as fairness only says that offices should be open to all [Rawls 1971: 124]. But what if people never get the chance to earn those qualifications necessary to fill that office?

A minimum set of resemblances, as articulated by Durkheim, can then be understood as a set of practices that are open to all individuals so that they can acquire socially useful assets in terms of skills and talents. This would minimally mean access to education, knowledge, and health. This should minimise the differences that come with family backgrounds and with the accidents of birth.

If the core of citizenship is consolidated by a minimum set of resemblances made up of practices that allow people to acquire socially valued skills and talents, then individual differences will be a matter of choice, and not birth [see also Rawls 1971: 102, 218; and Dworkin 1977: 141-150]. Lord Marshall very perceptively noted that the "uniform status of citizenship ... provided the foundation of equality on which the structure of inequality could be built" [quoted in Marshall 1963: 91].

This is an important clarification that needs attending to. The uniform status of citizenship should not be confused with perfectionist utopias that visualise equality in all respects. This is why the provisions for attaining this basic set of resemblances cannot be equated with ultimate goods. What the basic set of resemblances entails is that the conditions for acquiring socially valuable skills be realisable open to all. Without this the most systematic and generalised possibilities of inter-subjectivity, on which liberal democracy is based, would be perjured.

This also means that if sectional privileges run counter to the building of this minimum set of resemblances then there is little reason to support their continuation. Minority rights then become legitimate only when they do not prevent members of that community, or of any

other community, in gaining access to skills that are prized in the society as a whole. Therefore, if certain sections of the population insist that women from their community should not be allowed access to secular educational facilities, or to work outside the home, or that polygamy should be legalised, a liberal democratic state has no alternative but to oppose them. Any concession on these matters would immediately consign women to a second rate status and thus thwart the attainment of a minimum set of resemblances.

Likewise, those observances of minority communities that do not come in the way of consolidating such resemblances can be allowed to exist. The conflict over headress worn by Islamic women in France was a needless debate [see Hervieu-Leger 1998]. The headress did not interfere with the acquisition of either education, or other skills required to maintain and develop the minimum set of resemblances. The right to worship, or the right to learn heritage languages, are other such issues, which do not ordinarily come in the way of promoting a minimum set of resemblances. Therefore, when particularistic demands do not contradict the making of a minimum set of resemblances they can, and should be, accommodated within the universalistic framework of citizenship. This would enjoin the state to be active in maintaining its obligations to perform duties and not adopt a cultural laissez faire attitude [Parekh 1995].

With this perspective in mind let us now examine the Indian examples of particularisms. As we proceed with this paper there will be many occasions to return to the themes of citizenship, particularly of the notion of minimum set of resemblances as has just been enunciated. India, on the face of it, is a very inhospitable locale for cultivating this minimum set of resemblances. A closer examination will however yield a more sympathetic reading. Though India is a vast storehouse of cultural differences, this has not meant a collapse of universalism, albeit universalism has been under considerable stress in this country. In some cases, at least, universalism has suffered because there is a lack of clarity regarding citizenship and what are legitimate minority demands. Often enough, minority spokespeople have been given greater legitimacy than they should have been given as they were not made to pass the acid test of whether or not they uphold the development of a "minimum set of resemblances". Any attempt to block opportunities to attain this minimum set of resemblances cannot be encouraged within the conspectus of citizenship and

liberal democracy. If individuals should choose of their own accord not to exercise the right to access those areas of opportunity that provide for the development of a minimum set of resemblances, then it is an option they are free to adopt. But this choice should affect only them and nobody else – not their families, not their children.

In India there are two major issues around which particularistic demands have been put forward. The first concerns the right to nature and to products of nature, and the second has to do with religious and community rights. Let us see to what extent such demands carry legitimacy and the extent to which they can be met by a state that adheres to liberal democratic principles.

#### RIGHT TO NATURE

This demand is usually made by those whose means of livelihood are under threat on account of incursions of the technologically superior market economy. Typically people like the fisherfolk or tribals play a primary role in agitations that revolve around the issue of right to nature. This is quite understandable for fisherfolk and tribals are threatened most directly by agencies of contemporary market forces, such as large-scale trawlers and timber contractors, respectively.

At this stage it is important to analyse what exactly do fisherfolk or tribals hope to protect when they demand their right to nature, as it were. Do they want to continue fishing and foresting the way they used to without any hindrance? Do they want superior access to the marketability of marine and nature products? Do they also want to protect their cultural artefacts, cuisine, and aesthetic productions? In my view the answer to the third question is dependent on the first two. If fisherfolk or tribals want to change their way of life they would not really be interested in holding on to their ancient crafts in the same fashion as they used to earlier. Artefacts would get genuine patronage if the producers of such goods are interested in continuing with such productions and find them socially viable.

Fisherfolk do not just fish: they fish using traditional methods and are threatened by technologically superior trawlers. Fishing will continue even if small-scale fisherfolk die out. The case of forest dwelling 'tribals' is somewhat similar. Outsiders too threaten them. Though there are obvious differences between fisherfolk and forest dwellers, they do not immediately concern us here.

When fisherfolk protest against large-scale trawlers and claim a prior right to

the produce of the seas then on what basis should their demand be entertained? In this connection the following questions become relevant: (i) Is it that small-scale fishing is intrinsically valuable and worth protecting no matter what its social costs are, or what damage it causes to those who want to bring in trawlers? (ii) What kind of fishing would the fisherfolk like to practise if realisable alternatives were provided to them? Fishing their way? Or with trawlers? (iii) Finally, what alternatives exist for fisherfolk other than to fish in one form or another?

If the answer to the first question is 'yes' then it must justify why the damage done to trawler operators is of little consequence to the society. An unqualified 'yes' in this case can only exist if the society decides to be autarkic. In which case there is no scope for further development of social skills. Though this satisfies the argument for sameness it is only at a gross level, the sameness is not of the kind that can be a springboard for higher levels of differentiation and specialisation. For this reason such an option is not an attractive one for liberal democracy to adopt.

The second question throws up more interesting possibilities. If, for instance, fisherfolk are given the opportunity to operate with trawlers and yet refuse to do so, then the market situation should prevail. The fisherfolk are fully aware of the limitations of the old form of fishing, but if they choose to continue with it, the state can do little to intervene. It cannot protect fisherfolk without harming the interests of the trawler-based operators.

Should fisherfolk choose trawler-based fishing but if they do not have the wherewithal to pursue this option, how then can their demand be met within the optic of universalism? This indeed is the option, and it deserves to be considered in greater depth. Most fisherfolk would like to use trawlers, but oppose their introduction because they lack access to this higher form of technology. The issue then is how to formulate state interventions that uphold the universalistic spirit of liberal democracy, and yet give fisherfolk realistic access to trawlers. In this case, as well as in many others in which state intervention is called for, the results are not immediate.

It all begins with setting in motion a process that would first break through the carapace hardened by the inactivity and unconcern of earlier regimes. Given the fact that the generation of minimum set of resemblances is a project that cannot be realised in one swift motion, it is necessary to build conditions that over

time will help in its actualisation. Time features yet again, as the minimum set of resemblances is also a moving and dynamic quotient that needs to be constantly scaled upwards. Given this implication of time, all projects towards attaining the minimum set of resemblances have to be future-oriented in which the initial small steps can later lead to marching with larger strides.

Against this background, if fisherfolk prefer trawler-based fishing but are unable to put this preference into practice, then the state can come in by giving the fisherfolk the first claim to the use of this advanced fishing technology. But on what grounds can the first claim to trawlers be reserved for fisherfolk? Why should the more affluent trawler operators not object that such a policy is causing unjust harm to them?

We can begin by rejecting this objection with the help of Rawls. Rawls' difference principle whereby the more privileged classes should not be allowed to prosper at the expense of the 'worst off' [Rawls 1971: 60, 124, 132, 199] can be profitably invoked at this juncture. But the difference principle holds only if fisherfolk would like to be trawler operators themselves but are held back for want of funds and resources. In case the fisherfolk refuse the option altogether, then it is the market principle that will become effective. In which case it will not be John Rawls but Ronald Coase who will become relevant [Coase 1960: 16-19].

By giving the fisherfolk the first claim to the use of trawlers both autarky and atavism are put to rest. Neither is the first claim being given to fisherfolk because they need to be compensated. The fisherfolk have prior claim for two reasons. If they are not protected then the better off can call on pure market forces and their callous determination, to decimate the worst off. This denouement is far from what Rawls would consider as being 'fair'. But to be fair is not the same as being impartial. A liberal democratic state must be fair and not impartial and it therefore should not act simply as a night watchman.

The second reason to give the fisherfolk first claim to trawlers is because that would be the quickest way of making the worse off better than what they have been thus far. The fisherfolk could profitably use the knowledge base the community has gathered over years and generations to launch into trawler fishing and do so successfully. As the democratic state is committed to making higher levels of technology, and indeed all forms of knowledge, accessible to all, it would be unfair not to give the

fisherfolk an opportunity in this matter. This is particularly so because the fisherfolk have a foundational knowledge in this field that is held back from forging ahead simply on account of insufficient economic resources. The prior privileges of birth and wealth should not by themselves allow a class such as that of international trawler operators to dominate over others.

Once the community of fisherfolk stabilises itself at a higher level there is no need for protecting and privileging them any longer. The level playing field should then come into operation. In the meantime the policy of favouring the fisherfolk is in keeping with the fact that though the attainment of minimum set of resemblances is future oriented and spread out over time, efforts must nevertheless be made to reduce the time element as much as possible. Democracy, in any case, encourages a definite sense of impatience. It is for this reason that policies initiated by liberal democracies are also judged in terms of how quickly they come into effect. Things are supposed to happen in one's lifetime and in the not too long run.

The policy of giving the under privileged fisherfolk the first right to higher forms of technology easily accommodates the particular interests of the community with universalistic imperatives of citizenship. This model can be used in the case of other under-privileged communities as well with appropriate modifications. That such a scenario can be envisaged at all is because we are no longer wedded to the ideal that traditional communities should preserve their traditional methods. It is more important to begin by first assessing the felt needs of these people, and then to make sure that the attainment of the minimum set of resemblances takes place in the shortest time possible. If such a community refuses to garner socially valuable skills after the avenues to do so have been made available to it, then its economic misery cannot be alleviated by any liberal democratic universalistic format. Protection of a mode of livelihood for its own idiosyncratic sake can hardly be on any liberal democratic agenda. To hold back knowledge in perpetuity is against humanity and causes unjustifiable damage to those who want to exploit it to their advantage [see also United Nations' International Covenant on Economic, Social and Cultural Rights, 1966, Article 15.1.b].

The rationale for giving fisherfolk the first claim to technology is analogous to the manner in which liberal democracies set up minority educational institutions. State funded minority institutions are not

for furthering sectarian knowledge. Elements and emblems of minority culture are protected in these institutions not for their own sake but for creating a larger pool of people with a minimum set of resemblances. Familiar settings allow these newer skills to be absorbed much more efficiently than would have been possible otherwise. In this process the society as a whole would benefit and prosper. If the democratic duty of the state is to enlarge the socially useful knowledge base and enhance skills it is more efficient to purvey these in an atmosphere of familiarity rather than in one of alienation. Likewise, for the fisherfolk too it is much more efficient to start them on the road to attaining the minimum set of resemblances on the basis of a knowledge base over which members of this community have some control. This would help fisherfolk to attain the minimum set of resemblances on a much surer footing, and, what is equally important, in a shorter period of time.

Building on the knowledge base of under privileged communities is clearly not the same as protecting this knowledge so that an alternative lifestyle does not become extinct. This is what Will Kymlicka advocates in a number of ways [Kymlicka 1989: 165-7; Kymlicka 1995: 108-115]. Kymlicka would like such communities to be preserved intact because perhaps some day their lifestyle will give others an active option. The question really is: how are such ways of life to be maintained? If the people themselves want to move out of their earlier modes of livelihood when they are given the option to do so then it would be a waste of precious state resources to artificially prop these antiquated systems in a theme park fashion - and this time on scarce public resources. State support of moribund ways of life is really the work of a willful culture commissariat, and does not really behove of a democratic nation state.

#### MINORITY RIGHTS

In order to address the issue of minority rights it needs once again to be mentioned that elements of culture that do not discriminate between individuals on account of birth, nor come in the way of creating a minimum set of resemblances should on no account be proscribed. Nor is it that the minority always makes things so testy for democracy. Both minority and majority communities could be equally guilty of occluding the free development of a minimum set of resemblances. The problem however is that when the majority community blocks the attainment of a minimum set of resemblances, very little

attention is paid to it. Majoritarianism calmly stands in for democracy and most people do not see the contradiction. It is only when minorities become culpable on such issues that a great degree of public controversy is generated. For example, while there are many provisions in traditional Hindu laws of succession that discriminate against women, it is the Islamic code bill, particularly the provisions relating to marriage and inheritance, that are routinely subjected to political criticism.

Predictably, issues of this sort tend to get a religious and sectarian orientation. If left unresolved over longish periods of time, the chances of inter-faith mistrust and even violence become imminent. In contemporary India secularism often appears as an embattled ideology, no longer sanguine about its future. To a large extent it is because the Indian state has neither been quick or adroit enough to disarticulate sectarian prejudices by demanding that we all, majority and minority alike, inwardly introspect and weed out antiquated customs. But sectarians, both of majority and minority communities, have held up this process largely on account of our misreading of secularism and minority protection. Most public defenders of secularism view minorities as static entities that should be protected without putting them under any liberal pressure. Hindu sectarians, on the other hand, would like minorities to dissolve their specific diacritics completely and submerge themselves into what they consider to be the 'Hindu way of life'.

Against this background it must also be said that it is not as if Hindu sectarian politics have been consistently triumphant. In fact, India's career as an independent nation state has largely been one that has spurned Hindu sectarianism. That the Bharatiya Janata Party (BJP) leads the ruling coalition in India should not obscure the fact that it is constantly forced to officially hold back, if not publicly distance itself from, any expression of hostility towards religious minorities. This is because there are other members of the coalition who do not endorse Hindu sectarianism the way the BJP does. In other words, both the so-called 'secular' and 'communal' political alternatives co-exist in contemporary India.

If we shift our attention from secularism, which is an ideology, to secularisation which is a process, we realise that both the existence of multiple political options, and the fluctuations in their political fortunes, are very much par for the course. It is this that heightens fears among

religious minorities, particularly during those phases when majoritarianist sectarians gain a political edge.

In seeking to protect religious minorities various policies have been contemplated, and even put into practice. These range from devising special code bills for religious minorities to setting up of minority educational institutions. These provisions are put in place in the hope that they would enable minority cultures and practices to survive and make the atmosphere against them less hostile. To a large extent this takes care of Kymlicka's fear that without specific legislation minority cultures might die out [Kymlicka 1995: 111]. But this does not mean that those aspects of minority cultures that go against the basic freedoms and inhibit the attainment of a minimum set of resemblances among its members should receive support. On this issue, Kymlicka is far from being unequivocal. Therefore, it should still be up to the state to decide which aspects in the culture of a minority community [and majority too] can be protected, and which other aspects of culture have to be jettisoned.

If the test is the extent to which cultures respect basic freedoms, which includes the freedom to acquire the minimum set of resemblances, then there is little need to legislate in terms of blanket cultural protection. As wearing a turban, or a head-dress, or learning a language, does not in any way restrict basic freedoms (as long as they are not forced upon members of the community), nor come in the way of substantively realising a minimum set of resemblances among members of the community, any objection to them is clearly an example of majority prejudice.

The minimum set of resemblances in no way enjoins cultural homogeneity. As a matter of fact the emphasis on these minimum resemblances undercuts the cultural homogenisers' programme altogether. Thus the existence of different aesthetic styles, languages and rituals in no way impedes the development and consolidation of citizenship as long as the free access to acquire the minimum set of resemblances is open to all.

This should also temper to a certain extent Robert Bellah's argument on civil religions [Bellah 1967]. For Bellah civil religion in America has brought about a rather general agreement on the public symbols of the state and on how public rituals should be performed. Though much of America's civil religion originate in Protestantism, public emblems and rituals have been sufficiently de-theologised. They no longer possess any religious

significance and have gained an independent status of their own. If there is a general consensus such as this, and the religious provenance of certain public observances, including weekly holidays, have been sublated, then it is all for the better. Yet, at one level this is all very fortuitous. What if such an agreement has to be negotiated? What if charges and counter charges are being traded between members of different linguistic and religious communities? It is here that the notion of a 'minimum set of resemblances' again becomes relevant.

Matters like weekly holidays and official language can be a source of great irritation. Hindus might demand Tuesdays and Muslims Fridays as the weekly day off. In addition, different linguistic groups may clamour that their language be the official one. Obviously, a universalistic policy is required to sort out these particularistic demands. The most obvious solution would be to yield to majoritarian inclinations in all such instances. Though this may win a temporary reprieve, the chances are that it may also alienate minorities within the nation state. Even when the end result of any deliberation on public policy coincides with majority preferences, the rationale should always be one that is informed by liberal democratic considerations, and not majoritarianism. This is because majority opinion when given free rein can be stifling and intolerant in its hubris.

While democracy should not be equated with majoritarianism, neither should it be the case that legislation should create more problems than it resolves. A weekly holiday, which is Friday, would spell havoc in a non-Islamic country. If the official language of a country were that of a minority community that too would be inviting chaos on a very large scale. As citizenship is not a solipsistic venture, the preferences of the majority community make it convenient for citizens to work together. This should not prevent the state subsidising the teaching of minority languages if the membership of a particular community is above a critical minimum. Even if the state cannot satisfy all minority languages, the fact that a significant number of minority languages are imparted through state support reveals that there is no bias against minority languages as such. At least, if this much comes through transparently it will go a long way in assuaging minority grievances on the language issue.

Likewise with religious holidays too. India grants religious holidays to all major religions on certain significant occasions, though Sunday remains the weekly day off for everybody. Should the majority



community of Hindus demand Tuesday as the weekly holiday at this stage it might arouse anxieties within other religious denominations in the country. As such a move would smack of religious partisanship it needs to be resisted. Let us still consider the worst case scenario.

If the demand that Tuesdays be declared as the weekly day off were very strong, then holding it back would lead to other very deleterious consequences. It would not bring any advantage to minorities, but would on the other hand give a lot of scope for majoritarian sectarianism to grow. Further, it is not in the interest of minorities either that they be given some other day off instead. The counter argument that minorities should get their own weekly holiday is not a credible alternative. It will make it that much more difficult for minorities to attain and maintain the minimum set of resemblances. Minorities would now be at a definite disadvantage as an extra day's work, earnings and instruction will be denied to them. In such matters a delicate balancing of sensibilities is called for. Even here, as we have just seen, the criterion of satisfying the acquisition of a minimum set of resemblances can be very useful. Even if the end result coincides with majority inclination, the rationale for a uniform holiday is not prejudiced against minorities. As it is oriented towards helping minorities attain the minimum set of resemblances and progress further, liberal policy is not hurt unduly if it accepts such a majority demand.

Therefore, while weekly holidays must be uniform, even if in the worst case scenario the will of the majority prevails, minorities should get their share of public holidays on important religious and social occasions. Just as in the case of language instructions, this too might allay the fear of minority persecution. To opt in favour of a majority inclination is not always the same as minority persecution. When majority demands attempt to keep minorities from attaining the minimum set of resemblances, or when majority will is intolerant of minority practices that do not hinder the attainment of the minimum set of resemblances by the minority community, then, as we mentioned earlier in this paper, there is no reason at all why liberal democracy should make any concession to majority caprice.

All is not quite over yet. The inauguration of liberal democracy also means that a public sphere has been set up de facto. The public sphere is not one that is always marked by discussion on rational issues. When cultural matters come up emotion often tends to take precedence over reason.

Even so, while the public sphere can debate cultural questions, the rules of the game are set in advance with the concurrence of all its participants. In making this point I am slightly amending Jurgen Habermas's famous contribution to the conception of the public sphere [Habermas 1989]. As there now exists a public sphere made up of political parties, pressure groups, enterprise associations, voluntary organisations, and so on, the minority community can continuously represent its case even on issues like public holidays and language to a larger audience. Even if their point of view is not upheld *in toto*, their inputs will be an important factor in the formulation of future legislations. What cannot be entertained in the public sphere are those representations that deny basic freedoms, including the freedom to acquire the minimum set of resemblances. The only condition of the public sphere is that decisions taken at this level must be abided by even if they go against the stated position of the contending minority group or community. The minority is however free to bring the issue back as often as it may wish to. Seen in this light minority communities would function rather like enterprise associations as they would willingly abide by the norms of the public sphere.

#### MINORITY POLITICS

While discussing the subject of minorities it is worthwhile to spend some time on how the minority issue is often framed in India. As is to be expected in India minorities are officially visualised as fixed and permanent entities. Once this is done then a series of specific policies are devised such that these communities then become beneficiaries of special privileges. Such special privileges include in some cases a separate code bill, as with the Muslims, special minority institutions, and also special provisions in terms of housing, loans, and educational facilities, as formulated in Indira Gandhi's 15 Point Programme. Why minorities should not be able to pursue education simply by virtue of their rights as citizens is not made clear. The 15-Point Programme makes it appear that if the minorities get educated or find jobs it is because of the largesse of the Congress Party and Indira Gandhi in particular, and not because they are citizens. This is how the minority card gets to be played in contemporary politics.

In dispensations of this sort minorities are first given a fixed and inflexible nature which enables them to then become instruments of political machinations. This naturally gives community virtuosos a special position as individuals within the

community are deemed as unquestioning bearers of tradition. Nowhere has the government unambiguously specified that the desired goal with respect to minority policies is to prioritise the attainment of minimum set of resemblances over meeting purely cultural demands, or rather the demands of the cultural virtuosos. After the 1984 riots against Sikhs, this community has now been added to the list of minorities. It is not clear in what way the Sikhs would benefit from this categorisation. The Sikhs are both economically and politically powerful, and suffer from no social handicaps. By declaring them as official minorities, Sikh cultural virtuosos will now have an added edge to their presence. They will become more dominant and exercise a stronger influence in political decision-making, in addition to cornering a good deal of political patronage. The recent tercentenary celebration of the founding of the Sikh faith was an example of this. The government granted Rs 100 crore for this occasion. This huge sum of money soon became a source of bitter rivalry among different sections of the Sikh community.

The 1993 official notification of the government of India lists Muslims, Christians, Parsees, Buddhists and Sikhs as minority communities. Given the animosities against Christians, Sikhs and Muslims such a listing of minorities may seem justifiable, even 'natural'. But really the basis for such notifications deserves further scrutiny.

What makes a community a minority community is often a history of persecution against its members, but very often it is just a question of numbers, as with the Buddhists and Parsees. Therefore, communities can be deemed as minorities quite idiosyncratically. Sample the following variations: In the *Report on Advisory Committee on Minorities* (May 11, 1949), Muslims, scheduled castes (the so-called untouchables), and Indian Christians were considered minorities [Shiva Rao 1968a, vol 4: 604]. But some years earlier in the Constituent Assembly no less a person than K M Panikkar wanted the nambudiris to be listed as minorities [ibid: vol 2: 259]. The nambudiris incidentally are a very prosperous and influential caste of brahmins in the southern Indian province of Kerala. In the 1932 Ramsay MacDonald Communal Award even the powerful marathas were briefly considered for protection as a minority [Shiva Rao 1968b: 742]. When over 50 years ago Sardar Hukam Singh suggested in the Constituent Assembly that Parsees and Sikhs be given minority status it was turned



down [ibid: 772-73] with no significant complaints coming from either of these two communities. If the criteria for minority classification can be so arbitrary, and once classified, if the rewards to community virtuosos can be so tempting, then it should come as no surprise that even an organisation like the Ramakrishna Mission has staked its claim for minority status.

Does the answer then lie in just increasing the list of minorities as and when such demands come up? What good do such lists really do to minorities in terms of enhancing their participation as citizens? In this context it is worth recalling B R Ambedkar's warning against creating permanent minorities. According to Ambedkar a policy of this sort would create sectional interests from which only minority spokespeople and virtuosos would benefit [Shiva Rao 1968b: 766]. Instead of meeting demands of citizens, the aspirations of those belonging to minority communities will begin to be fashioned and sifted by the exigencies and compulsions of minority politics. Democracy would then degenerate to a game of numbers, vote banks and patrons. The net effect is that members of minority communities end up being much worse off than before. Only their virtuosos and spokespeople thrive, and along with them the minority baiters of the majority community

#### MINORITISATION

Further, the designation of minorities in this fashion has a rather dangerous consequence. It is blind to the process and possibility of minoritisation. Minoritisation breaks protocol and targets those who are not yet official minorities. Minoritisation can make almost anybody into a minority as it does not play favourites. Minoritisation occurs because social dynamics does not allow for any stable relationships between communities to last over time. This is something that the mind set behind minority listing never quite comprehends. Stable relationships between communities, whether characterised by co-existence or otherwise, characterised pre-modern settings, with their slow paced natural economies and settled hierarchies. Modernity, and the unleashing of the process of secularisation, have brought unpredictability in their wake. It is no longer easy to forecast friends and enemies in advance. Sectarians can now come in many forms. Driven by the vicissitudes of contemporary existence, bigotry can create new minorities without the imprimatur of history. The official policy of secularism with its tendency to create permanent

minorities is quite incapable of rising to the occasion and meeting the challenge of minoritisation. In fact the manner in which minority policy is laid out and practised ideologically sanctions street politics to function along community lines.

Minoritisation occurs from the outside. It is not built up by cultural virtuosos within, but by sectarians without. Minoritisation happens without warning and swiftly persecutes a community that had no premonition that it would be targeted in this fashion. This is what happened to Sikhs in 1984 [yes, it can be timed that precisely]. Prior to the killings of Sikhs in Delhi and elsewhere in 1984 they had no clue that they would be hunted and quartered the way they were after Indira Gandhi's assassination. For decades Sikhs were popularly cast as the sword arm of Hinduism, and now suddenly they became Hindu's hated 'other'. During those tumultuous months of 1984 Hindus turned against Sikhs with such bloody vengeance that their much recorded and historically better known hatred towards Muslims was put in the shade.

Likewise, when Shiv Sena came into existence in 1966, south Indians in Mumbai suddenly found that they had become a persecuted minority in the city. South Indians, like the Sikhs, had no premonition of this turn of events prior to 1965 [see Gupta 1982: 71-5]. The Shiv Sena led 'sons of the soil' movement turned all those who were not of Maharashtrian parentage into outsiders, especially the immigrants from south India. An identical 'sons of the soil' movement in Assam converted Bengalis in that province into minorities too, leading to countless deaths, social dislocation, and looting of property.

Minoritisation takes place from the outside by others. Nobody would like to be minoritised, though the same cannot be said for the desire to be placed in the official list of minorities. Minoritisation pays no heed to stated 'minority policies' and can fell with one stroke the most elaborate taxonomy of minorities.

Minority categorisations which form the bases of state policies in several countries, and not just India, are hardly a satisfactory way of dealing with the minority question. As we have just argued, besides fostering divisions on ascriptive bases, such a policy leaves the door wide open for minoritisation to wreak havoc. As minoritisation is disrespectful of previous consensus, or even of standard history, it does not matter how extensively minorities are listed. Such a task will always be incomplete. Anyone could be the next victim, it could even be you. It is for this reason that it is important

to step out of such a framework and consider the question of minorities afresh, without being pressured by minority virtuosos, or by minority baiters. It must be realised that even after juggling with the many criteria for minority status is over, the threat of minoritisation is never really reduced. However, the one factor that remains resolute and indissoluble through all this is that of 'citizenship'.

As minoritisation is unpredictable in character, the next minority could be anyone, even you, it is best to proceed along the Rawlsian 'principle of difference' [Rawls 1971: 76-77]. According to this principle even the legislators are hypothetically behind the 'veil of ignorance' which prevents them from identifying their interests in advance. The veil of ignorance, which was only hypothetical in Rawls, takes on a more substantive and empirical bearing in the context of minority policy-making. As minoritisation is such an unpredictable process with such unpredictable outcomes, a safely ensconced majority community can suddenly be severed from the 'mainstream' and become a minority. This is what happened, at different points of time, to Sikhs all over north India, to south Indians in Mumbai, and to Bengalis in Assam.

With the principle of difference as a guiding thread citizenship is strengthened, for whether one belongs to a minority or majority community the basic rights as citizens can neither be taken away or threatened. One has the right to education, housing, etc, by virtue of being a citizen and not because the community has a benevolent patron. By focusing on citizenship, one can see the deficiencies of those policies that create permanent minorities, and thereby create rifts between citizens. The emphasis on citizenship also diminishes complacency among those who today think that they cannot be hurt by sectarian passions ever. This consolidates fraternity on a more enduring basis as citizenship emphasises the attainment of resemblances, while minority politics thrives on creating, establishing and heightening differences in the name of promoting diversities. But in most such cases the understanding of diversities is limited for it is not really about creating alternatives for citizens as much as boxing people into straitjacketed community grids.

#### DIVERSITIES, ALTERNATIVES AND INTEGRATION

Traditional societies had no conception of diversity for one could not rise above one's location in cultural space to view the entirety. In place of diversity, traditional

societies talked of strangeness, of wildness, of the lack of godliness [see Kluckhohn 1962:69]. Distances in cultural space were ontologically marked. This gave 'otherness' inhuman, immoral and, on the whole, unworthy, qualities. It is only in modern times that differences between cultures started being semaphored in epistemological terms.

Diversity is a positive value today because the nation state has brought about through citizenship a higher level of integration in which differences can be entertained in terms of multiple options. Such an appreciation of diversity never existed in the past though, very often, contemporary exhortations to respect diversity are often couched in traditionalistic terms.

The moral judgment to respect diversity notwithstanding, it is also a fact that the more defined the boundaries between cultural spaces, the lower the insertion of citizenship ethos, and consequently the more backward and traditional oriented a society tends to be. Diversities are not good in themselves. They are good only insofar as they do not conflict with citizenship and with the liberal democratic principle of realistically increasing one's range of options. To protect a Native American lifestyle, or those of the tribal community in India, in the name of diversity is thoroughly misplaced. This not only prevents members of such communities from attaining the minimum set of resemblances, but it also takes the pressure off the state from having to deliver to the under-privileged. The ruling elite can explain away its inaction in alleviating poverty among historically disprivileged peoples by claiming to be community sensitive.

Further, the argument that the cultures of tribals be preserved because it increases the range of options, is really quite absurd. There is no reason why the better off should want to choose to be the worst off. Liberal philosophy is ill equipped to handle collective masochism. Moreover, it is not as if any one can decide to be a Native Indian or even an Irish Catholic just like that. There are strong membership rules that these communities have which would preclude a free exercise of options of this kind.

Diversities are compatible with citizenship when membership to diverse communities becomes a purely voluntary affair. But when diversities block such movements, as they constantly did in tradition, there is little that is worth recommending in them. That diversity even in recent times does not always mean alternative lifestyles but only distinctive

differences can be gauged in the manner in which there are constant problems between different categories of Native Indians in Canada [see Dyck 1992: 827]. Another variation on the same theme can be found in France between 1940 and 1944. After the German invasion of France, the Vichy regime under Marshall Petain, set about to emphasise French cultural purity where "there would be no mixing of modern with antique; authenticity ruled. Groups in one region were discouraged from singing songs or performing dances that originated elsewhere. The performer had to be from the region they represented and costumed in what was deemed to be traditional fashion" [Lebovics 1992:172].

In a modern democratic state diversities are acceptable only when they can actually promote alternative lifestyles and increase the range of choices. Kymlicka seems to accept this position but does not quite emphasise the difference between closed cultural practices and an open door policy towards alternative lifestyles. Generally, communities are not open to others, unlike communists and vegetarians [Tamir 1993: 149] for which reason they fail to pass the modern diversity test.

This should act as a corrective to all those who propagate respect for diversity as an unqualified end in itself. To value the existence of diverse, clearly segregated and distinct practices, is to collapse time scales in favour of returning to the rigidities of the past [see Bhabha 1990:208]. With the establishment of the liberal democratic nation state diversities as recorded by history are replaced by existence of alternatives made up of artefacts, cuisines, and literature of diverse provenances. This allows people a wide range of choices without having to subscribe to, or being locked in, any one community all the way.

Such a process is quite clearly evident in America today. Even the spatial confines of different communities, which till quite recently separated the Irish ghettos, from Polish ghettos, or from Jewish neighbourhoods, no longer exist in quite the same way. The division between these communities was deep enough in the past so that as late as the 1930s the socialist movement was divided into the Jerusalem Socialist Party, the Italian Socialist Party, and soon. Today, a little more than 50 years later, but still within a lifetime, things have changed so much that even Jews have now become 'white folks' [Sacks 1994: 83-4].

It needs to be remembered then that diversity is now a cherished value in America, but this is after traditional boundaries have more or less become extinct in that country. Surveys in America

show that Blacks too are entering White spaces in greater numbers over the last 30 years – 40 per cent of Blacks now hold middle class jobs compared to just 20 per cent in 1960. Today one out of every 10 college students is Black – almost double of what it used to be in the 1960s. Given the fact that Blacks comprise roughly 11 per cent of America's population, the figure of college-going Blacks is certainly very impressive [see Kilson 1983: 85-6]. Additionally, identifying oneself to census enumerators as Irish-American or German-American is a matter of ego-centred preference. Self-identification of this sort is the only way one can relate to cultural heritage as the increasing rate of cross-cultural marriages in America have taken the bottom out of any purist notion of ascription [Sanjek 1994]. Tradition, or some version of it, survives because of the commitment to a self-chosen past by ego-focused culture bearers. It is not a determined community with its strict rules of membership and allegiance that matter at all. This form of diversity is perfectly compatible with democracy, choice and citizenship. It meets the needs of cultural fulfilment without demanding traditional observance.<sup>2</sup>

Diversity is compatible with citizenship only if it does not come in the way of acquiring the minimum set of resemblances. Rhetoric aside, this is apparently how it functions in fact in a country like America, so why should it be any different in India? Or anywhere else? American diversity resists the melting pot theory but in a limited way. If the melting pot metaphor is supposed to signify homogeneity of tastes, aesthetics, religious persuasions and artefacts, then diversity certainly has a different manifesto. But diversity American style, is certainly not intent on creating autonomous cultural enclaves. The credo of diversity gets activated only in areas where culture does not come in the way of prosperity and material advancement. It now remains for America to self-consciously accept this reality and accordingly shape policies that privilege the attainment of the minimum set of resemblances above all else.

In this connection it is also interesting to track down the circumstances that gave 'diversity', and with it 'multiculturalism' such an ideological fillip in modern times in the US. This will give a perspective on diversity and keep us in India from accepting extremist and purist versions of it.

The emphasis on diversity in India grew out of the compulsions of the nationalist movement as the entire subcontinent had to be united against British machination

to separate the colonised on the basis of language, religion, etc. This is what prompted the phrase 'unity in diversity' which Jawaharlal Nehru made particularly eloquent. This diversity still did not mean the enlarging of options but rather the co-existence of differences. It certainly played a role as an ideological mobiliser to neutralise British colonial policy but it is still some ways from being a truly modern credo. Unity in diversity is, in principle, akin to the hated American segregationist policy of 'separate but equal' which was finally taken off the statutes only as late as 1954. Such an equation would be horrifying to many in India primarily because they had never really interrogated the notion of diversity with any degree of thoroughness.

In north America diversity and the politics of multiculturalism came to the fore when first the Jewish community and then the diasporics began to raise their voices against cultural discrimination. Ironically, it is when ethnic divisions were getting blurred and the worst days of cultural discrimination were over that diversity, and along with it multiculturalism, began to be demanded by cultural minorities [see Steinberg 1989: 48-49]. In the days when immigrants from China, India, Africa and south-east Asia had fewer avenues for realising substantive citizenship there was hardly any clamour from among them for the appreciation of cultural diversity or for equality of cultural status. In Canada, for decades, those of south Asian origin did not have the right to vote. In America, Chinese immigrants were locked in filthy rooms without any basic rights. Yet they did not complain. If anything the fight on their behalf was carried out by benevolent Americans and Canadians, who in any case were too few in number to be a decisive voice.

It was the Jewish community that first raised the issue of cultural dignity in north America. The timing of their demand coincided almost perfectly with the growing demand for, and the eventual realisation of, a Jewish homeland in Israel. The old, gentle, scholarly, rabbinical model of Jewish masculinity was replaced by a more militant one. As the colonised countries gradually gained independence and attained nation state status the diasporics from these regions began to be more vociferous about their cultural rights, and about multiculturalism. The realisation that 'back home' their compatriots had moved from indignity to freedom and citizenship gave them the pride they hitherto lacked in demanding greater cultural recognition in the land of their

adoption. True, this sentiment could have been expressed much earlier when times were much worse, but at that point they felt inadequate as in the land of their origin they were still subject people. If other Blacks in America consider the Haitians among them as being haughty and superior in their disposition, it is probably because Haiti was the first Caribbean nation to become independent of colonial rule.

As diversity and multiculturalism have become regnant motifs at a time when cultural isolationism and discrimination are much lower than what they used to be, they signal the opening up of individual choices and alternatives rather than the closing down of cultural shutters. Old fashioned diversity closed off the possibilities of people realising their basic freedoms which should also include, as we have argued, the attainment of a minimum set of resemblances. If diversity is to be accepted today it should be only along those self-conscious protocols established by modern liberal democracy which ceaselessly expands the conception of citizenship.

The tenor of our argument throughout this paper is that liberal democracy should be more concerned with people rather than with things, with survivors and not with survivals. When we share our humanity with others it becomes apparent that those from other cultures are not that different and exotic after all. A universalistic liberal democratic society should devise policies that help people from disprivileged cultures to survive and surge ahead instead of treating them like precious historic survivals. When the latter mode manifests itself in whichever context then it is obviously an outcome of unexamined prejudice.

Fortunately, anthropology today is working hard to rid itself of such hubris, and this is a lesson that other disciplines could well learn from. Liberal democracy owes allegiance to human beings as fully fleshed subjects of humanity and not as exotic species to be uplifted by benevolence. In the ultimate analysis then, it is empathy, and not sympathy, that can guide the resolution of particularistic demands within a universalistic framework. Empathy calls out to citizenship, while sympathy makes people dependents. As dependency thrives in a regime of patronage, liberal democracy and universalism are of little relevance to it.

That liberal democracy is deliberating over the need to find universalistic principles for resolving particularistic cultural disputes is a further demonstration of how the quest for enlarging citizenship in an

activist fashion is an ongoing enterprise. Such a task requires the concerted efforts of social scientists, humanitarians, lawyers and specialists. But more than anything else it requires that we look into ourselves and pledge to share our humanity with others.

## Notes

[This is a revised version of a paper that was first presented in a workshop on 'Changing Legal Cultures' organised by the International Institute for the Sociology of Law in Onati, Spain, on June 26, 1999. I am grateful to all the participants to this workshop for their detailed comments, in particular to Martin Krygier.]

- 1 In 1993 the Jats of West Uttar Pradesh and Haryana came together in what was called a 'Sarvachhap Panchayat' and unanimously passed resolutions regarding marriage, education, liquor consumption, and inheritance. Some of these resolutions were benevolent, especially those related to dowry and conspicuous consumption. But there were other resolutions that stridently forbade divorce, female inheritance, and co-educational institutions. Any violation of these rules was to be punished by ostracism, and, in some cases, by fines. It should also be recalled that in many instances couples have been killed by the community, with the full complicity of their respective parents, for going against traditional opinion [Gupta 1997 200-3].
- 2 Blacks in America still cannot move in and out of cultural spaces like the others can. A Black is always a Black no matter what the particular blood-line may be. There are some attempts to officially recognise this as an anomaly, but in popular opinion, Blacks are still unable to self-identify like the White population in America can. This is why Black culture has a greater sense of distinctiveness than the other 'ethnic' cultures in America. Yet given the rate of Black mobility it is quite likely that this too may become a thing of the past over the next millennium.

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**Shri Mantosh Sondhi**

Ladies and Gentlemen,

On behalf of the Board of Directors and on my own behalf, I extend to you all a very warm and cordial welcome to the 10th Annual General Meeting of your Company. The Notice convening the meeting, the Directors' Report and the Audited Accounts for the year ended March 31, 1999 have been with you for some time now and with your permission, I shall take them as read.

At the very outset, I will like to salute our Armed Forces, particularly the valiant young Officers and Jawans laying their lives on the line for us, who with their acts of bravery, patriotism, sense of commitment and unflinching loyalty to the nation, re-captured the areas in Kargil Sector in J & K, which were illegally occupied. As a token of our gratitude to our Armed Forces, your Company made a humble contribution of Rs. 27.26 lacs, out of which Rs. 7.26 lacs was contributed by the employees of the Company in the form of 1 to 5 days wages, and Rs. 20 lacs by the Company to the Army Central Welfare Fund.

#### **The Economy**

May I now say a few words about the economy. In 1998, the economic growth was affected adversely by turbulent conditions in South East Asian economies and slow down of world GDP growth to less than 2 percent. As a result of international economic environment, our exports declined by 1.2% to US Dollar 33.6 billion from US Dollar 34 billion in the year 1997-98. This adversely affected industrial growth, which rose by only 5.2%, as compared to growth of 6.6% in 1997-98. However, rich farm growth of 7.6 percent came to the rescue of the economy and we could achieve overall GDP growth of 6 percent, as against 5% in the preceding year. The current scene looks promising with good rains so far in 31 out of 35 meteorological subdivisions and with the reversal of the declining trend in industrial production, particularly in the core sectors such as steel and cement. General indication of consumer confidence is also

encouraging as indicated by increase in sales of both consumer durables and fast moving consumer goods. The inflation rate was also 20 years low at 1.83% on 3rd July this year. During the period under review, the Government has taken a number of measures to give a further impetus to the reforms process for which they deserve to be complimented. Some of these measures are - abolition of Urban Land Ceiling Act, delicensing of sugar, allowing buy back of shares upto 25% and further liberalisation of direct foreign investment. Reforms in the financial sector and taxation are some of the other measures, which would help the economy. Some other measures like the Bill on opening up of insurance have been a casualty of dissolution of the last Lok Sabha. One hopes that all those steps, which will ensure faster growth of the economy, will be taken up by the new Government in right earnest, soon after its installation in October/November this year. As I have said earlier, one good trend which has gradually been emerging is that politics and economics are getting disassociated from each other. The behaviour of sensex in the recent weeks is also an indicator of this. Apart from the resounding success of our Armed Forces at Kargil, two other basic reasons for the sensex to attain new heights were the soundness of our economic fundamentals and the fact that the Election Commission was able to announce definite time frame for the conduct of elections, including in Kashmir, which was a clear demonstration that India is a well established and flourishing democracy.

Reforms in the agricultural and infrastructural sectors have to go a long way to make the economy vibrant. The steps taken so far, though on the right lines, are not adequate and their implementation is slow. It is necessary that in electricity, roads development, rail and road transport, communication and financial sectors, we should be more efficient. Wastage and pilferages should be checked and their working made more economical and consumer friendly. This will be possible when private sector is given a bigger role and road blocks in the working of public sector undertakings, about which we have been talking for decades now but with no tangible results, are removed.

#### **Reorganisation of the Businesses**

In the changing business scenario, marked by increasing international competition and rising stakeholder expectations, it has become imperative to build a focussed and proactive organisation.

With this in view, company operations were re-organised in October, 1998 into Strategic Business Units (SBUs). The organisation has thus moved from a functional structure to a business focussed structure in order to build a culture of excellence in financial performance and entrepreneurship.

The reorganisation has been implemented smoothly and the results are very encouraging. There is better understanding of business issues/opportunities along with a systematic effort to reduce cost including fixed costs and overhead expenses. This is reflected in a higher gross profit inspite of a marginal decrease in the turnover due to no trading in DAP.

#### **Review of Operations**

During the year ended March 31, 1999, due to overall depression in industry and no trading in DAP throughout the year, sales of your Company at Rs 632.47 crores were marginally lower compared to sales of Rs 637.63 crores last year. Similarly, the net profit was lower at Rs 21.62 crores as compared to Rs 23.97 crores in 1997-98. All the units performed satisfactorily and contributed towards this performance. Inspite of decrease in net profit your Board of Directors have maintained and recommended a dividend of 40% on the equity capital.

#### **A. Fertiliser & Power Business**

During the year, the performance of this SBU in terms of production, operating efficiency and profits was satisfactory inspite of scheduled stoppage for 27 days of Urea Plant for overhauling and maintenance. During the year, this SBU received National Productivity Award for second best productivity performance in the country for the year 1996-97.

Our Coal based captive power plants at Kota have continued to work at a plant load factor of over 90% on the average, which is well above the national average. Similarly, the performance of our DG Sets at Bharuch has been comparatively very economical. The Company is planning to commission an additional 10 MW power plant at Kota Complex by March, 2000 which again should prove an excellent decision. The salient features of this decision are that by using re-furbished existing boiler, the project cost and the time frame for its implementation have been significantly reduced.

#### **B. Agri Business**

During the year under review, as a result of improved availability of Urea in the country, there was pressure on sales. The



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**Speech by Shri Mantosh Sondhi, Chairman at the Annual General Meeting of the Company held on August 3, 1999 at New Delhi**

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depressed market conditions are likely to continue this year as well due to higher buffer stocks and expected production. During the year, there was practically no trading in DAP due to uncertain Govt. policies on subsidy. However, the Company has plans to import DAP and market it through its net working in the current year. The Company has made a beginning in trading of NPK fertiliser manufactured by indigenous manufacturers. Efforts are being made to increase volumes and explore possibilities of marketing more such items in the current year. The trading in hybrid seeds and pesticides continued satisfactorily during the year.

#### C. Plastics Business

During the year under review, due to oversupply and lower demand, PVC market remained depressed. To improve the margins, your Company also produced marketable Calcium Carbide which has been well accepted by the market and Company now plans to increase its production in the current year. As the PVC prices have now started looking up, it is expected that the profitability of this SBU will improve in the current year.

#### D. Cement Business

During the year, the Company has upgraded its total production from 43 grade to 53 grade as a part of further improvement. This new grade has also become popular and is fetching premium in Northern markets. The profitability was adversely affected due to depressed market conditions during the year under review. Fortunately, cement prices have now gradually started looking up.

#### E. Chemical Business

Chlor-alkali operations at Kota and Bharuch were affected due to prevailing oversupply situation and depressed prices. In this context, efforts made to reduce costs yielded good results. The Kota plant achieved 98% and Bharuch plant 88% capacity utilisation, which is well above the industry average.

The Shriram Alkali & Chemicals unit at Bharuch improved exports of caustic soda to reach a record level of 3444 MT during the year under review. In order to increase profitability of this business, it is proposed to take up some value added businesses related to Chlor-alkali. The Company has commenced work on putting up production facilities for stable bleaching powder and poly aluminium chloride at Kota.

#### F. Textiles

The textile mills of the Company, Swatantra Bharat Mills and DCM Silk Mills were closed down in Delhi in November, 1996 pursuant to the Supreme Court directive for relocation of industries from Delhi. Both the units were re-established in Rajasthan shortly thereafter. However, the workmen did not report for duty at the new sites.

Later, towards the end of April, 1998, 893 workmen of SBM opted to report for duty at

Tonk. However, a large number of these workmen were reluctant to work and were interested in a voluntary retirement package. In October, 1998, on the initiative of the workmen, a voluntary retirement settlement was arrived at consequent to which, only 370 workmen have stayed on in Tonk. Since then by recruiting fresh workers, production is being stabilized. As regards DSM workmen, there is no change in the status as no worker has reported for duty so far at Alwar.

The preparatory work for re-development of the sites vacated by SBM/DCM Silk Mills, Delhi has progressed satisfactorily along with the Joint Venture partner. However, several common issues relating to all such industries remain pending for clarification before the Supreme Court.

#### Environment

Shriram Environment & Allied Services at Kota, recognised by the Department of Science & Technology, set up to carry out research and development work in the field of environment continues to do well.

#### Subsidiary Companies

During the year, 40.75 lac quintals Cane was crushed in the sugar plant at Ghaghara Sugar Limited, Lakhimpur Kheri in U.P. Cane survey report for the season 1999-2000 indicates an increase in cane sowing by approx. 25% in our command area which will result in a significant increase in cane availability during the current crushing season. The Company is also planning to enhance crushing capacity of the plant during the current year.

The working of DCM Shriram Credit & Investments Ltd., a wholly owned subsidiary of your Company, has been satisfactory. In the case of another subsidiary, DCM Shriram Acqua Foods Ltd., the aquaculture project at Karaikal, Pondicherry continues to be on hold on account of Interim Order of the Supreme Court against a Public Interest Litigation filed with them.

#### IT Initiative/Quality Management & Education Processes

During the year under review, the Company progressed on implementation of SAP R/3 - a world renowned ERP package. While the first phase went live from 1st April, 1998, the second and final phase has been implemented and gone live since January, 1999. The Company received 'SAP Star Customer Award - 1998' for its successful and speedy implementation of the package. Significant benefits by way of improvements in business processes are already visible through implementation of this ERP package. The endeavour now, is to tap and leverage the enormous potential of this system to further transform the way we work.

In order to create an organisation culture with a more focussed customer orientation and to retain competitive and winning edge in each of our businesses, Quality management and education processes were institutionalised last year with the assistance of IQL, a subsidiary of NIIT. This year, it has proceeded well in the

organisation and its coverage has now been extended to all parts of the Company, including workers. This Quality Movement has helped to bring about a significant attitudinal change and substantial cost saving across the Company.

#### Year 2000 Compliance (Y2K)

The Compliance work began in end 1997. The Company does not foresee any problems in the operation due to Y2K related issues. The Company expects to achieve 'clean Y2K status' by end August, 1999.

#### Industrial Relations

The Company continued to maintain harmonious and cordial relations with its workers in all its divisions, which enabled it to achieve higher performance levels on all fronts.

#### Human Resource Development

The progress of the Company during the last 9 years, is in a large measure due to the quality of our human resource. Human Resource Development in your Company continues to receive high priority. We are working to create an organisation that is highly motivated, dynamic and adaptable to the changing business environment.

#### Prospects for the Current Year

In the first three months of the current financial year i.e. April to June 1999, sales of your Company at Rs 178.94 crores are substantially higher as compared to sales of Rs 134.17 crores in the previous year. During this period, the Company has earned a net profit of Rs 7.15 crores, as against a loss of Rs 4.65 crores in the corresponding period last year. The Company is quite hopeful that overall, the current year should end on a satisfactory note. It is a matter of great satisfaction that comparatively small investments made in the last few years on the balancing as well as on modernisation and up-gradation of plant and equipment have now started paying handsome dividends.

#### Acknowledgments

Ladies and Gentlemen, in conclusion, I would like to compliment the Management Team of your Company led by Shri Ajay S. Shriram and Shri Vikram S. Shriram for their excellent performance. Your Company has an outstanding management team at all levels with exceptionally good team work. The Directors also wish to thank the Government authorities, financial institutions, bankers, business associates and shareholders for their co-operation and support extended to the Company. The Directors also place on record their deep appreciation for the contributions made by employees at all levels to improve the working of the Company.

Thank you

*Note : This does not purport to be a record of the proceedings of the Annual General Meeting*

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# India's Emerging Economic Challenges

Vijay Kelkar

*A review of the strategic policy failures which landed the Indian economy, till very recently, in a low-productivity, low-growth impasse and a discussion of the critical areas to focus on in the next phase of economic reforms.*

IN the last few years, the Indian economy has been a sea of tranquillity in the turbulent world economy, especially in the Asian region. In fact, in the year 1998 India achieved one of the highest growth rates in the world and this year the growth rate is expected to be higher than last year. Equally, in terms of other macro-economic indicators, such as the rate of inflation or exchange rate stability, once again the performance of the Indian economy in recent years has been quite outstanding. The rate of inflation is less than 4 per cent and exchange rates have been relatively stable. There is, in fact, some evidence that during the nineties the growth rate in India has shown some acceleration. However, there are a number of weaknesses which we need to overcome to meet the objective of rapidly removing poverty. It is necessary to look at the Indian economy in a somewhat longer perspective and identify the necessary policy reforms and initiatives.

In India's economic history, there is little doubt that our independence will be marked as a major discontinuity. Since independence, India has achieved remarkable progress in overcoming the long-term colonial stagnation and economic backwardness. We were indeed fortunate that our destiny was guided by a group of remarkably talented leaders led by India's first prime minister, Jawahar Lal Nehru. They had a well-defined worldview and equally well articulated strategy. The strategic objective was to create a self-reliant economy independent of the international capitalist bloc. The aspiration of the national leadership was clear: they wanted to create a vibrant national economy and eradicate poverty as rapidly as possible. Given the weakness of the entrepreneurial class and the absence of well-functioning capital markets, the state was assigned the role of accelerating capital accumulation and was also required to become an entrepreneur, particularly for creating heavy and basic industries. Consequently, the public sector became the leading agent for industrialisation.

This strategy did pay off. It substantially accelerated the growth rate, it created the social and industrial infrastructure and the technological base for defence production

as well as in the sophisticated and strategic nuclear and space fields.

In implementing the strategy one of the major problems soon faced was the failure on the agricultural front, which led to our dependence on PL-480 food imports. This strategic shortcoming was quickly overcome by the launching of the green revolution to achieve the objective of self-reliance for food security.

These achievements are indeed historic when we recognise that all this was achieved essentially under a democratic form of governance, without colonial exploitation and while facing the challenges of a demographic explosion.

These achievements are outstanding when compared to our own historical standards, but seen in the context of the contemporary experience of other economies of Asia, such as China, Japan or South Korea, our performance is far short. India, at the time of independence, had almost similar levels of per capita income as China or Korea but since then both these economies have surpassed India in terms of per capita incomes or share in the global economy whether in manufacturing output or in global trade. Per capita income in Korea is US \$ 10,550 while ours is still \$ 390. The gross domestic product of China was \$ 825 billion in 1997 which is more than two times ours and has been achieved through a sustained growth of more than 7 per cent per annum over the last two decades. The per capita income growth of the other miracle economies of south-east Asia has been two to three times ours for the last few decades. Comparison with these economies is also not very flattering for us in the area of human development. Although we have made gains in life expectancy and in other indicators, once again we are behind compared to these dynamic economies of Asia in terms of the Human Development Index. Similarly, while we see the outstanding performance of these economies in overcoming poverty, we have the dubious distinction of housing the world's largest number of the poor.

While talking about such international comparisons there is one interesting and important point, namely, although in levels of living as measured in per capita

income terms or in human development index terms, India lags behind, in terms of indicators of equity such as the 'Gini Index' which summarises the distribution of income or consumption in an economy, India is among the top 10 developing countries. The *World Development Report 1998* of the World Bank shows that our consumption distribution is perhaps less inequitable compared to that in the US and in some other developed economies. In a recently published paper, S R Hashim shows that in India the 'Gini Index' may have been improving over the Plan periods, albeit marginally. Given the quality of data on consumption distribution, we can at least maintain a weaker version of this finding, i.e., there is no evidence that the distribution has deteriorated. This is an important point because in the opinion of many of our Left analysts, India is considered to be one of the worst sufferers from income inequality and it is said to be getting worse. Obviously, the data do not support this. This brings us to the heart of our economic problem, namely, for the curse of our poverty the villain is low per capita income due to relatively low growth rates. In other words, what India faces is the problem of low productivity across sectors as well as of low growth in this productivity. This is the crux of India's persistent, cruel poverty.

## LOW PRODUCTIVITY, LOW GROWTH IMPASSE

How did we get into this situation if, otherwise, the development process seems to have done the trick, namely, that of transforming a low savings economy into a high savings/high investment economy. During the 50 years of our planning, the rates of savings and investment which were only 10.4 per cent and 10.2 per cent respectively in 1951-52 have been more than doubled to 23.1 per cent and 24.8 per cent respectively by the end of Eighth Plan. In other words, the Indian people have made great sacrifices for making large investments, but the rate of return on these resources has not been increasing either to catch up with the dynamic developing economies or making available resources to eradicate poverty.

I think many factors have contributed to this low productivity and low growth



impasse. The first strategic error was the relative neglect of international trade. By neglecting international trade we forwent the possibilities of exploiting productivity enhancing exchanges. In the manufacturing sector we opted for an across-the-board import substitution strategy where we sought to produce everything in a production chain whether the product was a commercial vehicle or a steel mill. And by this the weakest link decided the strength of the whole production chain. We entered into a number of activities in which we just did not possess the competitive edge. It resulted in a loss of efficiency for the entire industry. For instance, by forcing the Indian fertiliser industry to use only Indian designed catalysts, the entire fertiliser industry's productivity suffered. The same was the case of the electronics sector where our software industry took time to take off because of the insistence on the use of domestic computer hardware. What all these examples show is that we just did not allow international trade to enlarge the possibilities of using our own resources more efficiently and we ended up taxing our own productive sectors. Even in foreign trade we concentrated on the socialist economies and neglected the trade linkages with the emerging dynamic areas, particularly that of east Asia including Japan. Had our external trade been linked to rapidly growing Japan, the whole economic growth trajectory could have been so different.

Yet another strategic limitation was the relative neglect of agriculture. Arther Lewis has so clearly shown that it is the productivity of agriculture which decides the gains from economic development. Not only did we neglect investments in agriculture and in related activities such as irrigation, but we also manipulated the terms of trade against agriculture. This was a copybook harking back to the debate between Stalin and Bukharin. Sharad Joshi has considerable power when he argues for liberating India's agricultural sector from the present regime of controls. We missed the exciting possibilities of employment expansion from value-added agriculture. This neglect had a profound impact on the growth process itself. Sukhamoy Chakravarty showed that the failure on the food economy front led to stop/go policies regarding public investment and this induced sharper business cycles, thereby reducing the underlying growth rate.

Equally, one of the major sources of weakness has been the working of our public sector. In designing the public sector we did not adequately think of the role

of incentives, particularly incentives provided for management or the bureaucracy to ensure that shareholder value or national wealth was maximised. Even our legal system may have further aggravated the problem by treating the public sector as an extension of the state, which only meant that we finally robbed the public sector of any risk-taking ability, the hallmark of an entrepreneur. Consequently, the public sector which was supposed to be the primary motive force of capital accumulation became a drain on fiscal resources.

#### DYSFUNCTIONAL SUBSIDIES

Another major factor adversely affecting the long-term growth rate is the curse of growing subsidisation and cross-subsidisation. The growth in subsidies have been very high. In 1971 the total explicit subsidy provided in the budget amounted to 3 per cent of gross domestic product and within two decades or so this share has increased almost four times to 12 per cent of GDP. According to recent research, subsidies now perhaps account for as much as 16 per cent of GDP. Of course, not all subsidies are bad. There are merit subsidies. There are subsidies where the social benefits are larger than the social costs. But these are less than even one-third of total subsidies. Subsidies essentially imply under-recovery of costs. These are being showered by both the centre and states, through direct budgetary outgoes or through forgone revenues. Similarly, there are implied subsidies through the under-performing of the public sector as well as other forms of indirect subsidies through cross-subsidisation. Let us take the example of non-performing public sector enterprises. Between 1950 and 1997 the stock of public sector investments has increased to almost Rs two lakh crore. This is when valued at book value. In terms of replacement value, which is analytically a more correct definition, these stocks are even higher. What is the rate of return? It is less than 3 per cent or so. If these investments had been achieving returns comparable to those of efficient enterprises, then the rates of return would have been two to three times higher. The difference between these is also an implicit subsidy paid for by the taxpayers.

Had the subsidies been going to the poor they could have been more defensible, but that is not the case. The bulk of the subsidies go to people who are not so poor. This is true even in the case of the food and fertiliser subsidies. These do not go to the rural poor. This ubiquitous and growing subsidy culture reflects a distortion

of the vision of our founding fathers who aimed at accelerated development and increasing living standards of all our people through higher incomes. What we are getting instead is a new grammar of Indian politics where subsidies have become a full stop for growth acceleration.

If these direct subsidies are bad enough, the impact of the curse of indirect subsidisation is worse. Not only are these subsidies non-transparent, as these are not dispensed from the Budget, but are effected through differential pricing of public sector produced goods and services. Further, they also lead to loss of international competitiveness of many of our major industries. The working of the curse of cross-subsidisation can be seen in all major sectors, such as electricity, railway transport, petroleum, telecommunications and so on. It is felt that charging different prices to different classes of consumers promotes the goal of social justice. What happens is exactly the opposite. Giving power free to the agricultural sector not only knocks out any incentive for efficient use of electricity on the demand side, but on supply side it leads to a deterioration in the quality of electricity supplies. In a market economy, you can either fix the price or fix the quantity but cannot do both over a long period of time. Consequently, farmers get intermittent power supply which adversely affects their economics while simultaneously affecting the SEBs' financial health. This has further adverse implications for the industrial sector. Electricity charges for the industrial sector are many times higher than those paid by the agricultural and household sectors. This adversely affects the competitive strength of our industry and once again weakens the growth of exports and employment. Similar phenomena exist in railways where freight rates are pegged much higher than costs to cross-subsidise passenger travel. This has affected the efficient use of resources as well as international competitiveness. Till the recent reforms in telephone tariffs, a similar situation existed in the telecom sector.

Finally, one of the biggest drags on India's development has come from the growth of government consumption which is expenditure on current consumption. This is because of the size of the government and the compensation given to employees of government and semi-government organisations. The compensation of government employees has been revised upwards with successive pay commissions, not always consistent with the state's capacity to pay or the underlying quality of the administration.

With the latest Pay Commission decision, public consumption will go up by as much as 2 per cent of gross domestic product and this has become a major source of fiscal stress for both central and state government finances.

The growing revenue and fiscal deficits have led to enhanced market borrowing by the government. This leads to squeezing out private sector borrowing as well as to higher interest rates. Currently, almost 80 per cent of private financial savings are being absorbed by public sector borrowing. Consequently, the cruel choice is between higher inflation by the printing of money and higher interest rates which choke investment and employment growth. The ultimate outcome is, of course, lower growth rates. Clearly, the key to India's prosperity lies in reversing these factors.

#### REFORMS: THE NEXT PHASE

If the analysis presented so far is correct, then the policy initiatives that are required are obvious. What is necessary now is the launching of the next wave of reforms. The first phase of reforms launched in 1991 by Manmohan Singh and Narasimha Rao were essentially crisis-driven. This time round we can have consensus-driven reforms so that we can act in anticipation of a crisis which would definitely visit up on us if present trends are allowed to continue.

The foremost reform measure that is required is to ensure fiscal health. It is for parliament to adopt the Fiscal Responsibility Act, which would limit revenue deficits and budgets deficits and safeguard the economy from a debt trap. Such a strategy has been successfully deployed by a number of countries. Of course, merely passing the Fiscal Responsibility Act will not achieve a fiscal balance. What is required is simultaneous action both at the centre and the states to increase user charges particularly of electricity, water, transport, etc. so that resources are generated to increase investments and also improve the quality of these services. These measures would encourage private investment in these sectors and would reduce costs for consumers and improve quality by promoting competition.

Towards this, the most important reform would be redefining the role of government and down-sizing government while improving the quality of governance. The down-sizing of government will also mean privatisation of non-strategic public sector enterprises including banking sector. The only strategic public sector enterprises should be those dealing with atomic energy, space and defence produc-

tion. In all other areas we should privatise public sector enterprises. Of course, in this programme of re-engineering of the government, the state needs to play a more focused role in the fields of education, health and environment protection. Government also will have to play a critical role in promoting transparency and good governance.

Equally, the new parliament will need to review policies regarding size of government and also the principles of compensation to employees of government and semi-government agencies. Such new initiatives alone can ensure that the fiscal situation of the states and the centre becomes sustainable and that taxpayers get their money's worth.

One of the major implications of reforming the role of the government would be to create a new institutional architecture for the management of the economy – by recognising that we are now aiming to become a full-fledged modern market economy, where stability, predictability and transparency of policies are of fun-

damental importance. Such a new institutional architecture will have to have an independent monetary authority by giving greater independence to the Reserve Bank of India on the lines of the autonomy enjoyed by the Federal Reserve in the US or the Bank of England in the UK.

The new institutional architecture will also imply strengthening of independent regulatory agencies such as SEBI, TRAI, CERC, etc. and treating their independence at par with that of the judiciary. This will inspire confidence among both investors and consumers and promote competition in these sectors. What one also will be achieving is reduction of the distributive politics of cross-subsidisation.

The most important outcome of the fiscal correction would be reduction of both short-term and long-term real interest rates in the economy. Currently they are at unprecedented levels of 6-8 per cent. No country in the world has achieved a sustained high growth rate with such high interest rates. Bringing real interest rates in the neighbourhood of 3-5 per cent can

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trigger a spectacular growth boom throughout the economy.

The centre piece of reforms will have to be to promote competition in product markets and the services sector by allowing free entry and freer international trade. This also means giving a level playing field to all entities, i.e., private sector and public sector. To achieve this, one of the foremost policy measures would be to reduce our tariff barriers. Today India has one of the world's highest tariff barriers: where the dynamic Asian economies have average rates of tariff of 5 per cent or so, ours is nearly 25 per cent. We need to accelerate the programme of tariff reduction and bring tariffs at par with the Asian level. The removal of non-tariff barriers is even more important, which means rapidly removing import controls on consumer goods and agricultural products and the elimination of reservation for the small-scale sector which is preventing India from making rapid strides in the export of labour-intensive products such as readymade garments, leather, toys, etc. Reservation means low levels of output which are unable to achieve quality of international standards. To capture the international market, quality and timely delivery are of strategic importance. When in the Tariff Commission, I had requested the National Council for Applied Economic Research (NCAER) to do a quantitative study of the effects of liberalisation, i.e., effects of promoting external and internal competition. The results show that the returns on internal liberalisation are far more important than those of external liberalisation. If non-tariff barriers are reduced by 50 per cent, the gains would be 1.5 per cent gross domestic product. This 1.5 per cent will be accruing every year, implying larger employment opportunities. If privatisation of public sector monopolies which are producing intermediate goods and services is included, the gains to the economy from internal liberalisation are even more spectacular. The experience of the US for the last 20 years, when the US liberalised power, natural gas, airlines, road transportation, railroad transportation, etc., shows that the gains have been 10-15 per cent of sectoral GDP. The experience of other countries is similar. The NCAER study indicated that the additional benefit to the economy can be as high as 3-4 per cent of the GDP. These are static efficiency gains. If dynamic efficiency gains due to new investments and new technologies are taken into account, the gains will be truly spectacular. These gains are essentially because of better incentives through the force of

competition. In other words, this is due to the potential which is already there in the economy and would not require any new physical investment or any new capital.

#### REFORM OF FACTOR MARKETS

Finally, the next wave of reforms should encompass factor markets. In the 1991 reforms, the emphasis was on reform of product markets by abolishing industrial licensing and import barriers. These reforms left the factor markets such as for labour, land, capital, natural resources like water and institutions relatively untouched. I am including 'institutions' as a factor of production. The term 'institutions' includes state and quasi-state institutions as well as the judiciary and civil society. Reform of labour markets is particularly important. The new post-industrial revolution requires flexibility in all operations. This means flexibility in labour markets is of phenomenal importance so that companies can respond with speed to changing market conditions. Our present laws of bankruptcy and corporate control also require reforms so that the market for corporate control becomes competitive. Factor market reforms would also need to cover the financial markets. The reform of factor markets would also need to be accompanied by innovative measures for creating a social safety net, such as the employment guarantee schemes of Maharashtra. In addition to such employment-oriented schemes, perhaps the time also has come to eliminate product-based subsidies including food subsidies and replace it by a negative income tax to improve equity while controlling the adverse impact on efficiency. An interesting variation on such policy instruments could be experimenting with food stamps and education vouchers for meeting the needs of the socially disadvantaged and weaker sections of society. These innovations recognise that government can be a financier but need not be a producer of such services. The heart of these reforms is to promote competition in all economic activities and support the creation of human capital, particularly through enlargement of quality primary education facilities to all. Evidence across countries at different stages of development shows that education or human capital provides lasting success in promoting equality in society.

In the first phase reforms essentially concentrated on reforms at the central government level. Now these have to be taken to the level of the states. Almost 40 per cent of our revenue and fiscal deficits is because of state finances. They need to

be rectified. Similarly, a number of reforms are required for improving the delivery system as all basic services such as education and health are after all delivered at the state level. Of course, a number of states have taken new initiatives for improving the quality of services. There are equally interesting things happening in the states of Madhya Pradesh, Rajasthan, Himachal Pradesh, Karnataka, etc. in the fields of education and health. People are accepting the 'think-global but act local' dictum and consequently there is growing competition amongst state governments to give better and improved services to industry, particularly the information technology industry which has the potential of transforming India at a very rapid rate.

A final point regarding the launching of next wave of reforms is that we need to show greater vigour and a greater sense of urgency. The reason for emphasising urgency is the unique state of our demographic transition. In the next couple of decades India will have the once-in-a-lifetime chance of having a population structure where the share of the working population will be the largest. After these decades, the process of ageing will catch up and the vigour of the working population will decline. When a satellite is put into orbit, it requires high velocity to ensure exit from the earth's gravitational force; similarly, if our economy is to exit from the gravitational pull of poverty, it requires an exit velocity of double-digit growth rate over the next two decades.

This kind of high growth is feasible. The other miracle economies achieved it precisely when the share of the working population was the highest, maintaining high savings and investment rates and also increasing labour supply and productivity.

As we enter the new century, the economy stands at the crossroads. It can take either the 'business as usual' road which means continued poverty and the low-growth trap or the high road to prosperity through accelerated reforms. If we take this road, then there is no reason why India, by the year 2020, cannot achieve a per capita income of more than \$ 1,000 or more than ½ lakh rupees and wipe out poverty and illiteracy and also increase life expectancy by 10 years or more. At present we are among the bottom 20 of all the countries in terms of the Human Development Index. In the year 2020 we should be among the first 20. This is possible and it is entirely up to us to build the necessary consensus for accelerated reform and implement it.

# The Two-Party Syndrome: Conservative versus Liberal?

Ranjit Sau

*There is a palpable sigh of relief in some quarters under the impression that India is finally moving towards a virtual two-party system organised around certain conservative and liberal co-ordinates. But does India need that sort of a regime? In thoughts as well as in actions, the reign of this particular liberal consensus for about half a century has exacerbated social fragmentation, religious intolerance, and economic underdevelopment. There is no sign of change for the better in this consensus. The conservative consensus differs little from its rival. It invokes Hindu epics, which, in fact, glorify civil wars that had divided the people. The epic age of Indian spiritualism is marked by great diversity of thoughts which cannot possibly be contained within any one culture. And the other beliefs that emerged subsequently deserve no less respect. The conservative agenda is thus incoherent. Communalism and casteism are the two main threats today. The basic problem has two dimensions: inter-religion, and intra-religion.*

*This paper suggests a possibility of resolution, inspired by two universal truths, namely, human sanctity, and human rights; the former justifies the domain, while the latter enumerates the content. The first one is an ancient revelation in all religions; the second one is of recent origin. The basic ideals of India include secularism and equality in the civil society, full employment and growth in the economy, and democracy in polity. This paper tests the prevailing conservative and liberal consensus in the light of such standards. And, above all, it explores a possible path towards these ideals.*

The thinkers of India are the inheritors of the great tradition of faith in reason.

— S Radhakrishnan (1929, vol 2:776)

IS India heading towards a two-party system? "Will a Congress... rejuvenate itself", wonders Anirudh Deshpande (1999:1242), "and roll back the tide of communalism represented by the National Democratic Alliance? Will the Congress emerge as the pivot of a liberal consensus in opposition to a conservative consensus revolving around the BJP (Bharatiya Janata Party) in a stable appropriate (*sic*) two-party system in future?" *The Economist* (London: April 4, 1998) sounds similar: "India's diversity could lead to a permanent coalition politics. Perhaps two major groups will emerge but there will be big disparities within each and therefore constant compromise."

The two-party theory, in some form or other, is doing rounds in India, no doubt. To take another example, Robin Archer (1999) cites certain similarities between India today and the US of a century and a half ago. In the mid-19th century, the Republican Party, he says, came into existence in America as a rival to the then ruling Democratic Party. To Archer, the BJP resembles the Republicans, and the Congress the Democrats. "Like the Republicans, the BJP is committed to a programme of cultural homogenisation through state enforcement of particular religious and moral values. Like the Democrats, the Congress is recommitting itself to the defence of cultural diversity through the maintenance of state neutrality of

religious and personal morality" [Archer 1999:891]. He suggests that consideration of these and other similarities "might help to clarify some of the possible consequences of contemporary Indian developments".

We agree with Archer that India and the US do share certain common features. Both have enormous ethnic, religious, and cultural diversity. If the US is a land of immigrants, so is India, albeit in a different time scale: if they had come to America over four centuries, the immigrants had taken a longer period of as many millennia to arrive in India.<sup>1</sup> However, we also reckon that a political system depends a great deal upon the prevailing economic and social order. The difference between India and the US on this count is fairly obvious, at any period of time. It would be surprising if India develops, in the near future, a political system comparable to the American model of any vintage.

India today, it seems to us, bears closer resemblance to Germany of mid-19th century. Marx (1843:133) described the then Germany thus: "What a spectacle! The infinite division of society into the most diverse races confronting one another with their petty antipathies, bad conscience and crude mediocrity, and which, precisely because of their mutual ambiguous and suspicious disposition, are treated by their masters without distinction, though with differing formalities, as merely tolerated existences. And they are to recognise and acknowledge the very fact that they are dominated, ruled and possessed as a concession from Heaven! On the other

hand there are the masters, whose greatness is in inverse proportion to their number!" Doesn't this sound familiar to India, where the society is divided by intricate lines of caste and religion, and antipathy is too mild a word to characterise the attitude among myriad petty communities?

Thoughts direct actions and theory provides plans for action. But a theory is meaningless unless it meets the needs of the people. To be meaningful a theory must draw its sustenance from actuality. In the words of Marx (1843:138): "Theory will be realised in a people only insofar as it is realisation of their needs. Will the enormous discrepancy between the demands of...thought and the answers of...actuality be matched by a similar discrepancy between civil society and the state, and within civil society itself? Will theoretical needs be directly practical needs? It is not enough that thought strive to actualise itself; actuality must itself strive toward thought." To be sure, "Germany has not passed through the ... state of political emancipation at the same time as the modern nations [such as England and France]", Marx continues. "The very stage it has surpassed in *theory* it has not yet reached in *practice*" (emphasis added).

The contradiction that haunted Germany in the mid-19th century seems to be visiting upon India today: the gulf between thought or theory on one hand, and the actuality or practice on the other, is spectacular in India as well. In richness of thoughts India is well ahead of many a country for centuries, but in material conditions it

remains way behind. The hypothesis of two-party rule in India comes from the same stable. To judge its cogency and relevance we can proceed in two ways.

One way is to speculate on forthcoming election results, presidential discretion, and formation of coalitions – all of which are notoriously unpredictable. Besides, who knows when this party will split, that one will fold up, and the third one will merge? And who can tell which one is conservative and which one is liberal? Above all, what precisely is the difference between the two largest parties, if you look at their records? Let us remember that the Congress Party has resolved: "Hinduism is India's best guarantee of secularism" [Desai 1999:1561], while the leitmotif of the BJP is: "One nation, one people, one culture" [Khilnani 1997:151].

There is another way for testing the hypothesis of two-party rule in India; it is laid on more solid ground. It poses the problem in a framework of comparative terms: actuality vis-a-vis thoughts, practice vis-a-vis theory, civil society<sup>2</sup> vis-a-vis the state, and all those, in turn, across political parties. Here we shall take this route, following Marx, as cited above. We shall proceed in three steps: first, scrutinise the records of the two main parties, Congress and the BJP; then, define the task ahead; and finally, evaluate the two parties with reference to that benchmark.

#### LIBERAL CONSENSUS: THOUGHTS AND REALITY

The synthesis of a conservative consensus at the national political level is a recent phenomenon, beginning around 1998 when the BJP formed a coalition government at New Delhi. Before that India so long has been governed by a liberal consensus, mostly forged by the Congress. However, it is always difficult to define liberalism, more so in India which has a wide range of political parties of various hues. And to find an authentic documentation of liberalism, acceptable to everyone in this country, is nearly impossible. But we shall try. We shall take the Constitution of India as a canonical expression of liberalism in India. The reasons for this choice are as follows.

The constituent assembly had openly debated at length and in great depth. It kept in view almost all written or unwritten constitutions of the world. It was imbibed with the spirit of democracy and secularism. Sixteen articles of the Constitution came into force on November 26, 1949, and the remaining provisions did so on January 26, 1950. The constituent assembly was a representative body; and the

Congress Party, itself an umbrella organisation of diverse interests, was the undisputed leader of the country at that time. There could not be a better moment to shape and codify the liberal consensus. Thus the constitution is the best available source to reflect liberal thoughts prevailing in India.

We shall consider three segments of the constitution, namely, the directive principles, the preamble, and the list of fundamental rights. The key point to observe is the individual's right to social equality and dignity, for it is on this factor that the history of India will turn. As a reference we shall cite a contemporary document – the Universal Declaration of Human Rights, adapted and proclaimed by the General Assembly of the United Nations on December 10, 1948, to which India is a signatory. We shall also cite several theoretical propositions, especially with respect to the individual's right to equality. There are, to be sure, at least six concepts of equality. It will transpire by this measure that the liberal thought of India has a blurred vision of democracy, its commitment to human rights is dubious, and its concept of the civil society is crippling.

To begin with, "the directive principles of state policy" are, we find, the least secure part of the Constitution, for they are merely "directives", which "shall not be enforceable by any court". It is only desired that "it shall be the duty of the state to apply these principles in making laws". A most generous portion of the directive principles reads as follows: "The state shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want" (Part IV, Article 41).<sup>3</sup> Note that the state is called upon merely to "apply these principles in making laws". In a word, the Constitution abstains from the guarantee of individual's rights to work, to education, and to public assistance in need.

By way of comparison it may be mentioned that the Universal Declaration of Human Rights, in its Articles 23(1) and 25(1) proclaims: "Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment. Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of

unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control."<sup>4</sup> Evidently, the liberal thoughts of India fall far short of the standard set by the United Nations as early as 1948. There has not been much of an improvement in this respect since then.

The preamble of the Constitution of India echoes the slogan of the French Revolution, "Liberty, Equality, Fraternity", and adds "Justice" to it, but all in an abridged form. It grants all citizens the "Equality of status and opportunity". Now, there are five other concepts of equality. To evaluate this particular version, we ask: Status in what? Opportunity of what?

The Constitution enunciates the individual's fundamental right to equality essentially as follows: "equality before the law", equal access to "shops, public restaurants, hotels and places of public entertainment", wells, tanks, bathing 'ghats' and places of public resort maintained wholly or partly out of state funds or dedicated to the use of general public, and "equality of opportunity...in matters relating to employment or appointment to any office under the state". Evidently, the content of this equality is merely legalistic while the laws themselves may be repugnant by humane criteria. The core of the issue is that the Constitution does not accept a basic value, namely, the full equality of all human beings in society. To further compound this weakness it lists caste as a legitimate social category, and thereby makes caste a permanent feature of society for the duration of its own currency. But, we all know, caste is a negation of social equality. "[The caste system] does not admit that the individual<sup>1</sup> has the right to determine his future and pursue his interests. ...The compulsory degradation of a large part of mankind is revolting to the refined natures who have a sense of the dignity of man and respect for the preciousness of human life. The right of every human soul to enter into the full heritage of the race must be recognised. Caste is a source of discord and mischief, and if it persists in its present form, it will affect with weakness and falsehood the people that cling to it" [Radhakrishnan 1940:378]. Yet, the Constitution envisages a nation that is divided essentially into three compartments: high-caste Hindus, low-caste and outcaste Hindus, and Muslim and other minorities.<sup>5</sup> It does assure "the dignity of the individual", but not the equality of the quantum of dignity for all. It has thus opened the door for casteist and communal politics to the detriment of national interest.

Again, for comparison we note that the Universal Declaration of Human Rights reckons full equality of all individuals at birth – equality in dignity and rights. Its Article 1 reads: “All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.”

Sen (1979, 1985, 1999) takes the concept of equality one big step further by not confining it to the status of the individual at the time of birth alone. “Equality of What?”, he asks. After critically reviewing the literature on utilitarian equality, total utility equality, and Rawlsian equality,<sup>6</sup> he presents an alternative formulation of equality known as the basic capability equality, where the set of capabilities is defined to reflect the various combinations of functionings (‘beings’) the individual can achieve. Capability may well be seen, Sen explains, as a “freedom” type notion; it is a state of being that an individual can attain by choice. Radhakrishnan (1940: 378) seems to concur with the idea of basic capability equality when he says: “The right of every human soul to enter into the full heritage of the [human] race must be recognised.” By all counts, then, the fundamental right to equality that the Constitution grants is extremely narrow in scope, and uneven to individuals.

Now, as for the liberal thoughts on the economy, the celebrated five-year plans are the best references. The state assumed the role of a prime mover of economic development; it targeted full employment, poverty alleviation, universal education and health, self-sufficiency in food, self-reliance in industry, and the like, all within a definite time frame. A state that has been under foreign imperial rule for centuries, all on a sudden stirred itself up to embrace an ambitious agenda. On the eve of the departure of the British, on August 14, 1947, Jawaharlal Nehru addressed the constituent assembly with these words: “Long years ago we made a tryst with destiny, and now the time comes when we shall redeem the pledge.” “The achievement we celebrate today”, Nehru went on, “is but a step, an opening of opportunity, to the great triumphs and achievements that awaits us”. He reminded the nation that the task ahead included “the ending of poverty and ignorance and disease and inequality of opportunity” So much for liberal thoughts.

Half a century later, what is the actuality? “Even though the expansion of social opportunities was very much the central theme in the vision that the leaders of the Indian independence movement had

presented to the country at the time the British left, rather little attempt has, in fact, been made to turn that vision into any kind of reality” [Dreze and Sen 1995: vi]. This finding is reconfirmed in studies of Indian development in regional perspectives. “One of the broad conclusions to emerge is the need for much more radical change in the Indian economy and society, in order to achieve the basic goals that were unambiguously outlined at the time of India’s independence, but which still remains largely unaccomplished” [Sen 1997a: 4]. Such is the record of the liberal regime in India – in thought and in practice – over half a century since 1947.

#### CONSERVATIVE MANTRA: FORWARD TO THE EPIC PAST, ONLY

“Throughout the entire course of the history of Indian anti-colonialism”, writes Bose (1998: 2096), “religion as faith within the limits of morality, if not the limits of reason, had rarely impeded the cause of national unity and may in fact have assisted its realisation at key moments of struggle”. He continues: “The variegated symbols of religion as culture had enthused nationalists of many hues and colours but had seldom embittered relations between religious communities...”. Yet, today, half a century after the creation of India as a secular state, the two largest political parties are beating the drums of Hindu fanaticism, known as *hindutva* – one a softer version, the other a stronger brand – that divides the nation in two ways: among the Hindus, and across religions. Why is this downfall? What is there in the conservative consensus?

A society may be conceptually divided into three parts: economy, civil society, and polity, each with its own law of motion, but subject to the necessity of an overall consistency. In the event of a shock, from within or without, the three parts tend to adjust themselves to strike a new balance. Among them, the polity seems fairly malleable, and the economy somewhat less flexible, while the civil society is relatively stiff. India presents one of the extreme cases where the civil society is quite rigid. It is in this nature of the civil society that one can trace the roots of Hindu fundamentalism. We shall note the changes in the polity, and the economy, and then consider their effects on the civil society, and vice versa. From such churning would spring up the genie of *hindutva*.

The state is by far the biggest monopoly business in any country. It alone dispenses justice, defence, and law and order. It regulates the economy, and levies tax. The state is the biggest employer, and the largest collector of revenue. As the British

departed the mammoth state apparatus of India with all its monopoly businesses – legislative, executive, and judiciary – fell, as usual, on the lap of a tiny fraction of the population. This small group of fortunate people soon turned itself into a virtual clan, and expanded fast, sustained by Adam Smith’s (1776) principle of division of labour,<sup>7</sup> and nourished by its close proximity to the bountiful treasury of the state. After all, politics is no mean business. General administration, economic regulation, election, and the like, involve a good deal of expertise and specialisation, and the returns here are fairly attractive, compared to those in any business in the economy. The civil society received its first shock by the arrival of this political clan, but had little difficulty in recognising the faces of its members, for they belong mostly to the upper echelon of society. A bigger surprise was in store.

Meanwhile, a twofold process was under way. One, the spread of capitalism in agriculture and the affirmative public actions in land relations, education, and employment have led to the formation and consolidation of caste-based communities. Two, challenged by established power-centres, these factions are getting active at political levels.<sup>8</sup> In a word, here is double movement: first, forming divisive casteist communities, and then hurling them into political alliances for votes with a view to confront the *ancien regime* of the privileged [Alam 1999; Sau 1999]. Members of these brigades have come from the dark shadows of long deprivation; their faces are not very familiar to the traditional civil society of India. This silent uprising, as it were, was far more unnerving to the status quo than the above-mentioned political clan.

Events of the polity reverberated in the economy as well. Initially, five-year plans, public investment, and a comprehensive drive for modernisation imparted certain dynamism to the stagnant economy. Soon, the market came to re-establish its usual supremacy. Amidst ups and downs emerged a class of *nouveau riche*; a new pattern of hierarchy took shape among various economic groups. The traditional parity between the economy, civil society, and polity was disrupted. The economy and the polity are quick to come to terms with each other by give-and-take; or to look at it another way, the polity is the concentrated expression of the economy, or vice versa. But the civil society is a different matter; here religion holds sway, and the order is pre-ordained by the revealed divine will. Here is, then, an instance where two irresistible forces –



economy and polity – are acting upon an apparently unmovable object – the civil society.

According to the scriptures, the Hindu society is ordered in four 'varnas'; this number is fixed for ever. "The fourfold classification is conceived in the interest of world progress. It is not intended specially for the Hindus, but applies to the whole human race, which has one destiny which it seeks and increasingly attains through the countless millenniums of history. The true object of all human action is 'lokasamgraha' or the holding together of the human race in its evolution. In pursuance of such a view, Hindu leaders accepted primitive societies and foreign settlers such as the Greeks and Scythians into the Hindu fold and recognised their priestly families as brahmins and their fighting men as kshatriyas" [Radhakrishnan 1940:356-57]. It is not mentioned what happened to the other Greeks and Scythians who were neither priests nor soldiers, but ordinary folks.

Over time the range of varna itself has shrunk. Following the Islamic conquest and the British occupation of India, "the category of kshatriya inevitably became emptied of some of its meaning. Where large sections of the population became converted to Islam, as in the Punjab and Bengal, it became difficult to fit those people into the scheme of four varnas... People recognised the gaps and inconsistencies" [Beteille 1996:21]. With the fading away of varna, caste became the main frame of reference and ranking. But, now, the arrival of the political clan, consisting of a mixed bag of upper caste Hindus with a sprinkle of other communities, added to the confusion. And then the silent uprising of the lower castes with political and economic clout shook up the old regime in civil society to its foundation. For high caste Hindus it meant a double loss. First, in Hinduism the temple was traditionally separate from the state. But no more. The state began to encroach in its territory. Second, there was also a cut-back in material terms as the number of claimants on the faltering economy was raised. In order to restore their glory and earthly possessions a small section of high-caste Hindus looked back into the past and invoked the epic age of Ramayana and Mahabharata (600BC-200AD) – the age of freshly established villages, private property, and a rigorous caste system, an era far more dogmatic than the preceding vedic period (1500BC-600BC). This is the genesis of Hindu fundamentalism today. It has been further aggravated by external factors which will be taken up in a moment.

Muslims are the second largest religious group in India. In fact, India is the home of the second largest Muslim population in the world, behind Indonesia, but ahead of even Pakistan today. Among all the religions Islam has the distinction of possessing a unique written scripture where "the divine message, literally, is available to mankind in writing". "It is also important in a religion which holds that the divine truth is not only a matter of doctrine about the nature of the world, but also, and perhaps primarily, a matter of quite detailed law concerning the conduct of life and society... The result is a legal blueprint of social order, which stands above the mere power and political authority. This transcendent law, when not actually found in the original and severely finite and circumscribed message, is to be found in the written elaborations of competent scholars, plus traditions putatively originating in the Messenger and the precepts and example left by Him and His Companions. They, in principle, constitute the normative model" [Gellner 1994:17].

Formally, Islam has no clergy, no priest. It does not separate religion from society, any more than it formally delinks religion from state. It does not possess, as some other civilisations are said to possess, an exemplary centre holding up the ideal to man, whether in a political or religious court. If anyone in practice performs such a role within Islam, it is the scholars, the theologians-jurists, the 'ulema'. But they do not constitute a sacramentally segregated caste or stratum: they can only claim scholarship, familiarity with the scripturally recorded social/legal ideal, and hence ability and will to practise and implement it, and no more. The political authority is only charged with enforcing divine law, rather than specifically or paradigmatically exemplifying it, let alone creating it. The polity must obey it, as must others, but none of them inherently constitutes either its source or its norm.

The Islamic normative model is contained in a recorded message and inferences from it, and not in any political authority as such. The availability of all this important, indeed crucial, information-in-writing inevitably enhances the social importance of the men who can read, the men of learning, the scholars. Long before the formulation of the modern ideals of separation of powers and an entrenched constitution, Islam in effect possessed a religious version of both: legislation was distinct from the executive because it has been pre-empted by the deity, and religion itself was above all the constitutional law of society.

There is a perceptible distinction – though not very sharp break in principle – between the scholastic practice of Islam which is found in affluent urban areas, and the relatively mystic observance of Islam commonly by urban poor and rural people. Scholars, often of urban background and rooted in the trading bourgeoisie of the towns, project a version of the faith which is scripturalist, rule-oriented, puritanical, literal, sober, egalitarian, anti-estatic. Perhaps such a religious style comes naturally to men of scholarly temperament, and perhaps it also corresponds to the values and lifestyle of the commercial urban class from which they sprang.

The natural inclinations or needs of quite extensive other segments of the population, particularly rural and urban poor, are somewhat distinct from those of their affluent brethren in towns and cities. They have little inclination or ability impelling them to devote their spare time to theological or jurisprudential learning. On the other hand, however, they do need ritual specialists to maintain and service periodic rituals, which fortify and define their identity and maintain stability and security. So arises the most characteristic institution of rural Islam – the saint cult. These Islamic saints are not dead icons unlike in the Catholic shore of the Mediterranean, but they are living, and performing service here and now, in person, rather than being revered for past sanctity. In folk Islam, saints are alive and well. "If priests ... do not exist, then they must be invented. And so they are" [Gellner 1994:18].

It is in terms of this old polarity and amiable symbiosis between the two practices of Islam, namely, urban and rural, i.e. scholastic and mystic, that the persisting vigour of Islam is not merely best described, but also best explained. The mystic form of Islam prevails among the rural people and the urban poor. As political centralisation, population explosion, urbanisation, and economic strain combine to violate the tranquillity of traditional life in villages and in urban slums the victims yearn for a change in their conceptual paradigm. They do not have to look back to some distant past of their own, or veer outside to embrace some foreign notion of 'westernisation'. They do have, in front of their eyes, a 'modern' version of their own religion in the form of urban, scholastic Islam, to which they now aspire. This process of conceptual transition has acquired the label of Islamic fundamentalism<sup>9</sup>

If the Islamic resurgence is a plebeian phenomenon, by this measure, the recent Hindu revival is an episode of the elites.



Its lineage goes back seven decades. The Bharatiya Janata Party (BJP) traces its origin to 1925, when the Rashtriya Swayamsevak Sangh (RSS) began self-defence force to protect Hindus in riots. The RSS's founder, Keshav Hedgewar, believed Hindus had been conquered repeatedly because they were weakened by internal dissension. He sought a modern, united Hindu society free of caste and regional divides. But the project was self-contradictory from the beginning. For 'casteless Hinduism' is but a trifle oxymoron in common perception. Vinayak Damodar Savarkar, meanwhile, in 1923, had published his book, *Hindutva: Who Is a Hindu?* The theory of hindutva aims at reconstructing and mobilising the Hindus through a complex process of exclusionist and majoritarian identification, based on the feeling of insecurity from, and hatred against, the carefully constructed evil and menacing 'other', who are none but a particular segment of the Indian society. However, if the criterion of pitribhumi (fatherland) and punyabhumi (holyland) for hindutva is strictly applied, then most of us have to be repatriated to central Asia, Africa or Mesopotamia. All the same, soon Savarkar came to be the supreme theoretician of the RSS; and, no wonder, his idea had to remain dormant for a long while.

Frustrated, the RSS felt the need for a political platform, so it helped create the party of Jan Sangh in the early 1950s; but even then hardly much popular attention came by its way. In 1977 election, the Jan Sangh and other opposition parties merged to form the Janata Party that routed the ruling Congress. The Janata Party split in two years. Regrouping, old Jan Sangh members formed the Bharatiya Janata Party, seeking new support by proclaiming 'Gandhian socialism'. That campaign yielded only two parliamentary seats in the general election of 1984. The BJP's first bid to govern at Delhi, in 1996, collapsed after just 13 days. The second one, in 1998, has been more successful.

Polls show that the BJP nowadays fares best among the young, urbanised and highly educated, who evidently have high correlation with high castes. Two facts, negative in nature, have propelled the party into power – stagnation of the economy, and disruption of the civil society. The BJP has made inroads into the civil society first, and then advanced to capture the polity: its predecessor Congress had followed the opposite sequence.

The BJP's mantra is: "one nation, one people, one culture". One nation, yes; one people, yes. But, one culture? Which

culture? Who tells it? Let alone the differences among religions of the country, there are wide gulfs between even the brahmanical systems of Hinduism itself, which are quite a few in number: the Nyaya, the Vaisesika, the Samkhya, the Yoga, the Purva Mimamsa, the Advaita Vedanta, the Saiva, the Sakta, and so on, each with its distinct cultural connotation. The BJP worships the deity Rama of the epic period. It is well known that the two epics of India glorify civil war – the Ramayana arrays the Aryans against the Dravidians, and the Mahabharata sets one Aryan tribe against another. For a long time the Ramayana has been at the centre of a divisive controversy in Tamil Nadu politics [Pinto 1999].

The epic period of Hindu philosophy "was an age keenly alive to intellectual interest, a period of immense philosophical activity and many-sided development. We cannot adequately describe the complex inspiration of the times. The people were labouring with the contradictions felt in the things without and the mind within. It was an age full of strange anomalies and contrasts. ...It was the era of Carvaks as well as of the Buddhists" [Radhakrishnan 1929, vol 1:272]. Whom in India today the BJP will appoint to tell us whether to follow the materialism of Lokayata or the Saivism of the Svetasvatara, or whatever there is in between or beyond?<sup>10</sup> On hinduism has no one written book that lays down in details the mode of living. The concept of one culture among even the Hindus alone is a violation of some basic tenets of Hindu philosophy itself, let alone one culture for all Indians of different faiths.

One more word on Hinduism. The earliest reference to the four varnas is in the Rig-Veda, where they are described as having sprung from the body of the creative spirit, from his head, arms, thigh, and feet. This poetical image is intended to convey the organic character of society. Man is not only himself, but is in solidarity with all of his kind. Between the individual and the totality of mankind are set up small groups as supporting elements, though they often turn out obstacles to larger unity of mankind. However, as mentioned earlier, the four varnas have gradually lost their significance, while caste is getting stronger. "The chief features of caste are: (i) Heredity. One cannot change one's caste. (ii) Endogamy. Every member of a caste must marry a member of the same caste and may not marry outside it. (iii) Commensal restriction. Regulations are imposed regarding the acceptance of food and drink from members of other

castes" [Radhakrishnan 1940:371]. Now consider the following. The Universal Declaration of Human Rights, Article 16, says: "Men and women of full age, without limitation due to race, nationality or religion, have the right to marry and found a family. They are entitled to equal rights as to marriage, during marriage and at its dissolution. ...The family is the natural and fundamental group unit of society and is entitled to protection by society and the state." Clearly, the caste system, by restricting marriage and family formation,<sup>11</sup> disregards the charter of human rights authenticated by the United Nations, of which India is a member country.

In a word, the past record of the BJP does not inspire much confidence. However, before we come to a conclusion about the merit of the Congress-BJP bipolar politics, let us ascertain the task that lies ahead, and sketch a feasible mode of accomplishing it.

#### BEYOND CONSERVATISM AND LIBERALISM: UNIVERSAL TRUTHS

Today, what is the enemy number one? An almost unanimous view is that it is communalism – conflicts among religious communities. The long history of India has seen three main approaches to forge religious harmony, which may be called respectively: royal tolerance of diversity, unity-in-god, and religious eclecticism. Emperor Ashoka, and emperor Akbar are the two historic followers of the first path; Mahatma Gandhi is a most distinguished modern preacher of the second; and again, emperor Akbar, the composer of *Din Ilahi*, stands out as a great humanist of all ages who had tried also the third path. Evidently, the results have not been durable.

India has a rich tradition of religious tolerance. It has not only the largest religious literature in the world, but also the largest volume of atheist and materialistic writings among the ancient civilisations. The literature displays a wide variety of views on freedom, tolerance, and equality. In many ways the most interesting articulation of the need for tolerance on an egalitarian basis can be found in the regime of emperor Ashoka during the third century BC. Ashoka commanded a larger Indian empire than any other king in India (including the Mughals and even the British Raj, keeping out the native states). He covered the country with stone inscriptions describing forms of good life and the nature of good government. The inscriptions give special importance to tolerance of diversity. The edict at Erragudi, for example, reads, in part: "[H]e who does reverence to his own

sect while disparaging the sects of others wholly from attachment to his own, with intent to enhance the splendour of his own sect, in reality by such conduct inflicts the severest injury on his own sect" [cited in Sen 1997b:36].

Among the powerful expositors and practitioners of tolerance of diversity in India the great Mughal emperor Akbar, who reigned between 1556 and 1605, is the most illustrious. A Muslim emperor, Akbar sincerely appreciated Hindu philosophy and culture, and he also took much interest in the belief and practices of other religions, including Christianity, Jainism and the Parsee faith. Akbar's court was filled with Hindu and Muslim intellectuals, artists, and musicians. He tried in every way to be non-sectarian and fair in the treatment of his subjects. And, above all, he attempted to establish something of a synthetic religion for India, the *Din Ilahi*, drawing upon different faiths prevailing in the country. He tried to 'combine' the distinct religions of India, incorporating the 'good points' of different religions.<sup>12</sup>

Gandhiji's path of religious tolerance was paved with the sermon of unity-in-god – all religions worship one god; thus we are all brothers and sisters. But he would strongly defend the right to privacy in such matters as food, marriage, and social intercourse. Once he refused to sit down with a Muslim friend for dinner on the argument that eating is an entirely private and personal matter. He disapproved of marriage between Hindus and Muslims as incest [Bose 1998:2094].

Such attempts at inter-religions harmony, not surprisingly, had little lasting impact. For, it seems to us, they do not fulfil two basic requirements, namely, recognition, and identification. First, recognition. Almost all religions suffer from xenophobia; hardly any religion has clear rules or criteria to recognise another faith as legitimate and respectable. Each religion has its own exclusive view of the world and society. Even shared faith in the doctrine of one common god would not help much so long as controversy remains about the specifics of divine revelations. Second, identification. Even society has hierarchy of one kind or another. Hinduism has four varnas and innumerable castes, all ordered in rank. More or less similar divisions can be found in other religious groups as well. Even Gandhiji believed in varnas, and also in castes, albeit to a lesser degree. Other religions do have somewhat similar classifications. But there is hardly any inter-religion correspondence in hierarchies. As a result, one cannot

confidently evaluate the social position of a person of another religion. Such non-correspondence can quickly lead to deep suspicion, rivalry and hostility, specially at times of social and political stress and strain, even though they might have lived in the same village for ages.

If communalism is a primary threat to India's solidarity, so is casteism, which is ubiquitous throughout the country.<sup>13</sup> Thus the problem is twofold – divisions are located at two levels, namely, inter-religion, and intra-religion. It can be resolved with two principles; as we shall see below, one justifies the universality of domain, while the other enumerates the code of behaviour. Let us illustrate it in concrete terms with reference to two religions, namely, Hinduism and Islam.

The Constitution of India grants freedom of religion to all; so does the Universal Declaration of Human Rights by the United Nations. At the level of polity, therefore, all religions are deemed equal. But what about the civil society? The Hindu philosophy contains diverse views about the world; it has several systems of thought about life, society, and the universe. "In [ancient] India, religion is hardly a dogma, but a working hypothesis of human conduct, adapted to different stages of spiritual development and different conditions of life. Whenever it tended to crystallise itself in a fixed creed, there were set up spiritual revivals and philosophic reactions which threw beliefs into the crucible of criticism, vindicated the true and combated the false. Again and again, ... when traditionally accepted beliefs became inadequate, nay false, on account of changed times, and the age grows out of patience with them, the insight of a new teacher supervenes, stirring the depths of spiritual life. ... It is the intimate relation between the truth of philosophy and the daily life of people that makes religion always alive and real" [Radhakrishnan 1929, vol 1:26]. Appearance of an avatar, a prophet, is thus an integral part of Hindu belief.

Islam has a unique written statement of revelation that details the codes of social life. Although it was meant to be clearly understood by all, evidently, there have been occasions of varying interpretations [Engineer 1999b]. Islamic practice has established traditions for recognition of other faiths. The prophet himself, while concluding a treaty with the Parsis of Bahrain and Oman, accepted them as 'ahl al-kitab' (the people of the Book), although they have not been mentioned in the *Qur'an* as such. Similarly, the third caliph, Uthman ibn Affan, accepted the Berber tribes of

northern Africa as 'people of the Book', although it is doubtful whether they possessed any book at all. "If the Berbers of northern Africa, whom Ibn Khaldun (1332-1383) describes as barbarians ... most uncivilised people, could be accepted as 'ahl al-kitab', why not Hindus, inheritors as they are of a high civilisation and culture, possessing a tradition of sophisticated philosophy, metaphysical theories and physical sciences?", asks Engineer (1999a:397). Indeed, Sufi saints such as Abdur Rahim Jan-i-Janan (1699-1781) have concluded that god had sent prophets among the Hindus too, and likened Brahma to Adam and accepted the vedas as revealed books. The Sufis found many parallels to the spiritual endeavour in Islam in the spiritual practice of Hindu yogis. The Sufi concept of 'fan fi Ilah' seems to have been derived from the Buddhist notion of nirvana which predates it. Some Sufis of Gujarat even project the prophet as an 'avatar' of Krishna. There is, thus, a solid common ground for the Hindus and Muslims to embrace each other and recognise as brethren. This is about the issue of inter-religion recognition.

The other problem is to identify individuals in a social context. The Hindu society seems to be subject to inviolable hierarchy. Three percepts of Hinduism, if narrowly interpreted and combined, do, indeed, rot the individual of all freedom; but that would be wrong. Those are the doctrines of respectively, karma, rebirth, and caste as retribution. According to the law of 'karma', there is nothing uncertain or capricious in the moral world, we reap what we sow. The principle of rebirth states that those who possess right knowledge and perform their duties are born again after death for immediate immortality, while those who do not have such knowledge and neglect their duties are reborn again and again on this earth, becoming the prey of death. And, by the law of caste as retribution, "the nature of birth depends on the conduct of man. Those whose conduct has been good will quickly attain some good birth, the birth of a brahmin, a kshatriya, or a vaisya. But those whose conduct is evil will quickly attain an evil birth, the birth of a hog, or dog, or a chandala [scavenger]." This model of eternal cycle of birth and death for the imperfect man is a construction of the later-day Upanishads; there is nothing of this sort in the vedas. The vedas mention neither caste, nor rebirth on this earth, let alone the status at birth as a retribution or prize for the deeds in the previous life. The varnas of the vedas are functional classifications for specialisation of works.

not hereditary tags to be attached to individuals at birth.

Having outlined the basic problem that India faces now, we proceed to find a solution, in principle. At the end we shall ask: can the Congress or the BJP or the two together do it? There are two widely accepted universal truths – human sanctity and human rights – that can provide ground for equality and dignity of all human beings in a fundamental sense. By ordinary perception Hinduism appears as extremely hierarchical, but, at another level, in essence, it holds man in the highest esteem. According to vedic hymns, one reality (ekam sat) realises itself in all variety of existence, including, of course, human beings. The Upanishads confirm the same truth with philosophical analysis of the nature of the self or soul which they call *atman*. What is the nature of the self of man, his central being? Brahman is the ultimate reality, the absolute. And the Upanishads establish the identity of *brahman* and *atman* [Radhakrishnan 1929, vol 1:151-73]. All religions, including Hinduism, thus value man as the highest creation in the universe. This principle underscores the universal dignity of man, regardless of race, ethnicity, colour, gender, or religion. Besides, a religion such as Islam or Christianity that endorses proselytisation assumes a kernel of divinity in every human being. By this doctrine of universal sanctity, then, all human beings have equal measure of dignity as individuals in society.

The other universal truth, we cite, relates to human rights. "The notion of human rights builds on the idea of shared humanity. These rights are not derived from citizenship of any country, or membership of any nation, but taken as entitlements of every human being. The concept of universal human rights is, in this sense, a *uniting* idea" [Sen 1998:40, emphasis in the original]. In broad general sense of entitlements of every human being it is really a relatively new idea, not to be much found either in the ancient west or in ancient civilisations elsewhere. The Universal Declaration of Human Rights, 1948, has codified some of it. Seen in this light a human being, regardless of religion, has a uniform quantum of fundamental rights.

These two universal properties of man have to be understood and respected by everyone. The most effective means of realising and disseminating these truths is to place ourselves vis-a-vis nature. "Nature [according to Upanishadas] is the object of a subject, quite rational and thoroughly intelligible, capable of control and worthy

of love. *It exists for man*" [Radhakrishnan 1929, vol 1:170, emphasis added].

Production of goods and services to satisfy our material needs is essentially a direct interaction with nature. It requires the exercise of reason and rationality to 'control' nature. From our understanding of nature, thus acquired, flows the codes of morality that guide our social life.<sup>14</sup> Participation in production process, therefore, has an instrumental value, for it makes us understand nature, and feel the unity of mankind. To put it in more mundane terms, a growing economy with full employment is an excellent school for practical learning of the value of humanity.

#### CONCLUSION

Given the country's history, tradition, religion, and philosophy, it is evident that the key problem of India today is, in principle, amenable to solution if appropriate national commitment is made. But neither of the two major parties, Congress and the BJP, is capable of rising to the occasion to confront the interrelated evils of communalism and casteism. Both the parties are drifting together in a groove of obsolete ideas; they can at best tinker at the margin. Under the circumstances, a virtual two-party system with the Congress and the BJP at the forefront will only worsen the situation. The liberal consensus has spawned the conservative consensus. Can it 'roll back' its own alter ego?

#### Notes

- 1 The Dravidians had come to India, from Mesopotamia, at a much earlier date than the Aryans, and had their civilisation well established in India before the coming of the Aryans [Braudel 1953 213, Pinto 1999, Radhakrishnan 1929, vol 1:75n]. Thus reckoned, large-scale immigration into India had begun at a far more distant time than four millennia ago.
- 2 The idea of civil society emerged in Europe in the 18th century as philosophers and historians sought to come to terms with the capitalist modernity emerging all around them. The Scottish philosophers – Adam Ferguson, Adam Smith, and David Hume – called the new social formation a 'civil society' to distinguish it from the 'savage and barbarous' tribal societies found in the New World. Gellner (1994:5) suggests "the simplest, immediate and intuitively obvious definition" of civil society as "the set of diverse non-government institutions which is strong enough to counterbalance the state and while not preventing the state from fulfilling its role of keeper of the peace and arbitrator between major interests, can nevertheless prevent it from dominating and atomising the rest of the society." He emphasises the negative aspect of civil society, possibly he has in mind the situation that obtained in the former Soviet Union and eastern Europe under communism.

For a different perspective see Eisensteid and Schluter (1998) and Habermas (1989).

Some authors in India consider the civil society as an alternative, and in opposition to, the state that has failed [Chandoke 1998, Gupta 1997, Kothan 1998a, 1998b, Mahajan 1999, Mohanty 1998].

- 3 All references to the Constitution of India are to it as amended to October 5, 1963.
- 4 Of course, the constitution of a country and a declaration of a charter of human rights by the United Nations do not have the same legal or political connotation. Moreover, the very concept of universal human rights has been challenged in some quarters. A number of governmental spokesmen from Asia at the Vienna Conference on Human Rights in 1993 claimed distinctiveness of 'Asian Values' which allegedly have precedence over human rights as commonly understood in the west. For a forceful critique of the position of those spokesmen, see Sen (1996, 1997b, 1998).
- 5 The Constitution cites a category called 'scheduled castes'. It follows immediately that there are other castes that are outside that schedule. Hence, here are two groups of castes. Formally, only Hindus have castes. So, in the mind of the Constitution, there must be a third group consisting of non-Hindus. The society is thus formally divided into at least three parts.
- 6 First, utilitarian equality is the equality that can be derived from the utilitarian concept of goodness applied to problems of distribution. In the simplest case of the 'pure distribution problem', for example, it requires the equality of marginal utility of everyone. According to one interpretation, this equality of marginal utility embodies equal treatment of everyone's interests. Second, the total utility equality shifts the attention from the equality of marginal utility of everyone to that of total utility. This is less counter-factual than the earlier one. Third, Rawls's 'two principles of justice' characterise the need for equality in terms of "primary social goods" – the "things that every rational man is presumed to want". The other three concepts of equality can be found respectively, in the Constitution of India, the Universal Declaration of Human Rights, and Sen (1979, 1999).
- 7 There are two kinds of division of labour. One relates to the detailed classification and separation of tasks which is practised within a firm. The other one is called a social division of labour that separates firms from one another by their specialisation of products. The political clan owes its origin to the latter type of situation.
- 8 The composition of the electorate has changed in favour of the so-called vulnerable section of the population between 1971 and 1996. The participation rate, given the total electorate of a group, is getting higher for the poor, non-literate, dalits, OBCs, rural people, Muslim sections, among the voters. See Alam (1999).
- 9 Huntington (1996:109-20) regards the ongoing changes in the Islamic world as significant as the American Revolution, French Revolution, or Russian Revolution. So he uses the term 'Islamic Resurgence' to describe the phenomenon. He assigns great importance to a demographic feature, namely, the proportion of youth (those between 15 and 24 years of age) in total population. The urge for social

change accelerates, he says, when this ratio approaches or exceeds the critical mark of 20 per cent. Besides, he considers the resurgence as a reaction to what he calls westernisation

10 "The Hindu culture is a product of ages of change wrought by hundreds of generations, of which some are long, stale and sad, and others short, quick and joyous, where each has added something of quality to the great rich tradition which is yet alive, though it bears with it the marks of the dead past" [Radhakrishnan 1929, vol 1:47] Who will identify and cleanse out "the marks of the dead past"?

11 Endogamy is said to be detrimental to the vitality and rigour of the species. See, Darwin (1859-95)

12 Here is an interesting episode about a great grandson of Akbar, Dara Shikoh. Dara, the eldest and favourite son of emperor Shah Jahan, was deeply involved with Hindu philosophy and, with the help of some scholars, he prepared a Persian translation of some of the Upanishads. About a century later, the British governor-general Warren Hastings, in service of the Raj, appointed one N B Hallhead to compile a code of Hindu laws. Hallhead, this task at hand, came to Benaras (Kasi) in search of the Sanskrit literature on Hindu laws, and in the process, he came across an anthology of the ordinances of Manu, in Persian language, a work of none other than Dara Shikoh. It was on the basis of Dara's version of Manu, in Persian language, that Hallhead prepared in English a code of Hindu laws for the British empire [Srivastava 1998:183]

13 For all pervasiveness of caste in India see Ahmad (1966), Engineer (1999a), Lal (1988:28), Radhakrishnan (1940:376) and Sarkar (1999)

14 Adam Smith (1759:264-342) says that every system of morality is derived from our view of nature and that reason is the faculty that man uses in this process. Smith writes "every system of morality that ever had any reputation in the world has, perhaps, ultimately been derived [T]hey are all of them, in this respect, founded upon natural principles." "From reason we are very properly said to derive all those general maxims and ideas. [R]eason is undoubtedly the source of the general rules of morality."

A similar view can be found in ancient Indian philosophy. Radhakrishnan (1929, vol 2:769) writes "Logic and science, philosophy and religion are related organically. Every fresh epoch in the progress of thought has been inaugurated by a reform in logic. The problem of method involving as it does an insight into the nature of human thought, is of great value. The Nyaya (Gautama's system of philosophy) points out that no stable philosophy can be built except on the foundations of logic. The Vaisheshika (Kanada's system of philosophy) warns us that all fruitful philosophy must take into account the constitution of physical nature. We cannot build in the clouds. Though physics and metaphysics are clearly distinct and cannot be blended, still a philosophic scheme must be in harmony with the results of natural sciences" (emphasis added).

Reason is an innate faculty of cognitive algorithm that operates and evolves in mind.

"What makes reason rational is being right, appropriately digesting and reading the correct data. Reason must be equal to task at hand, avoiding the snares and pitfalls on the way to successful solutions if any exist. What is here meant by 'tasks' and 'success'?" The task will ultimately concern life.. Success is therefore to be judged by solving the task. The ultimate goal is to achieve a purpose: that is how success operates" (Riedl 1984:13). See also Damasio (1994).

By contrast, following David Hume, Friedrich Hayek (1988) assigns no independent role to reason in the evolution of civilisation, which, he says, is a product of morality alone. And morality, according to him, is prior to, and independent of, reason. We disagree with Hayek on this point, and agree with Damasio, Radhakrishnan, Riedl and Smith.

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# CREDIT AGRICOLE INDOSUEZ

(Incorporated in France with Limited Liability)

## INDIAN BRANCHES

BALANCE SHEET AS ON 31 MARCH, 1999			PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 1999		
In INR '000s			In INR '000s		
Schedule	As on 31.03.1999	As on 31.03.1998	Schedule	Year Ended 31.03.1999	Year Ended 31.03.1998
<b>CAPITAL AND LIABILITIES</b>			<b>I. INCOME</b>		
Capital 1	200,000	200,000	Interest earned 13	984,893	906,943
Reserves 2	582,388	577,389	Other Income 14	64,755	274,903
Deposits 3	2,243,458	4,980,241	<b>TOTAL</b>	<b>1,049,648</b>	<b>1,181,846</b>
Borrowings 4	5,096,900	2,418,600	<b>II. EXPENDITURE</b>		
Other Liabilities and Provisions 5	249,046	695,337	Interest expended 15	752,411	961,338
<b>TOTAL</b>	<b>8,171,792</b>	<b>8,671,567</b>	Operating expenses 16	245,079	206,311
<b>ASSETS</b>			Provisions and contingencies	104,594	161,626
Cash and balances with Reserve Bank of India 6	459,425	570,551	<b>TOTAL</b>	<b>1,102,084</b>	<b>1,329,275</b>
Balances with banks and money at call & short notice 7	849,826	1,658,632	<b>III. PROFIT</b>		
Investments 8	3,271,637	2,722,945	Net (Loss)/Profit for the year	(52,436)	(147,429)
Advances 9	2,662,498	2,684,557	(Loss)/Profit brought forward	(117,989)	87,190
Fixed Assets 10	120,032	127,158	<b>TOTAL</b>	<b>(170,425)</b>	<b>(60,239)</b>
Other Assets 11	808,374	907,724	<b>IV. APPROPRIATIONS</b>		
<b>TOTAL</b>	<b>8,171,792</b>	<b>8,671,567</b>	Transfer to statutory reserves	-	-
Contingent Liabilities 12	29,116,432	50,221,778	Remittance to Head Office	-	-
Bills for Collection	913,236	764,018	Transfer to "Head Office Capital" Account	-	57,750
Notes to the Accounts 17			Transfer from "Revaluation Reserve" Account	-	-
			Balance carried to Balance Sheet	(170,425)	(117,989)
			<b>TOTAL</b>	<b>(170,425)</b>	<b>(60,239)</b>
			Notes to the Accounts 17		

The schedules referred to herein form an integral part of the Balance Sheet.

Signatures to Balance Sheet and schedules 1 to 12 and 17.

As per our report of even date,

For RAJESH RAJEEV & ASSOCIATES

Chartered Accountants

Sd/-

CHANDRASHEKHAR

Partner

Mumbai: June 30, 1999.

Sd/-

RAYOMAND KARKARIA

General Manager-

Financial Control

Sd/-

ALAIN BUTZBACH

Sr. Country Officer - (India)



# CREDIT AGRICOLE INDOSUEZ

(Incorporated in France with Limited Liability)

## INDIAN BRANCHES

### SCHEDULES FORMING PART OF BALANCE SHEET

In INR '000s			In INR '000s		
	As on 31.03.1999	As on 31.03.1998		As on 31.03.1999	As on 31.03.1998
<b>Schedule 1 - Capital</b>			<b>Schedule 5 - Other Liabilities and Provisions</b>		
Amount of deposit kept with Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	200,000	200,000	I. Bills Payable	27,361	13,986
<b>TOTAL</b>	<u>200,000</u>	<u>200,000</u>	II. Inter-Office adjustments (net) (overseas branches)	1,858	-
<b>Schedule 2 - Reserves and Surplus</b>			III. Interest accrued	112,682	433,059
1. Statutory Reserve			IV. Others (including provisions)	107,145	248,292
Balance as per last Balance Sheet	117,434	117,434	<b>TOTAL</b>	<u>249,046</u>	<u>695,337</u>
Additions during the year	-	-	<b>Schedule 6 - Cash and Balances with Reserve Bank of India</b>		
<b>TOTAL</b>	<u>117,434</u>	<u>117,434</u>	I. Cash on hand (including foreign currency notes)	5,434	4,025
2. Revaluation Reserve	68,823	72,447	II. Balances with Reserve Bank of India		
3. Balance in Profit and Loss Account	(170,425)	(117,989)	i) In Current Account	453,991	566,526
4. Head Office Account	566,556	505,497	ii) In Other Account	-	-
<b>TOTAL</b>	<u>464,954</u>	<u>459,955</u>	<b>TOTAL</b>	<u>459,425</u>	<u>570,551</u>
<b>TOTAL</b>	<u>582,388</u>	<u>577,389</u>	<b>Schedule 7 - Balances with Banks &amp; Money at Call &amp; Short Notice</b>		
<b>Schedule 3 - Deposits</b>			I. In India		
I. Demand Deposits			i) Balances with Banks		
i) From banks	40,635	9,112	a) in current accounts	10,246	8,098
ii) From others	441,122	612,546	b) in other deposit accounts	-	-
II. Saving Bank Deposits	161,123	104,256	ii) Money at call and short notice		
III. Term Deposits			a) With banks	-	-
i) From banks	1,750	51,750	b) With other institutions	-	-
ii) From others	1,598,828	4,202,577	<b>TOTAL (I)</b>	<u>10,246</u>	<u>8,098</u>
<b>TOTAL</b>	<u>2,243,458</u>	<u>4,980,241</u>	II. Outside India		
Deposits of Branches in India	2,243,458	4,980,241	i) in current accounts	389,435	402,492
Deposits of Branches outside India	-	-	ii) in other deposit accounts	450,145	1,248,042
<b>Schedule 4 - Borrowings</b>			iii) money at call and short notice	-	-
I. Borrowing in India			<b>TOTAL (II)</b>	<u>839,580</u>	<u>1,650,534</u>
i) Reserve Bank of India	240,000	20,000	<b>TOTAL (I &amp; II)</b>	<u>849,826</u>	<u>1,658,632</u>
ii) Other Banks	3,367,400	2,080,000			
iii) Other institutions and agencies	1,489,500	318,600			
II. Borrowing outside India	-	-			
<b>TOTAL</b>	<u>5,096,900</u>	<u>2,418,600</u>			
Secured Borrowings included above					



# CREDIT AGRICOLE INDOSUEZ

(Incorporated in France with Limited Liability)

## INDIAN BRANCHES

### SCHEDULES FORMING PART OF BALANCE SHEET

In INR '000s			In INR '000s		
	As on 31.03.1999	As on 31.03.1998		As on 31.03.1999	As on 31.03.1998
<b>Schedule 8 – Investments</b>			<b>II. Other fixed assets (including Furniture &amp; Fixtures)</b>		
<b>I. Investments in India in:</b>			Cost as on 01.04.1998	78,144	69,522
i) Government securities (including Treasury Bills)	2,247,967	2,337,207	Additions during the year	7,901	9,742
ii) Other approved securities	204,431	383,080	Deductions during the year	(4,179)	(1,120)
iii) Shares	360	360	Depreciation to date	(56,440)	(50,571)
iv) Debentures and bonds	760,000	20,000			
v) Units	-	-	Balance as at 31.03.1999	25,426	27,573
vi) Others – (Commercial Paper)	120,000	-	<b>TOTAL</b>	<b>120,032</b>	<b>127,158</b>
<b>GROSS TOTAL</b>	<b>3,332,758</b>	<b>2,740,647</b>	<b>Schedule 11 – Other Assets</b>		
<b>LESS: Provision for Depreciation</b>	<b>(61,121)</b>	<b>(17,702)</b>	<b>I. Inter-office adjustments (net) (Overseas Branches)</b>	-	2,444
<b>NET TOTAL</b>	<b>3,271,637</b>	<b>2,722,945</b>	<b>II. Interest accrued</b>	100,518	124,837
<b>Schedule 9 – Advances</b>			<b>III. Tax paid in advance/ tax deducted at source</b>	242,162	223,772
<b>A. i) Bills purchased and discounted</b>	164,378	151,107	<b>IV. Stationery and stamps</b>	9	25
ii) Cash credits, overdrafts and loans repayable on demand	1,424,412	1,395,345	<b>V. Non-banking assets acquired in satisfaction of claims</b>	-	-
iii) Term loans	1,073,708	1,138,105	<b>VI. Others</b>	465,685	556,646
<b>TOTAL</b>	<b>2,662,498</b>	<b>2,684,557</b>	<b>TOTAL</b>	<b>808,374</b>	<b>907,724</b>
<b>B. i) Secured by tangible assets</b>	2,549,853	2,813,500	<b>Schedule 12 – Contingent Liabilities</b>		
ii) Covered by bank/ government guarantees	67,479	10,194	<b>I. Claims against the company not acknowledged as debts</b>	-	1,046
iii) Unsecured	45,166	60,930	<b>II. Liability for partly paid investments</b>	-	-
<b>TOTAL</b>	<b>2,662,498</b>	<b>2,884,624</b>	<b>III. Liability on account of outstanding forward exchange contracts</b>	24,604,608	44,086,436
<b>C. Advances in India</b>			<b>IV. Guarantees given on behalf of constituents:</b>		
i) Priority Sectors	969,136	662,632	a) In India	2,390,082	3,571,760
ii) Public Sectors	-	-	b) Outside India	390,562	340,021
iii) Banks	-	-	<b>V. Letter of Credit</b>	1,489,896	2,027,494
iv) Others	1,693,362	2,221,992	<b>VI. Acceptances, endorsements and other obligations</b>	-	15,632
<b>TOTAL</b>	<b>2,662,498</b>	<b>2,884,624</b>	<b>VII. Liability on account of Bills of Exchange rediscounted</b>	-	-
<b>Schedule 10 – Fixed Assets</b>			<b>VIII. Other items for which the bank is contingently liable</b>	241,284	179,389
<b>I. Premises</b>			<b>TOTAL</b>	<b>29,116,432</b>	<b>50,221,778</b>
Cost as on 01.04.1998	144,150	144,150			
Additions during the year	-	-			
Deductions during the year	-	-			
Depreciation to date	(49,544)	(44,565)			
<b>Balance as at 31.03.1999</b>	<b>94,606</b>	<b>99,585</b>			





# CREDIT AGRICOLE INDOSUEZ

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

In INR '000s			In INR '000s		
	Year Ended 31.03.1999	Year Ended 31.03.1998		Year Ended 31.03.1999	Year Ended 31.03.1998
<b>Schedule 13 – Interest Earned</b>			<b>Schedule 16 – Operating Expenses</b>		
I. Interest/discount on advances/bills	370,921	406,745	I. Payments to and provisions for employees	89,784	75,823
II. Income on Investments	470,901	338,335	II. Rent, taxes and lighting	7,842	7,030
III. Interest on Balances with Reserve Bank of India and other Inter-bank funds	139,957	116,517	III. Printing and stationery	3,820	4,389
IV. Others	3,114	45,346	IV. Advertisement and publicity	919	620
<b>TOTAL.</b>	<b>984,893</b>	<b>906,943</b>	V. Depreciation on bank's property	10,875	10,481
<b>Schedule 14 – Other Income</b>			VI. Directors and local advisory board members fees, allowances and expenses	61	65
I. Commission, exchange and brokerage	81,273	58,576	VII. Auditor's fees and expenses	125	125
II. Profit/(Loss) on sale of investments (Net)	(77,529)	30,276	VIII. Law charges	3,859	2,880
III. Profit/(Loss) on sale of land, buildings and other assets (Net)	(338)	(86)	IX. Postage, telegrams, telephones etc.	17,064	12,254
IV. Profit on exchange transactions (Net)	61,349	186,001	X. Repairs and maintenance	7,274	15,983
V. Income earned by way of Dividends	–	108	XI. Insurance	9,520	14,781
VI. Miscellaneous Income	–	28	XII. Other expenditure	93,936	61,880
<b>TOTAL</b>	<b>64,755</b>	<b>274,903</b>	<b>TOTAL</b>	<b>245,079</b>	<b>206,311</b>
<b>Schedule 15 – Interest Expended</b>					
I. Interest on Deposits	355,453	605,809			
II. Interest on Reserve Bank of India/Inter-bank borrowings	391,112	353,899			
III. Others	5,846	1,630			
<b>TOTAL</b>	<b>752,411</b>	<b>961,338</b>			



# CREDIT AGRICOLE INDOSUEZ

(Incorporated in France with Limited Liability)

## INDIAN BRANCHES

### Schedule 17 – Notes forming part of the Accounts as at 31 March, 1999.

#### I Summary of Significant Accounting Policies

##### a) General

The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country.

##### b) Transactions involving foreign exchange

- i) Monetary assets and liabilities have been translated at the "Foreign Exchange Dealer's Association of India" exchange rates prevailing at the close of financial year except Foreign Currency Non-Resident account balances which are carried at the rates specified by the Reserve Bank of India or at the spot rates of swap contracts, as applicable.
- ii) Outstanding foreign exchange contracts and contingent liabilities on account of outstanding forward exchange contracts are valued at the contract rates and have not been revalued.
- iii) Income and expenditure items are translated at the exchange rates prevailing as on the date of the transaction.
- iv) Profit or loss on outstanding forward contracts is accounted for on accrual basis.

##### c) Investments

Investments in Government of India, other approved securities and other investments are valued at lower of cost of acquisition or market value or yield to maturity at rates specified by RBI circular BP.BC.28/21.04.048/98-99 dated 15 April, 1999 and disclosed in accordance with the circular No. BP.BC.9/21.04.018/98 dated 27 January, 1998 and BP.BC.32/21.04.018/98 dated 29 April, 1998

##### d) Advances

- i) Provisions for doubtful advances have been made to the satisfaction of the auditors.
  - (a) In respect of identified advances, based on a periodic review of advances.
  - (b) In respect of general advances, based on Management's estimate of potential exposure and taking into account guidelines issued by the Government of India and the Reserve Bank of India.
- ii) Provisions in respect of doubtful advances have been deducted from advances to the extent necessary and the excess has been included under "Other Liabilities and Provisions".

##### e) Fixed Assets

- i) Fixed Assets are accounted at their historical cost except Premises which were revalued as on 31 March 1993 and were accounted for at the values determined by Government Approved Valuers. The surplus on revaluation was credited to Revaluation Reserve.
- ii) Depreciation is provided for on the diminishing balance method at the rates specified in Schedule XIV to the Companies Act, 1956.
- iii) Depreciation in respect of revalued assets is provided for on the revalued amount and charged to the Profit and Loss Account, and an amount equivalent to the accumulated additional depreciation has been transferred from the Revaluation Reserve Account to the Profit and Loss Account.

##### f) Revenue recognition

Income is recognised on accrual basis except interest on non-performing advances and guarantees/letters of credit commission which are recognised on realisation basis.

##### g) Staff Benefits

Provision for gratuity is made on basis of an actuarial valuation. Provision for pension benefits is made on an accrual basis. Separate funds for gratuity and pension have been created.

##### h) Net Loss

The net loss disclosed in the Profit and Loss Account is after:

- a) Provisions for taxes on income in accordance with statutory requirements.
- b) Provisions for doubtful advances.
- c) Adjustments to the value of current investments.
- d) Other usual and necessary provisions.

#### II. Capital Adequacy Ratio

The Capital Adequacy Ratio of the Bank as at March 31, 1999 as computed under guidelines of the Reserve Bank of India vide Circular No. DBOD No. BP.BC.117/21.01.002/92 dated 22.04.92 and as amended subsequently is 8.56%.



# CREDIT AGRICOLE INDOSUEZ

(Incorporated in France with Limited Liability)

## INDIAN BRANCHES

III. Additional Disclosures: Vide DBOD Circular No. BP.BC.9/21.04.018/98: dated January 27, 1998 (Balance Sheets of Banks - Disclosures).

		PREVIOUS YEAR
a) Capital Adequacy Ratio:	8.56%	8.40%
b) Percentage of net NPAs to net advances:	24.75%	16.44%
c) Provision and Contingencies as on 31.03.1999.		
	INR '000s	
i) Specific Provision for NPAs	52,975	143,026
ii) Provision for Depreciation on Investment	43,419	-
iii) Provision for Interest Tax	8,200	18,600
iv) Others	-	-
Total	104,594	161,626
d) Amount of sub-ordinated debt raised as Tier II Capital:	NIL	
e) Investment		
i) In India:		
Gross Value of Investment	3,332,758	2,740,647
Less: Provision for Depreciation	(61,121)	(17,702)
Net Value of Investment	3,271,637	2,722,945
ii) Outside India		NIL
f) Following Business Ratios		
i) Capital Adequacy Ratio - Tier I Capital	8.08%	7.83%
ii) Capital Adequacy Ratio - Tier II Capital	0.48%	0.58%
iii) Interest income as a percentage to working funds	9.21%	8.18%
iv) Non-interest income as a percentage to working funds	0.61%	2.48%
v) Operating profit as a percentage to working funds	0.49%	0.13%
vi) Return on assets	(0.64%)	(1.54%)
vii) Business (deposits plus advances) per employee	67,902'	78,445'
viii) Loss per employee	519'	1,404'

IV. The Bank has entered into an agreement for settlement of its dues by the owners/landlords of one of its erstwhile premises. Under the agreement the bank has received back its deposit together with interest. The Bank has surrendered its tenancy rights in respect of the premises to the owners/landlords in October 1996 on the basis of the opinion of its solicitors. Moreover, the other co-tenants who had filed claim suits against the bank have signed the consent terms to withdraw the suit in view of the landlord agreeing to re-instate the co-tenants in the new building in terms of the agreement dated 25 February, 1997. The consent terms dated 23 June, 1997 were filed in respect of the same in Mumbai High Court and were taken on record on that date.

V. Previous year's figures have been regrouped/rearranged wherever necessary.

As per our attached report of even date

Signatures to Schedule No. 1 to 17.

for RAJESH RAJEEV & ASSOCIATES  
Chartered Accountants

Sd/-  
CHANDRASHEKHAR  
Partner

Sd/-  
RAYOMAND KARKARIA  
General Manager - Financial Control

Sd/-  
ALAIN BUTZBACH  
Sr. Country Officer - (India)

Place: Mumbai  
Date: June 30, 1999



# **CREDIT AGRICOLE INDOSUEZ**

**(Incorporated in France with Limited Liability)**

**INDIAN BRANCHES**

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## **Auditor's Report**

We have audited the attached Balance Sheet of the Indian Branches of CREDIT AGRICOLE INDOSUEZ (incorporated in France with limited liability) as on 31st March, 1999 and also the annexed Profit and Loss Account for the year ended on that date.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read together with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account are not required to be and are not drawn-up in accordance with Schedule VI to the Companies Act, 1956. The Accounts are therefore, drawn-up to conform with Forms A and B (Revised) of the Third Schedule of the Banking Regulation Act, 1949. Subject to the foregoing observations, we report that in accordance with sub-section (3) of Section 30 of the Banking Regulation Act, 1949:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory;
- b) The transactions of the Indian Branches which have come to our notice have been within the powers of the Indian Branches of the Bank;
- c) In our opinion, proper books of accounts, as required by law, have been kept by the Indian Branches of the Bank so far as appears from our examination of those books;
- d) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- e) In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1956 in the manner so required, for Banking companies and read together with the notes, give a true and fair view:
  - (i) In the case of the Balance Sheet of the state of affairs of the Indian Branches of the Bank as at 31st March, 1999 and
  - (ii) In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For RAJESH RAJEEV & ASSOCIATES  
Chartered Accountants  
Sd/-  
CHANDRASHEKHAR  
Partner

Place: Mumbai  
Date: June 30, 1999

# Indian Macro-Economic Data Base in a Consistency Accounting Framework (1950-51 to 1997-98) – II

## Identifying Empirical Patterns and Regularities

M J Manohar Rao  
Archana P Samant  
Nina L Asher

*Despite certain minor problems of definitions and measurements left unresolved by the earlier exercise on Indian macro-economic data base consistency (reported in the previous issue of EPW), the resulting integration helped us to detect the structural changes that have occurred in the real and financial sectors of the Indian economy over the entire sample period, in general, and between the pre- and post-liberalisation phases, in particular. In such a context, we have identified many important empirical patterns and regularities, notably the existence of business cycles, the counter-cyclical nature of inflation, the twin deficits problem, the impact of absorption on reserves, the evolution of the debt-income ratio, the relationship between real interest rates and growth, the sustainability of the fiscal stance, amongst others, which could act as theoretical guideposts for the formulation of issues in the role and conduct of macro-economic stabilisation policy.*

### I Introduction

A major and long pending need with respect to methodological improvements in the Indian macro-economic data base is to bring about harmonisation of all the four major accounts of the three major specialised statistical systems (i.e., National Accounts Statistics of the Central Statistical Organisation (CSO), Balance of Payments accounts of the Reserve Bank of India (RBI), monetary and banking data of the RBI, and fiscal data pertaining to government finance statistics and budget financing operations of the ministry of finance, government of India) and thereby promote the integration of various economic and related statistics.

In such a context, an attempt was made in the first part of this study (published in the earlier issue of *EPW*) to present a comprehensive and consistent set of macro-economic data for the Indian economy by integrating these four accounts for the 46-year period from 1950-51 to 1997-98. This was done by specifying an alternative system of presenting the data generated in the national and related accounts in the form of a consistency accounting framework which is a flexible way of rearranging the data in a matrix form elaborating the linkages between sources and uses of funds as well as between institutional sector accounts. It was seen that such an accounting framework ensured the numerical consistency of data drawn from different sources in a way that both the sectoral as well as economywide budget constraints were simultaneously satisfied.

Despite certain minor problems of definitions and measurements left unresolved

by the earlier exercise, the success achieved by us in integrating the basic time-series on national accounts with related aggregates has helped us in this paper to depict the growth of, both, the real and financial sectors of the Indian economy, as also its structural changes, over the entire sample period, in general, and between the pre- and post-liberalisation phases, in particular. In such a context, the resulting identification of empirical patterns and regularities should facilitate translation of certain important theoretical constructs on structural adjustment problems into various policy relevant solutions and inter-relationships.

### II What Do the Data Reveal? Identifying Empirical Patterns and Regularities

While no detailed econometric analysis is undertaken here, a few observations, based on the empirical patterns and regularities detected in the statistical time series contained in Table 3\*,<sup>1</sup> as well as in the supplementary information provided in Appendix I, are in order.

#### COMPONENTS OF GDP EXPENDITURE

Equating the components of the first row and first column of Table 1\* describes how the sum of goods and services that are domestically produced ( $Y_{mp}$ ) and imported ( $Z$ ), i.e., the total available goods and services for final use, are disposed of between public and private consumption ( $C_g$  and  $C_p$ ), public and private investment ( $I_g$  and  $I_p$ ) and exports ( $X$ ). The ensuing results, in the form of five-year periodwise averages, are provided in Figure 1 where

each stacked bar graph indicates the per cent share of the above five expenditure components in ( $Y_{mp}+Z$ ) for the corresponding period

The results indicate that there are three features which distinguish the post-liberalisation period (1991-95) from the earlier phases: (i) For the first time ever, the share of  $C_g$ , which had increased ceaselessly from 1951-55 onwards, declined, albeit marginally, to 13.1 per cent partly as a result of the fiscal austerity measures adopted; (ii) The share of  $X$  surged to a peak of 9.4 per cent from its earlier level of 6.4 per cent as an outcome of external real sector liberalisation; and (iii) There was a marginal increase in the share of  $I_p$  which enabled it to reach an all-time high of 14.1 per cent. Apart from these, the trends in the other two variables were not dissimilar from those observed earlier, what with  $C_p$  continuing to decline monotonically as before reaching a trough of 55.2 per cent; and  $I_g$ , after peaking at 8.9 per cent during 1976-80, fluctuating around a declining trend to reach its current level of 8.1 per cent.

#### COMPONENTS OF NATIONAL DISPOSABLE INCOME APPROPRIATION

Adding together the second and third rows as well as columns of Table 1\* and equating their sums describes how gross national disposable income (GNDI), i.e., GDP at market prices plus factor incomes and current transfers from abroad, are disposed of between total consumption ( $C = C_g + C_p$ ), total savings ( $S = S_g + S_p$ ) and total net investment income ( $INV = INV_{gc} + INV_{pc}$ ). The results are provided in Figure 2 where the first pie diagram indicates the share of these components

in GNDI for the seven-year pre-liberalisation period (1984-91) while the second pie diagram refers to the seven-year post-liberalisation phase (1991-98).

The results indicate that there are two positive features which characterise the post-liberalisation phase: (i) There was a distinct fall in the share of consumption from 78.1 to 75 per cent which is the prime reasons for the fall in absorption and the consequent rise in reserves during this phase; and (ii) To mirror this fall, the share of gross savings increased from 21.1 to 23.9 per cent reflecting the impacts of the financial liberalisation measures. Coming to the negative aspect, we realise that total net investment income increased from 0.7 per cent to 1.1 per cent which is very disconcerting because if such resource outflows from government and private sector

incomes continue to increase unabatedly, then they could in future simultaneously decrease both savings and consumption. While this has not yet happened, the leading indicator of such a possibility is protracted stagnation and demand recession and it is alarming to note that we currently seem to be in the grip of precisely such a malaise.

#### THE TWIN DEFICIT PROBLEM

Much of the theoretical debate on structural adjustment focuses attention on the relationship between the gross fiscal deficit (GFD) and the current account deficit (CAD). Decomposing equation (23\*) into its basic components, i.e.,  $I = I_g + I_p$  and  $S = S_g + S_p$ , we have

$$(S_g - I_g) + (S_p - I_p) = -CAD \quad (1)$$

Based upon the above equation which indicates that improvements in the CAD can take place only if sectoral savings rise relative to sectoral investment, Dornbusch and Helmers (1988) concluded forcefully that policies which do not have any effect on savings cannot be expected to improve the external balance. However, equation (23\*) can also be written in terms of the linkages between the GFD and the CAD as follows:

$$I_p = S_p - (I_g - S_g) + CAD \\ = S_p - GFD + CAD \quad \dots(2)$$

which indicates that increases in external savings, i.e., the CAD, offset public sector dissaving thereby preempting the crowding out of private sector investment. Now if the government fiscal deficit is

TABLE 1. SUPPLEMENTARY MACRO-ECONOMIC STATISTICS FOR THE INDIAN ECONOMY (1950-51 TO 1997-98)

Year	NYfc	Yfc	Ymp	Yfc(r)	NYfc(r)	K	M3	P	i	E	RER	IDc	IDx	ID	INT <sub>gc</sub>	ED	GI
1950-51	8615	8979	9366	42871	40681	96061	2140	0.2094	1.55	4.76	10.14	2023	134	2157	7	32	-
1951-52	9069	9480	9966	43872	41585	99106	2196	0.2161	1.73	4.76	10.24	1957	149	2106	1	137	35.56
1952-53	8907	9349	9774	45117	42729	101600	2099	0.2072	2.13	4.76	10.84	1939	187	2126	2	139	35.26
1953-54	9715	10180	10638	47863	45388	104486	2137	0.2127	2.27	4.76	10.73	1922	194	2116	4	136	34.62
1954-55	9052	9563	10073	49895	47256	107827	2249	0.1917	2.39	4.76	12.15	2171	201	2372	4	133	37.05
1955-56	9171	9717	10258	51173	48342	112107	2505	0.1899	2.39	4.76	12.68	2329	273	2602	3	114	35.20
1956-57	10989	11600	12217	54086	51039	117142	2730	0.2145	2.94	4.76	11.60	2695	296	2991	3	161	34.17
1957-58	11197	11859	12598	53432	50179	122473	2990	0.2219	3.29	4.76	11.57	3219	319	3538	3	211	34.91
1958-59	12494	13266	14034	57487	54045	127060	3263	0.2308	3.33	4.76	11.36	3627	395	4022	6	391	34.64
1959-60	13092	13934	14793	58745	55086	131693	3655	0.2372	3.23	4.76	11.29	3916	485	4401	18	631	32.59
1960-61	14314	15254	16201	62904	58974	137556	3902	0.2425	3.31	4.76	11.21	3975	586	4561	25	1001	33.08
1961-62	15044	16097	17177	64856	60665	142937	3998	0.2482	3.97	4.76	11.09	4169	683	4852	37	1304	32.60
1962-63	16055	17212	18476	66228	61736	149482	4389	0.2599	3.99	4.76	10.82	4423	755	5178	52	1646	31.79*
1963-64	18370	19671	21237	69581	64791	156655	4788	0.2827	4.00	4.76	10.10	4619	786	5405	62	2054	30.73
1964-65	21518	22981	24765	74858	69679	164136	5269	0.3070	4.79	4.76	9.47	5036	909	5945	75	2537	31.05
1965-66	22411	24063	26145	72122	66518	172131	5806	0.3336	5.50	4.76	8.97	5415	1168	6583	87	3152	31.14
1966-67	25445	27389	29571	72856	66853	179367	6462	0.3759	6.00	6.36	10.99	6214	1143	7357	137	5182	31.06
1967-68	30003	32187	34610	78785	72459	186313	7041	0.4085	6.00	7.5	12.30	6606	1287	7893	150	6053	30.55
1968-69	31566	33943	36674	80841	74181	192409	7794	0.4199	6.50	7.5	12.59	6800	1489	8289	159	6520	31.86
1969-70	34692	37328	40387	86109	79137	199015	8814	0.4335	6.50	7.5	12.87	7234	1542	8776	164	6794	31.47
1970-71	36787	39708	43163	90426	83172	205523	10326	0.4391	6.00	7.5	13.42	7464	1847	9311	171	7224	30.38
1971-72	39008	42248	46257	91339	83733	212268	11814	0.4625	6.00	7.5	13.43	8163	2211	10374	177	7476	30.79*
1972-73	42812	46473	51005	91048	83042	220539	13746	0.5104	6.00	7.59	12.95	9778	1859	11637	187	7751	31.85
1973-74	52647	56954	62007	95142	86807	227921	16474	0.5986	6.00	7.43	11.59	11107	2143	13250	192	8524	30.51
1974-75	61581	67039	73235	96297	87528	234667	18717	0.6962	7.65	8.1	11.87	12370	2404	14774	161	6421	29.17
1975-76	64878	71201	78761	104968	95741	243557	21052	0.6783	8.00	8.38	11.72	13899	2893	16792	190	7489	32.72*
1976-77	69756	76336	84894	106280	96537	252673	25237	0.7201	8.00	8.96	14.72	14476	3086	17562	208	8610	32.92*
1977-78	79982	87351	96067	114219	103986	262367	36263	0.7648	6.00	8.74	14.44	18996	3425	22421	204	8985	32.14
1978-79	85454	93880	104190	120504	109668	273681	46434	0.7791	6.00	8.19	14.31	19855	3481	23336	226	9373	31.85*
1979-80	92171	102442	114356	114236	102794	283892	43792	0.8968	7.00	8.13	13.44	24399	3731	28130	235	9964	32.56*
1980-81	110340	122427	136013	122427	110340	295422	50966	1.0000	7.50	7.91	12.80	31449	4443	35892	231	11299	32.10*
1981-82	128757	143216	159760	129889	117101	309042	59793	1.1026	8.00	8.97	14.33	35653	5722	41375	258	12328	31.74*
1982-83	142509	159395	178132	133915	120320	324054	68515	1.1903	8.00	9.67	15.13	46939	5402	52341	304	13682	31.67*
1983-84	167494	186723	20589	144865	130396	338293	80577	1.2889	8.00	10.34	15.51	50263	6538	56801	359	15120	31.49
1984-85	186442	208533	231343	150433	134985	353405	95295	1.3862	8.00	11.89	17.17	58537	8722	66859	460	16637	31.69*
1985-86	207562	233799	26224	156565	140226	368846	11396	1.4933	8.50	12.24	16.92	71039	8049	79088	538	18086	31.84*
1986-87	230207	260030	292949	163271	145978	385784	130653	1.5926	8.50	12.78	17.01	86312	9065	95377	766	20110	32.22
1987-88	261510	294851	333201	170322	151988	403298	153207	1.7311	9.00	12.97	16.37	98646	10854	109500	1034	23003	31.82
1988-89	313785	352706	395782	188461	168985	421776	179687	1.8715	9.00	14.48	17.50	114498	13213	127711	1298	25463	31.15
1989-90	363016	408662	456821	201453	180686	441073	213856	2.0286	9.00	16.65	19.41	133193	16194	149387	1645	28343	30.46
1990-91	425619	477814	535534	212253	190218	463379	249493	2.2512	9.00	17.96	19.88	154004	19211	173215	1934	31525	29.69
1991-92	489689	552768	616799	213983	190553	485137	292403	2.5832	10.50	24.47	24.47	172751	22977	195728	2704	36948	32.53
1992-93	557826	630772	705918	225240	200381	507967	346893	2.8004	12.40	28.96	27.45	199101	26274	225375	3529	42269	32.02
1993-94	651322	732874	810749	239145	212604	533710	402154	3.0646	10.40	31.37	27.86	245712	30309	276021	3724	47345	31.71**
1994-95	712680	868019	962453	257700	228964	604093	481797	3.3683	10.20	31.39	25.95	266467	35222	301689	4026	50928	31.06**
1995-96	894700	1006286	1121011	276132	245104	678629	557315	3.6442	12.00	33.45	26.16	307867	43219	351086	4899	51249	30.33**
1996-97	1022033	1149115	1273805	296845	263427	756679	647848	3.8714	11.30	35.5	26.79	330792	51178	381970	4550	53620	29.25**
1997-98	1132316	1275629	1412511	311687	275808	-	755692	4.0927	10.50	37.16	27.18	368681	61455	430136	4746	56001	28.73**

corrected, will that reduce the CAD? Based upon the results of Feldstein and Horioka (1982), the answer is 'No' because their evidence indicates, just as forcefully, that cutting the fiscal deficit (and thereby increasing the national savings rate) will only increase investment with very little impact on the CAD. Thus, whether changes in the savings rate are reflected primarily in the external balance (Dornbusch and Helmers) or in investment levels (Feldstein and Horioka) becomes a policy issue of very great practical relevance.

To ascertain the validity of the above two propositions in the Indian context, we initially correlated five-year period averages of savings rates ( $S/Y$ ) on their corresponding five-year period averages of investment rates ( $I/Y$ ) and the resultant plot with the nine scatter points (one for each of the five years of the 45-year period 1951-52 to 1995-96) is presented in Figure 3. Regressing ( $I/Y$ ), which as per the Feldstein-Horioka hypothesis is the dependent variable on ( $S/Y$ ) and obtaining the corresponding fitted values of the investment rates for the entire sample period yields the flat upward sloping bold line in the figure which indicates a very high correlation ( $R^2 = 0.97$ ) between savings and investment rates.

We then correlated five-year period averages of savings rates with their corresponding current account deficit rates ( $CAD/Y$ ) and the resultant scatter plot is presented in Figure 4. Regressing ( $CAD/Y$ ) which, as per the Dornbusch-Helmers hypothesis, is the dependent variable on ( $S/Y$ ), we obtained the fitted values of  $CAD$  rates depicted by the flat bold line in the figure which indicates the absence of any correlation ( $R^2 = 0.00$ ) between these two variables. Ironically enough, it is interesting to note that, if we disregard the initial data point (for the period 1951-55), there is almost a near perfect inverse relationship between savings and  $CAD$  rates ( $R^2 = 0.99$ ) for the 20-year period 1956-75 (indicated by the initial downward sloping dashed line), which however breaks down completely ( $R^2 = 0.04$ ) for the subsequent 20-year period 1976-95 (indicated by the second downward sloping dashed line), what with two near identical savings rates (21.6 per cent during 1976-80 and 21.9 per cent during 1986-90) being related to diametrically opposing  $CAD$  rates (0.18 per cent during 1976-80 and 2.5 per cent during 1986-90). Thus, it is clear that, in the Indian context, the Dornbusch-Helmers proposition can be rejected while the Feldstein-Horioka proposition stands vindicated.

FIGURE 1: COMPONENTS OF GDP EXPENDITURE

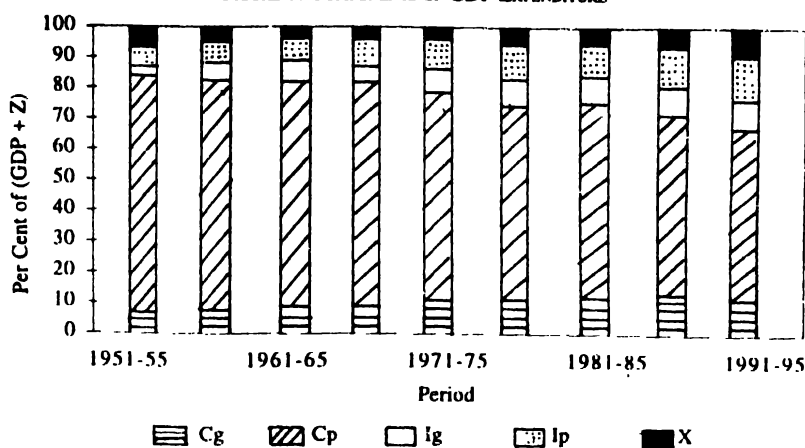
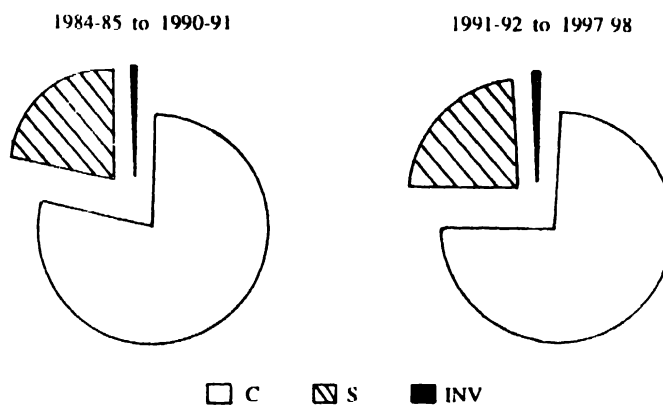


FIGURE 2 COMPONENTS OF NATIONAL DISPOSABLE INCOME: APPROPRIATION



#### ABSORPTION AND RESERVES

As shown in equation (25\*), there is an inverse relationship between absorption ( $A$ ) and reserve expansion ( $\Delta R^*$ ) according to which, if total resources as well as the flow demand for money remains fixed, any increase (decrease) in absorption will automatically decrease (increase) reserves on a one-to-one basis. While the consistency check provided in Table 7\* established the above proposition numerically in accounting terms, we need to examine more precisely the nature of empirical regularities between these two variables by relating movements in absorption to changes in reserve accretion.

To do so, we initially defined both these variables in terms of GDP at market prices ( $Y_{mp}$ ) in an attempt to show that excess relative absorption, i.e. the excess of domestic absorption over GDP, is inversely related to reserve accretion.<sup>2</sup> The results, in the form of a line graph over the entire sample period, are provided in Figure 5.1 where the light gray line denotes  $[(A/Y) - 1]$ , i.e. the ratio of excess absorption to  $Y_{mp}$ , and the dark black line indicates  $\Delta R^*/Y$ , i.e. reserve accretion (depletion) as a fraction of  $Y_{mp}$ .

The results clearly bear out the inverse relationship between these two variables over the sample period and it is seen, by way of example, that the excess absorption of 2.8 per cent witnessed in 1990-91 is faithfully mirrored by a reserve depletion of 0.8 per cent, while the turnaround in 1991-92, after devaluation which saw reserve accretion increase to 1.2 per cent, is explained by the fact that relative domestic absorption decreased to barely 0.5 per cent as a result of the expenditure reduction policies initiated that year.

We then compared the empirical regularity between conventional relative absorption, i.e.  $A/(Y^* + \Delta F)$ , and absolute reserve accretion, i.e.  $\Delta R^*$ , for the seven-year pre-liberalisation period 1984-91 and the corresponding seven-year post-liberalisation phase 1991-98. The results are provided in Figure 5.2 where the 14 scatter points denote relative absorption and the corresponding reserve accretion for all these years. We then estimated two simple equations in such a context by regressing  $\Delta R^*$  on  $A/(Y^* + \Delta F)$ , initially for the pre-liberalisation period (indicated by the AA' line in the figure), and then for the post-liberalisation phase (indicated



FIGURE 3: FELDSTEIN-HORIOKA PROPOSITION: VALIDATED

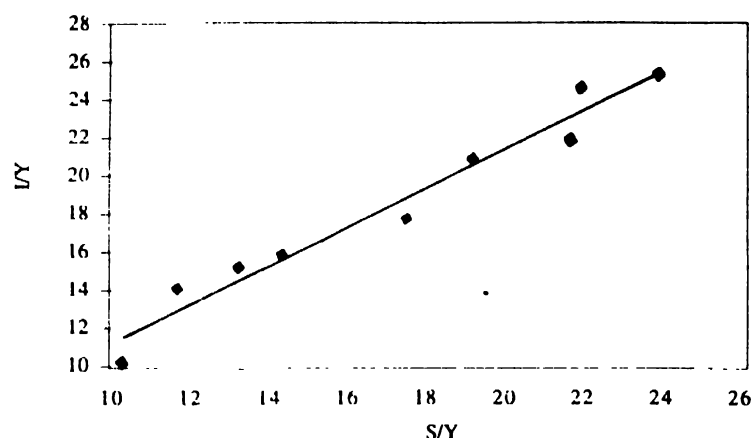
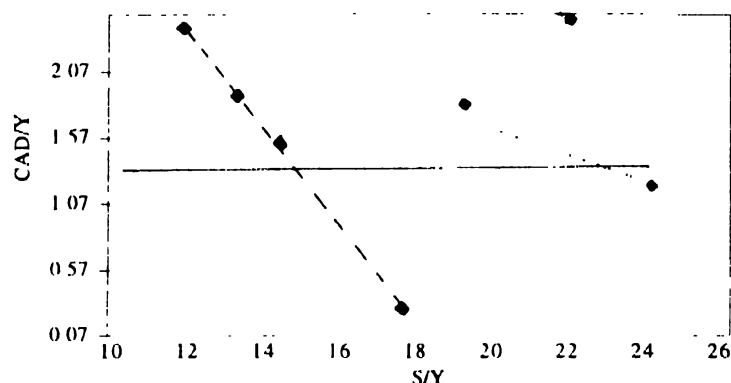


FIGURE 4: DORNBUSCH-HELMERS PROPOSITION: INVALIDATED



by the BB' line), and the estimated equations (with t-values in parentheses) are given below:

*Pre-Liberalisation Phase (1984-91):*

$$\Delta R^* = 476348 - 476518 [A/(Y^* + \Delta F)];$$

(9.5)

$$R^2 = 0.95 \quad (3.1)$$

*Post-Liberalisation Phase (1991-98):*

$$\Delta R^* = 937186 - 936056 [A/(Y^* + \Delta F)];$$

(6.0)

$$R^2 = 0.88 \quad (3.2)$$

The above results indicate that there is a distinct structural break in the relationship between these two variables with the impact of a percentage point increase in relative absorption on reserve depletion significantly doubling from Rs 4,765 crore before liberalisation to Rs 9,360 crore after liberalisation. This increasing sensitivity of reserve fluctuations on absorption levels implies that it is absolutely imperative to contain any further increases in absorption if future reserve accretion targets are to be achieved.

#### SOURCES AND DISPOSITION OF GOVERNMENT INCOME

The basic relationship that exists between government revenue and government current uses is given by equation

(7\*) which can be re-written as follows:

$$(OS_g + D_g) + (Ti - Sb) + (Td + NTR_{cg} - INV_{ge}) = C_g + (NTR_{gp} + INT_{gp}) + S_g \quad (4)$$

where the first term in parentheses on the left-hand-side of equation (4) denotes the share of the government in GDP at factor cost, the second term indicates net indirect taxes, and the last term is the sum of total direct taxes plus net receipts from the external sector, i.e., net transfers from abroad less investment income payable to the external sector by the government. Thus, the sum of these three components represents total government income. This is linked to the right-hand-side of the above equation (indicating the disposition of income) which specifies the three components constituting total government current uses, where the term in parentheses is the sum of net transfers to the private sector plus interest payments on the internal debt.

Based upon the above identity, we initially describe the variations that have taken place in the sources of government income over the entire sample period and the results, in the form of five-year period-wise averages, are provided in Figure 6.1 where each stacked bar denotes the share

of total government income, as well as its component sources, in GDP at market prices for the corresponding period. These indicate that there are three features which distinguish the post-liberalisation period (1991-95) when the share of government income increased to an all-time high of 23.9 per cent of GDP: (i) There was a surge in the share of the operating surplus of the government to 6 per cent over its previous level of 4.5 per cent in 1986-90, due to the productivity-enhancing and cost-cutting measures initiated by the government; (ii) The share of direct taxes (inclusive of net receipts from abroad), which had declined steadily from 1976-80 onwards, increased substantially to 3.3 per cent from its earlier level of 2.7 per cent in 1986-90, reflecting the sustained attempts to increase the tax base, improve tax compliance, and strengthen the tax collection mechanism; and (iii) For the first time ever, the share of net indirect taxes in GDP, which had increased continuously from 1951-55 onwards, declined from 10.9 per cent during 1986-90 to 10.1 per cent, as a result of measures to rationalise the tariff and excise/import duty structures and dismantle protective barriers.

We now describe the variations that have taken place in the disposition of total government income – the components on the right-hand-side of equation (4) – over the entire sample period and the results, once again in the form of five-year periodwise averages, are provided by the stacked bar graphs in Figure 6.2. These indicate that the only positive feature which characterises the post-liberalisation phase is that the share of  $C_g$ , which had increased ever since 1951-55, seems to have stabilised at around 14.7 per cent of GDP. This containment was, however, overwhelmed by the fact that the share of net transfers from the government to the private sector (inclusive of interest payments) increased to 7.4 per cent of GDP from its previous level of 6.2 per cent during 1986-90. As a result, despite the rise in the share of government income, public sector savings fell to an all-time low of 1.66 per cent of GDP, implying that a reduction in government current expenditures is no longer a sufficient condition for fiscal stabilisation. This rapid increase in interest payments suggests that, unless we control the explosive growth of internal debt witnessed since liberalisation (14 per cent per year since 1991), the government could be forced into a Ponzi scheme where its entire market borrowings would need to be used just for paying off interest obligations on its internal debt.<sup>3</sup>

FIGURE 5.1: ABSORPTION AND RESERVES - I

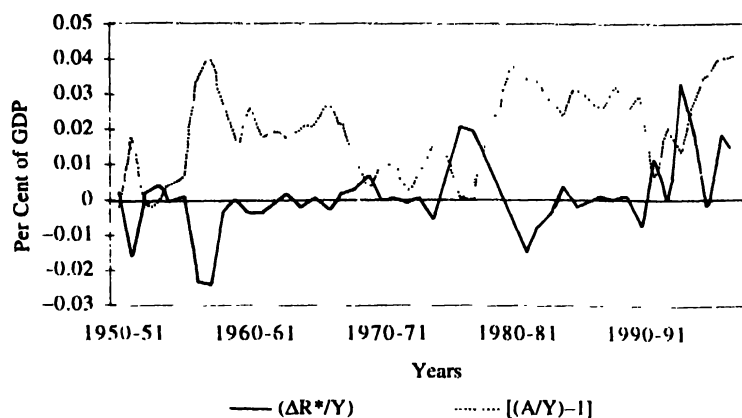
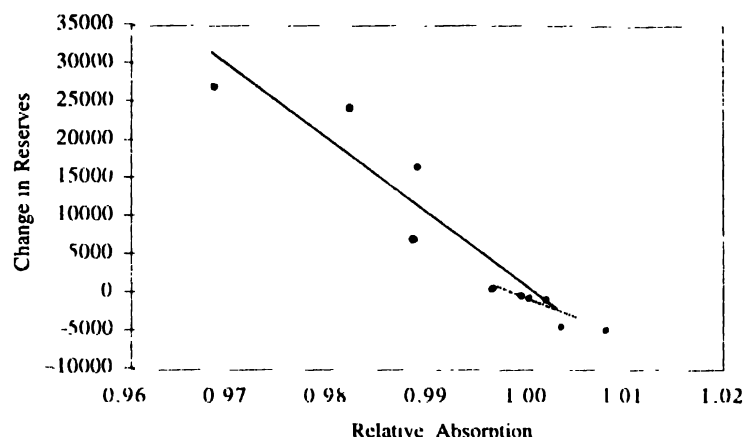


FIGURE 5.2: ABSORPTION AND RESERVES - II



#### SOURCES AND DISPOSITION OF PRIVATE SECTOR INCOME

The basic relationship that exists between private sector revenue and private sector current uses is given by equation (11\*) which can be re-written as follows:

$$(W + \Pi + D_p) + (NTR_{gp} + INT_{gp}) + (NTR_{ep} + NFP_{ep} - INV_{pe}) = C_p + Td + S_p \quad \dots(5)$$

where the first term in parentheses on the left-hand-side of equation (5) denotes the share of the private sector in GDP at factor cost, the second term is the sum of net transfers from the government to the private sector inclusive of interest payments on the internal debt, and the last term denotes net receipts from the external sector, i.e., net transfers from abroad plus net factor income from abroad less investment income payable to the external sector by the private sector. Thus, the sum of these three components represents total private sector income. In a similar fashion, the right-hand-side of the above equation indicates the three components which constitute total private sector current uses.

Based upon the above identity, we initially describe the comparative changes that have occurred in the sources of private

income over the 14-year period 1984-98 and the results are provided in Figure 7.1 where the first pie diagram indicates the share of each of these sources in total private sector income ( $Y_p$ ) for the seven-year pre-liberalisation period (1984-91) while the second pie diagram refers to the seven-year post-liberalisation phase (1991-98). An examination of the trends indicates that the only distinguishing feature that characterises the post-liberalisation period is the fact that, despite resource outflows on account of private sector external liabilities (investment income) increasing from 0.34 per cent to 0.70 per cent of GDP, net receipts from the external sector increased more than threefold from 0.53 per cent to 1.80 per cent of GDP, entirely because net private transfers increased from 0.94 per cent to 2.59 per cent of GDP. The share of wages and profits of the private sector in GDP reached a new low of 73.8 per cent thereby continuing a declining trend which has been exhibited right from 1950-51 itself. Despite this fall, the increase in net transfers from the government (inclusive of interest payments) to a new high of 7.5 per cent of GDP pushed up the share of total private income to 88.9 per cent of GDP from its pre-liberalisation level of 86.9 per cent.

We now examine the changes that have taken place in the disposition of total private sector income – the components on the right-hand-side of equation (5) – over these two seven-year periods and the results, once again in the form of a pie chart, are provided in Figure 7.2. If any particular feature here has to be singled out, then it is the fact that the post-liberalisation phase was marked by the largest ever transfer of resources from the private to the government sector in the form of direct taxes whose share increased to 3.9 per cent of GDP from its pre-liberalisation level of 2.9 per cent. While it is true that the share of private consumption fell to a new low of 62 per cent of GDP from its pre-liberalisation level of 64.6 per cent, this decline only perpetuated the trend visible since the 1950s. Be that as it may, the fall in the share of  $C_p$ , coupled to the stability in the share of  $C_g$ , is the single most important contributing factor to the reduction in relative absorption, and the subsequent increase in reserve accretion, witnessed during the post-liberalisation phase. This fall in the consumption propensity was mirrored by a rise in the private savings rate which increased from 19.3 per cent during the pre-liberalisation phase to 23 per cent – a substantial increase of 3.7 percentage points which, however, has been surpassed in earlier periods, notably during 1986-90 when private savings rose to 20.1 per cent from its earlier level of 15.6 per cent during 1981-85.

#### FINANCING CURRENT ACCOUNT DEFICITS

From equation (16\*), we realise that the current account deficit (CAD) can be written as:

$$CAD = \Delta F_g + \Delta F_p - \Delta R^* \quad \dots(6)$$

which indicates that a CAD must be financed either by increasing official capital flows ( $\Delta F_g$ ), or by increasing private capital flows ( $\Delta F_p$ ), or by running down international reserves ( $\Delta R^*$ ).

Based upon the above identity, we describe the variations that have taken place in the patterns of financing CADs over the entire sample period and the results, in the form of five-year periodwise averages, are provided in Figure 8, where the three bars denote the percentage of CAD financed by these three sources over the corresponding period. These indicate that the financing share of official capital flows, after peaking at 44.3 per cent of CAD in 1976-80, declined over the next decade, although during the post-liberalisation phase, it did increase marginally to finance about 56 per cent of the CAD. The reverse was true of private capital flows which, after manifesting a virtual capital

FIGURE 6.1: SOURCES OF GOVERNMENT INCOME

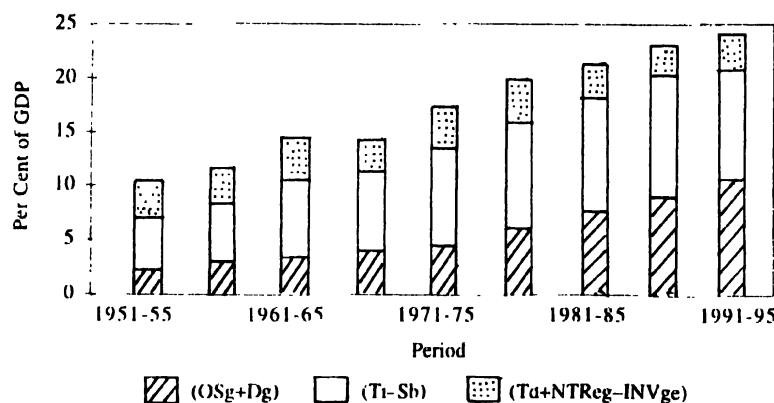
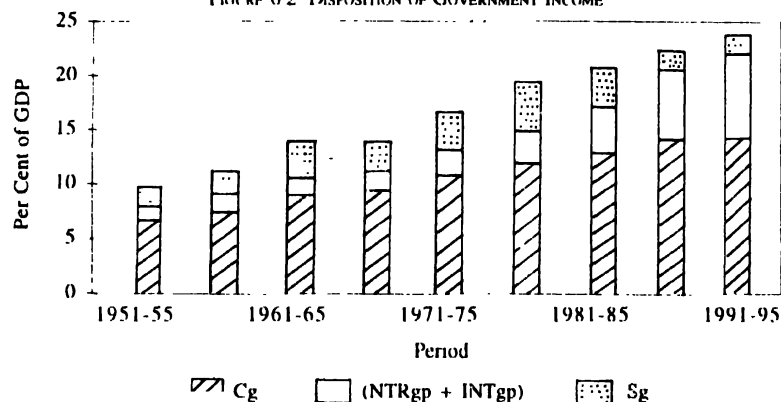


FIGURE 6.2 DISPOSITION OF GOVERNMENT INCOME



flight to the extent of -305 per cent of CAD during 1971-75, increased steadily to reach 141 per cent of CAD during the post-liberalisation phase. As far as variations in reserves are concerned, it is seen that the initial reserve depletion witnessed during the 1950s gradually reversed itself to reach a reserve accretion level of 409 per cent of CAD during 1976-80. Thereafter, the 1980s were once again characterised by ever increasing reserve losses, culminating in virtual reserve exhaustion and the subsequent devaluation of July 1991. However, this trend was reversed completely during the post-liberalisation phase which witnessed reserve accretion to the extent of 97 per cent of CAD.

#### FINANCING PUBLIC SECTOR INVESTMENT

From equation (9\*), the financing constraint for public sector investment ( $I_g$ ) is given by:

$$I_g = S_g + \Delta DC_g + \Delta B + \Delta F_g \quad \dots(7)$$

which indicates that government savings plus net borrowings is identical to the (physical) assets acquired by the government during the accounting period.

Based upon the above identity, we describe the variations that have taken place in the patterns of financing  $I_g$  over the entire sample period and the results, in the form of five year periodwise averages, are provided in Figure 9, where each

stacked bar denotes the percentage of  $I_g$  financed by these four sources over the corresponding period. These indicate that the financing share of  $S_g$  declined from 45 per cent of  $I_g$  during the 1960s and 1970s to 25 per cent during the 1980s and still further to 18 per cent during 1991-95. Virtually like a mirror image, the financing share of  $\Delta B$  increased from 16 per cent of  $I_g$  during the 1960s and 1970s to 28 per cent during the 1980s and still further to an unprecedented 45 per cent of  $I_g$  during 1991-95. This complete reversal of the financing shares is a matter of serious concern and is a trend that calls for 're-switching' as soon as possible. Finally, it is seen that while the financing share of  $\Delta F_g$  has remained virtually unchanged over the last 20 years at around 7 per cent of  $I_g$ ; that of  $\Delta DC_g$  (indicative of monetary accommodation) declined substantially from 42 per cent of  $I_g$  during 1986-90 to 30 per cent during 1991-95, reflecting the relatively tight monetary stance adopted by the RBI during the initial phases of liberalisation.

#### SOURCES OF PRIVATE SECTOR FUNDS

The basic relationship that exists between the sources of private sector funds and the portfolio distribution of private sector assets is given by equation (13\*):

$$S_p + \Delta DC_p + \Delta F_p = I_p + \Delta B + \Delta M \quad \dots(8)$$

which states that private sector savings plus borrowings equals private sector asset acquisition in the form of money, fixed investment and net lending to the government.

Based upon the above identity, we initially describe the comparative changes that have occurred in the funding pattern of the private sector over the 14-year period 1984-98 and the results are provided in Figure 10.1 where the first pie diagram indicates the share of each of these three sources in private sector funding for the seven-year pre-liberalisation period (1984-91) while the second pie diagram refers to the seven-year post-liberalisation phase (1991-98). An examination of the trends indicates that the two most distinguishing characteristics of the post-liberalisation period is the increase in the private sector savings rate from 19.3 per cent of GDP during 1984-91 to 23 per cent during 1991-98; as well as the increase in private capital flows from 1.4 per cent of GDP during 1984-91 to 2.1 per cent during the post-liberalisation phase. Both these increases more than offset the reduction in the private sector 'credit entitlement' ( $\Delta DC_p$ /GDP) which decreased from 4.4 per cent of GDP during the pre-liberalisation phase to 3.8 per cent during 1991-98. Overall, the share of private sector funds in GDP increased from 25.2 per cent of GDP to 28.9 per cent during the post-liberalisation phase.

#### PRIVATE SECTOR PORTFOLIO DISTRIBUTION

Based upon the right-hand-side of equation (8), we now describe the comparative changes that have occurred in the portfolio composition (i.e., asset acquisition in the form of money, fixed investment and net lending to the government) of the private sector over the 14-year period 1984-98 and the results are provided in Figure 10.2 where, as before, the first pie diagram indicates the portfolio distribution over the seven-year pre-liberalisation period (1984-91) while the second pie diagram refers to the seven-year post-liberalisation phase (1991-98).

An examination of the trends indicates that the most distinguishing characteristic of the post-liberalisation period is the increase in the private sector investment rate from 14.1 per cent of GDP during 1984-91 to 16.8 per cent during 1991-98. Despite this, however, the private sector savings-investment gap increased from 5.2 per cent of GDP during the pre-liberalisation phase to 6.2 per cent during the post-liberalisation period implying, from equation (1), that the private sector was funding a still higher proportion of the public sector investment-savings gap. The tight monetary stance adopted by the RBI during the initial stages of liberalisation

reduced the share of money ( $\Delta M$ ) in the assets of the private sector from 8.3 per cent of GDP during 1984-91 to 7.8 per cent during 1991-98; while the excessive reliance on market borrowings by the government increased the share of government bonds ( $\Delta B$ ) in the assets of the private sector from 2.8 per cent of GDP to 4.2 per cent during the post-liberalisation phase. Overall, the ratio of  $I_p:(\Delta M + \Delta B)$  changed marginally from 56:44 during 1984-91 to 58:42 during 1991-98. Considering that this ratio, which indicates the share of physical (productive) to financial (non-productive) assets in the portfolio composition of the private sector, is related to overall economic growth, the government has to ensure that investment is not crowded out from the portfolio of the private sector by excessive money or bond-financing.

#### GROSS FISCAL DEFICIT, INTEREST PAYMENTS AND THE PRIMARY DEFICIT

The gross fiscal deficit ( $GFD = I_g - S_g$ ) can be decomposed into interest payments on the internal debt ( $INT_{gp}$ ) and the primary deficit (surplus, if negative). Thus, we have:

$$GFD = INT_{gp} + PD \quad \dots(9)$$

where PD is the primary deficit which, from equations (7\*), (8\*) and (10\*), is given by:

$$PD = I_g + [C_g + NTR_{gp} + INV_{ge}] - [(OS_g + D_g) + (Ti - Sb) + Td + NTR_{eg}] \quad \dots(10)$$

Based upon equation (9), we describe the variations in its variables over the 45-year sample period and the results, in the form of five-year periodwise averages, are provided in Figure 11 where each stacked bar expresses the GFD, as well as its two components, as percentages of GDP at market prices for the corresponding period. These indicate that the post-liberalisation phase was marked by a reduction in the primary deficit to 3.1 per cent of GDP which, being the highest recorded decrease over the entire sample period, is a very significant fiscal correction. However, this was largely offset by the increase in interest payments to 4.2 per cent of GDP as a result of which the GFD ratio declined, only marginally from 7.8 per cent of GDP during 1986-90 to 7.5 per cent during 1991-95. However, the fact remains that it is for the first time since 1966-70 that the fiscal deficit ratio actually declined. In this context, it needs to be mentioned that the results of Rao and Nallari (1996) indicate that fiscal erosion in the Indian economy due to collection lags – the so-called Olivera-Tanzi effect – was to the extent of almost 0.6 per cent of GDP over the 1980s, implying that the GFD ratio could have

been that much lower in the 1990s had appropriate policy measures been taken.

#### CAD, INVESTMENT INCOME AND THE NON-INTEREST CURRENT ACCOUNT

Similarly, the CAD can be decomposed into total net investment income ( $INV = INV_{ge} + INV_{pe}$ ) and the non-interest current account deficit (surplus, if negative). Thus, we have:

$$CAD = INV + NICA \quad \dots(11)$$

where NICA is the non-interest current account which, from equation (15\*), is given by:

$$NICA = Z - [X + NTR_{eg} + NTR_{ep} + NFP_{ep}] \quad \dots(12)$$

Based upon equation (11), we describe the changes that have taken place in sectoral investment income and the NICA and the results are provided in Figure 12 where the first pie diagram denotes the share of these components in the CAD for the seven-year pre-liberalisation period (1984-91) while the second pie diagram refers to the seven-year post-liberalisation phase (1991-98). These indicate that, apart from the reduction in the CAD to 1.29 per cent of GDP during 1991-98, there was a distinct change in its composition as well. While for the period 1984-91, INV accounted for 30 per cent of the CAD (0.69 per cent of GDP) and NICA the remaining 70 per cent (1.64

per cent of GDP); for the subsequent period, INV was 86 per cent of CAD (1.11 per cent of GDP) while the share of NICA dropped to just 14 per cent (0.18 per cent of GDP) implying a very significant external correction. A component-wise examination indicates that, while  $INV_{ge}$  remained more or less stable at around 0.40 per cent of GDP across these periods,  $INV_{pe}$  (indicating private sector resource outflows) more than doubled from 0.34 per cent of GDP to 0.71 per cent of GDP which, as mentioned earlier, could be one of the many possible reasons for the current state of depressed demand in the economy.

#### THE THREE GAPS IN PRACTICE

Having examined the GFD and CAD individually, we now analyse contemporaneous movements in these two gaps by invoking the third gap, i.e. the private sector savings-investment gap, which effectively closes the model. This is done by re-writing equation (2) as:

$$GFD = (S_p - I_p) + CAD \quad \dots(13)$$

which indicates that the gross fiscal deficit of the government, i.e.  $I_g - S_g$ , must be financed either by an excess of private sector savings over investment, or by a current account deficit.

Based upon equation (13), we now describe variations in these three gaps over the entire sample period and the results are presented in Figure 13. These indicate

FIGURE 7.1: SOURCES OF PRIVATE SECTOR INCOME

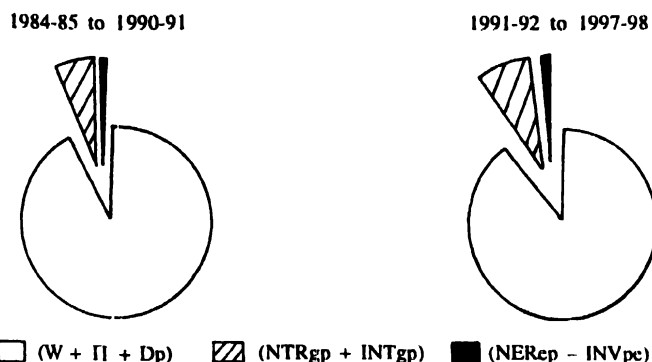


FIGURE 7.2: DISPOSITION OF PRIVATE SECTOR INCOME

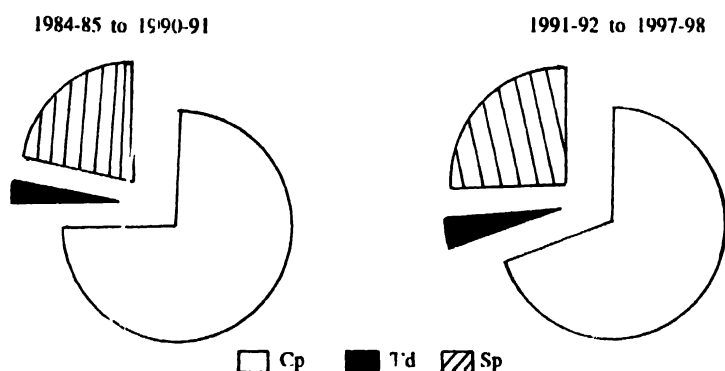


FIGURE 8: FINANCING CURRENT ACCOUNT DEFICITS

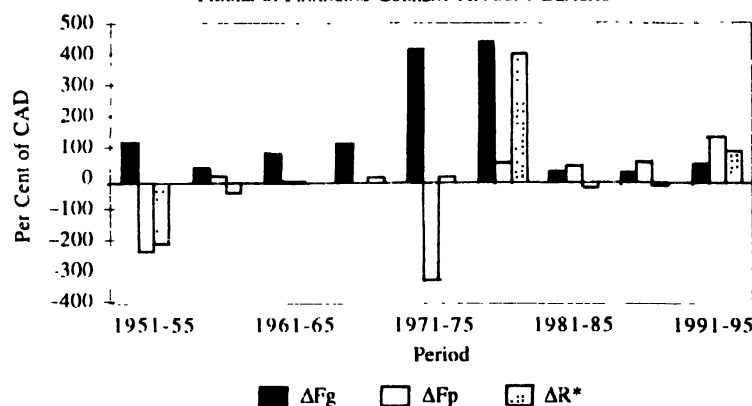


FIGURE 9 FINANCING PUBLIC SECTOR INVESTMENT

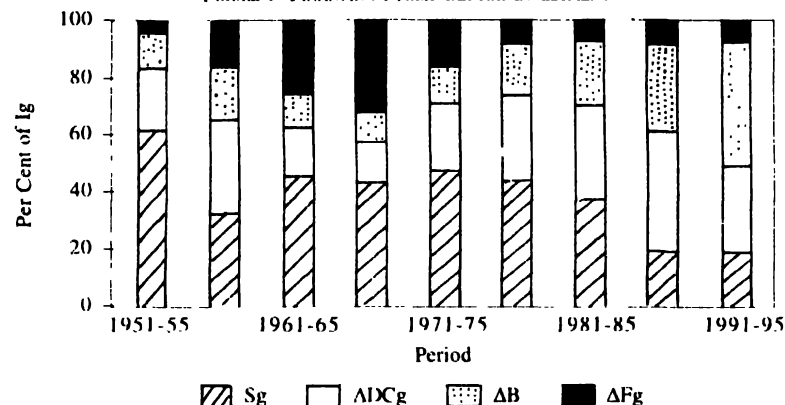


FIGURE 10.1 SOURCES OF PRIVATE SECTOR FUNDS

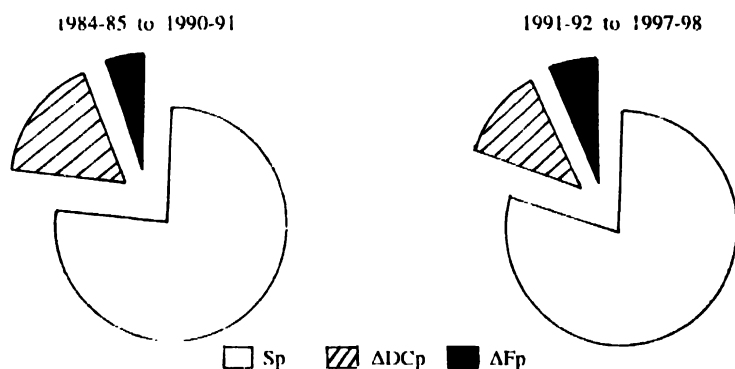
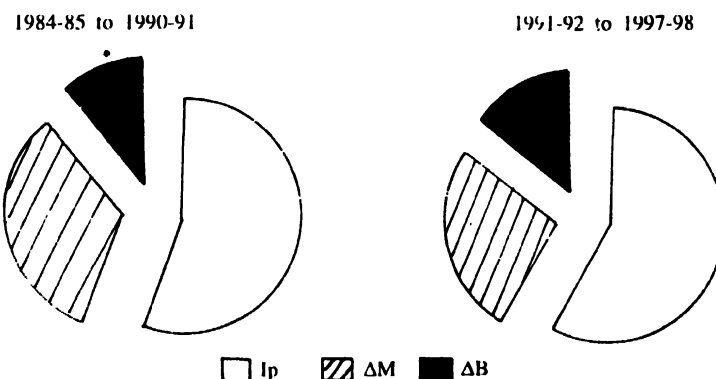


FIGURE 10.2 PRIVATE SECTOR PORTFOLIO DISTRIBUTION



that, if we disregard the first half of the 1950s, there were only three occasions in the mid-1970s when, because of current account surpluses,  $(S_p - I_p)$  exceeded the GFD. Later on, however, there was a relentless increase in the GFD and the CAD which culminated in 1990-91 when they both peaked at 9.98 per cent and 3.24 per cent of GDP, respectively. More alarming was the fact that  $(S_p - I_p)$  for that year was 6.74 per cent of GDP, implying that it was financing just about 68 per cent of the GFD, with the remaining 32 per cent – an abnormally high fraction – being financed by the CAD. Thereafter, because of the 'shock therapy' type of stabilisation measures imposed, both the GFD and the CAD reduced instantaneously and significantly to 7.43 per cent and 0.36 per cent of GDP in 1991-92. However, as per the latest indicators, these gaps have increased to 7.97 and 1.74 per cent of GDP in 1997-98, although fortunately enough  $(S_p - I_p)$  continues to finance about 78 per cent of the GFD, implying that although the current fiscal and external stances are economically vulnerable, they are still financially viable.

#### REAL EXCHANGE RATES AND CADS

While we have examined the co-movements in these variables, any effort to study the relationships between the three gaps more systematically must analyse the factors which caused these deficits in the first place. In this context, the basic proximate determinant of the CAD/GDP ratio is the real exchange rate (RER) and, as such, we describe variations in these two variables for each year of the sample period and the results are presented in Figure 14.<sup>4</sup>

The results are interesting because they do establish the fact that the RER and the CAD/GDP ratio are inversely related to a very large extent. Thus, the pegging of the nominal exchange rate from 1950-66 led to a steady appreciation in the RER, as a result of which the CAD exhibited an increasing trend. In this context, it is seen that the 34 per cent nominal devaluation in 1966-67 (resulting in a 23 per cent real devaluation) caused the CAD to fall sharply only from 1967-68 onwards while on the other hand, the 36 per cent nominal devaluation of 1991-92 (resulting in an identical 23 per cent real devaluation) brought about an instantaneous CAD compression. Based upon equation (1), which specifies that the GFD is also a proximate determinant of the CAD, leads us to hypothesise that, while a real devaluation is a necessary condition for an external correction, sufficiency is ensured provided there is an accompanying fiscal correction in the form of a reduction in the GFD. If this is missing, as it was in 1966-67, then

even a sufficiently strong real devaluation might, along the lines of the so-called 'J-curve' effect, take a much longer time to bring about a reduction in the CAD. Finally, it is seen that the existing RER of Rs 27.18/\$ in 1997-98 is even lower than the corresponding RER of Rs 27.45/\$ in 1992-93 which could explain the rise in the CAD of late.

#### STRUCTURE OF INTEREST RATES

To assess the sustainability of the fiscal stance, we need to initially examine the structure of interest rates in the Indian economy which would be indicative of the underlying monetary stance. The three rates selected for the purpose are the one-year deposit rate ( $i_1$ ); the implicit interest rate on domestic debt ( $i_d$ ) defined as the average ratio of interest payments on domestic debt ( $INT_{gp}$ ) to total (central and state government) internal debt (ID), i.e.,  $i_d = INT_{gp}/ID$ ; and the implicit interest rate on external debt ( $i_e$ ) defined as the average ratio of interest payments on external debt ( $INT_{ge}$ ) to central government external debt (ED), i.e.,  $i_e = INT_{ge}/ED$ . All these three rates have been plotted in Figure 13 for the entire sample period.

These indicate that: (i) Although there was some volatility in  $i_d$ , it remained below 4 per cent until the second oil price shock of 1979-80. Thereafter, it increased continuously, overtaking  $i_1$  in 1988-89, and currently stands at 15.6 per cent thereby imposing a staggeringly high interest burden on the government; and (ii) Apart from the sharp increase to 3.3 per cent in 1973-74 due to the first oil price shock which sent world interest rates soaring,  $i_e$  hovered around 2 per cent until 1981-82. Thereafter, it increased sharply and currently stands at 8.5 per cent. However, it needs to be noted that after liberalisation, all the three rates have moved almost in sync by exhibiting near contemporaneous peaks and troughs. While the difference between  $i_1$  and  $i_e$  has narrowed down, reflecting the increasing integration between Indian and world capital markets, that between  $i_1$  and  $i_d$  seems to be on the rise as a result of continued market borrowings. Currently, the differential between  $i_d$  and  $i_e$  is almost 7.1 per cent which implies that unless the expected exchange rate depreciation is of this order of magnitude, it would be cheaper for the government to borrow from external rather than domestic sources.

#### EVOLUTION OF THE DEBT-INCOME RATIO

It is now possible to analyse the fiscal stance by examining the relationship between real interest rates and growth. In such a context, let  $d$  denote the ratio of internal debt to GDP at market prices, i.e.,

FIGURE 11: GROSS FISCAL DEFICITS, INTEREST PAYMENTS AND PRIMARY DEFICITS

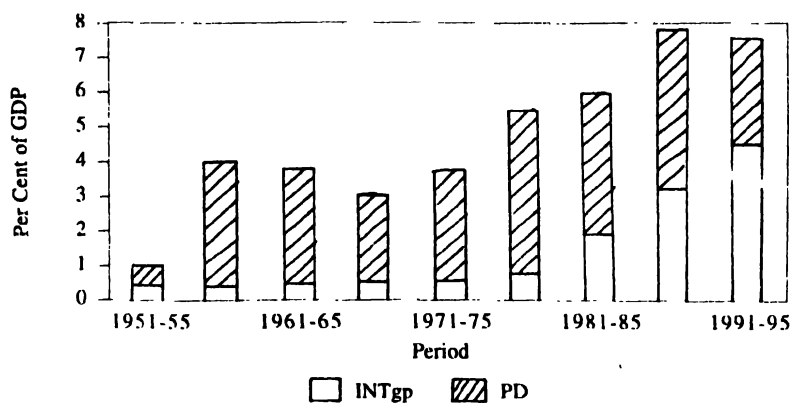


FIGURE 12: CURRENT ACCOUNT DEFICITS, INVESTMENT INCOME AND THE NON-INTEREST CURRENT ACCOUNT

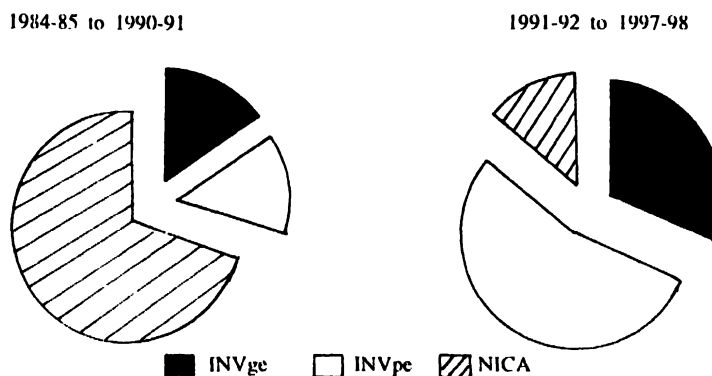


FIGURE 13: THE THREE GAPS IN PRACTICE

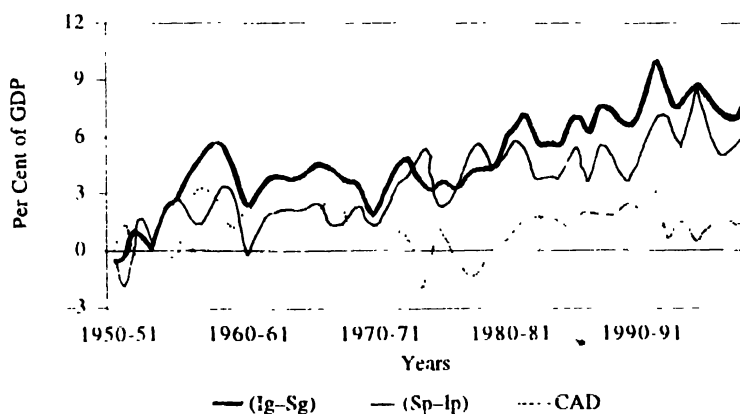


FIGURE 14: CURRENT ACCOUNT DEFICITS AND REAL EXCHANGE RATES

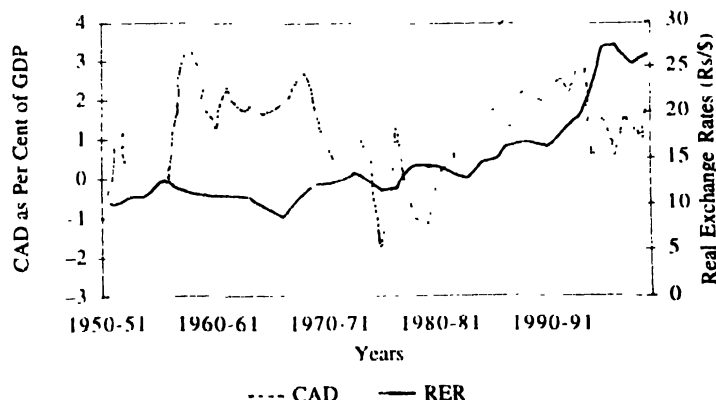


FIGURE 15: STRUCTURE OF INTEREST RATES

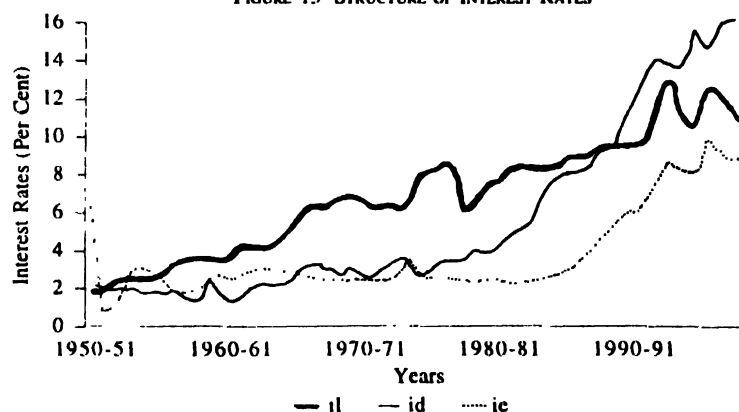


FIGURE 16: EVOLUTION OF THE DEBT-INCOME RATIO

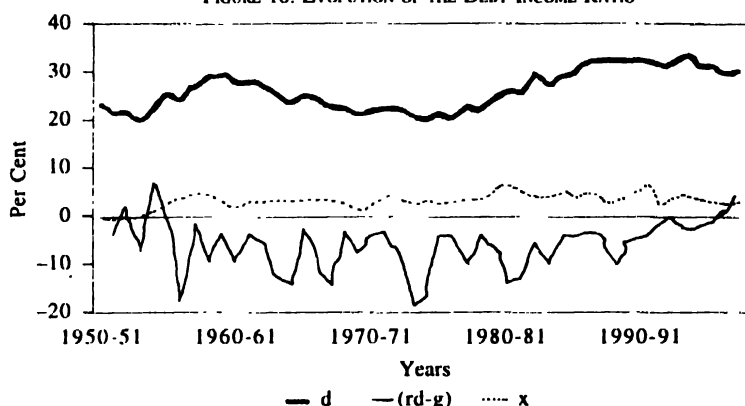


FIGURE 17: REAL INTEREST RATES AND ICORS

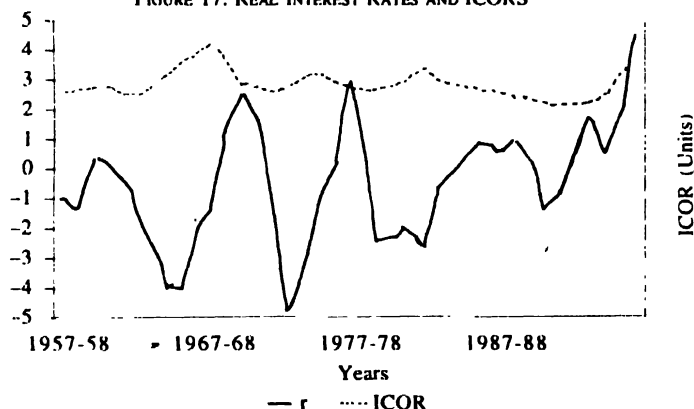
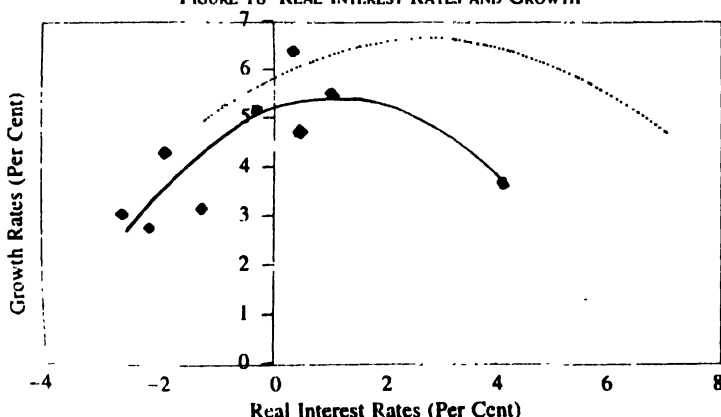


FIGURE 18: REAL INTEREST RATES AND GROWTH



$d = ID/GDP$ . Then its evolution over time is given by:

$$\Delta d = (r - g)d + x \quad \dots(14)$$

where  $\Delta d$  is the change in the debt-income ratio,  $r$  is the real rate of interest paid on the internal debt,  $i$  e, the implicit interest rate on internal debt ( $i_d$ ) less the inflation rate,  $g$  is the growth rate of real output, and  $x$  is the primary deficit to income ratio, i e,  $x = PD/GDP$ .

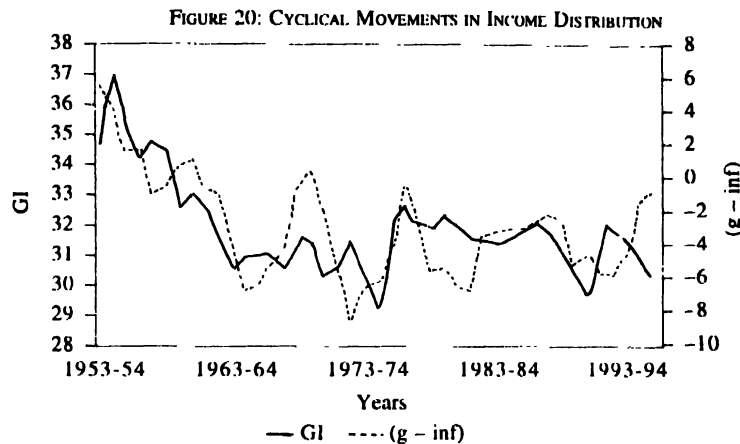
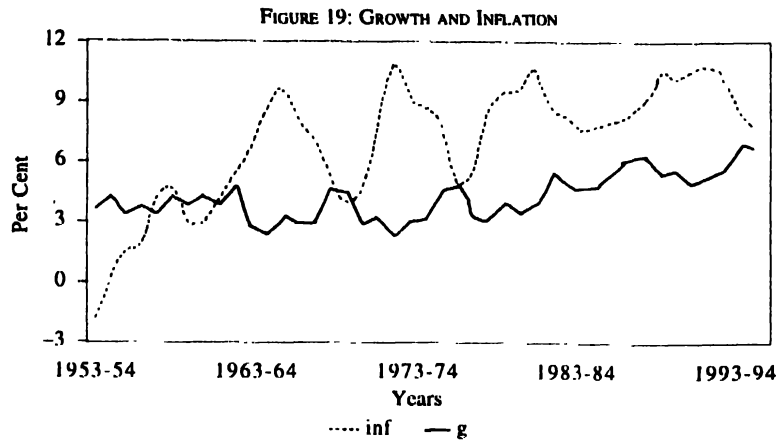
In Figure 14, we have plotted the debt-income ratio ( $d$ ) for each year of the sample period, the corresponding differential between the real interest rate and the growth rate ( $r-g$ ), as well as the primary deficit-income ratio ( $x$ ). The results indicate that, for the first time since 1955-56, the real rate of interest exceeded the real growth rate in 1996-97 by 1.5 percentage points, and by almost 5 percentage points in 1997-98. The results also indicate that movements in the debt-income ratio are closely related to its proximate determinants given by equation (14). For example, it is seen that the secular decline in  $d$  during the period 1959-77 was due to excessively negative levels of  $(r-g)$  because of 'financial repression'; while high values of  $x$  were responsible for the subsequent increase in  $d$  over the period 1977-94. What is worrisome about the current scenario is that from now on the positive values of  $(r-g)$  would reinforce the existing positive primary deficits leading to an explosion in the debt-income ratio, implying that a fiscal correction in the form of a primary surplus is urgently required.

#### REAL INTEREST RATES AND ICORS

Because fiscal sustainability is critically associated with the excess of the growth rate ( $g$ ) over the real interest rate ( $r$ ), i e,  $r - g < 0$ , it is important to examine the relationship between these two variables. In such a context, it is true that a rise in the real rate would, by weeding out unproductive investment, increase the productivity of capital. We thus initially hypothesise that there should be an inverse relationship between the real rate of interest and the incremental capital-output ratio (ICOR), because the inverse of the latter is a measure of the productivity of capital. To obtain evidence in this regard, we initially obtained smoothed estimates of real interest rates and ICORs and these have been plotted in Figure 17.<sup>5</sup>

The evidence in this regard seems to suggest a negative association between real rates and ICORs which, although weak, cannot be disregarded. For example, the steady fall in  $r$  from 0.28 per cent to -4.1 per cent during the period 1959-66 is distinctly associated with an equally steady rise in the ICOR from 2.70 to 3.47 during





this phase; while the subsequent increase in  $r$  to 2.49 per cent in 1969-70 is related to a fall in the ICOR to 2.76. This inverse pattern is by and large true right across the sample, especially over the cyclical variations in  $r$  during the period 1969-77 and 1977-88, although the relationship seems to break down for the last two years of the sample, i.e., 1994-96, what with increasing values of  $r$  being related to rising ICORs. Because there is no theoretical justification for this positive relationship, the pattern seems to suggest that there could be an optimal real rate and values in excess of this could be adversely affecting investment and thereby output, which is then reflected as a statistical increase in the ICOR. We will now examine this possibility more exhaustively.

#### REAL INTEREST RATES AND GROWTH

Thus, while we have shown that a rise in the real rate would increase the productivity of capital (i.e., decrease the ICOR), it is also true that an increase in the real interest rate could reduce the investment rate per se. As the growth rate is the product of the marginal productivity of capital and the investment rate, the overall effect of the real interest rate on the growth rate would depend on the relative magnitudes of these two conflicting effects; and based upon the earlier results, it seems plausible

that at very high real rates, the negative impact would outweigh the positive impact, thereby causing a contraction in growth.

To ascertain the validity of claim in the Indian context, we correlated five-year period averages of real interest rates on their corresponding five-year period averages of the real growth rate and the resultant plot with the nine scatter points is presented in Figure 18. While most points cluster around low and negative values of  $r$ , the rest of them do seem to bear out the contention that high real rates do indeed crowd out growth. To empirically establish this proposition, we estimated the following regression equation (with  $t$ -values in parentheses):

$$g = 5.09 + 0.4335r - 0.1968r^2; \quad R^2 = 0.70 \\ (2.9) \quad (-3.4) \quad \dots (15)$$

The corresponding fitted values yields the parabolic curve (denoted by AA') in the figure. We then estimated a similar equation based on annual data over the period 1984-98 and the resulting fitted values yielded the second curve (denoted by BB') and both of them unambiguously indicate that the growth rate could be choked off at high real rates. This could be one of the many reasons as to why the growth rates since 1997-98 have decreased so substantially what with real rates averaging almost 5 per cent over the period 1996-98.

The cyclical trends observed in real interest rates until 1990-91 (Figure 17) leads us to conjecture that, as the nominal rates were administered until then (rendering them more or less fixed), there are cyclical movements in inflation which is not being reflected in the post-liberalisation phase because nominal interest rates were freed thereafter and allowed to reflect market conditions (including expected inflation). In an attempt to obtain evidence regarding the existence of business cycles and in order to ascertain whether inflation is pro- or counter-cyclical in the Indian economy, we generated smoothed estimates of the growth rate ( $g$ ) and inflation rate ( $\pi$ ) over the sample period<sup>6</sup> and these have been presented in Figure 19.

The results are extremely interesting because the empirical regularity in the ensuing patterns of growth is clearly reminiscent of business cycle behaviour. After 1961-62, the following five business cycles are clearly visible: (i) the seven-year cycle between 1962-69; (ii) the eight-year cycle between 1969-77; (iii) the six-year cycle between 1977-83; (iv) the six-year cycle between 1983-89; and (v) the six-year cycle between 1989-95. While in each of these cases the growth rate has followed the classic pattern of fluctuating around a steadily increasing trend, it is seen that the peaks of the cycles are relatively short-lived (around 1-2 years) as compared to the troughs (almost 2-3 years). It is also interesting to note that, except for the fourth cycle from 1983-89 which is a comparatively weak one, the inflation rate is clearly counter-cyclical with almost identical turning points and with the growth and inflation rates often coinciding at the peak of the cycle. If the six-year pattern is, indeed an empirical regularity, then the recession of 1997-98 is very much part of the sixth cycle which commenced in 1995-96 and, going by the observed trends, the trough should have bottomed out in 1998-99, implying that over the next two years, we should be on the upswing of the cycle which will now peak in 2000-01.

#### INFLATION, GROWTH AND INCOME DISTRIBUTION

The empirical results in this concluding section are based on a World Bank research project, led by Martin Ravallion and Gaurav Datt, that collated all the available data on income distribution for the Indian economy over the period 1951-92 during which time the government of India undertook 34 surveys relating to the measurement of income inequality under the auspices of the NSSO. Thus,

it is for the first time that such a unique data set (30 annual observations over a 42-year period) on Gini coefficients is available (Appendix VI: Series GI), and this should provide researchers with an opportunity to undertake exhaustive empirical analysis on poverty, income distribution and growth for the Indian economy, in particular; and for developing countries, in general, because India is the only developing country for which such a long and reliable time series measure of income distribution exists.

The purpose of this final exercise was to examine the impact of inflation ( $\pi$ ) and growth ( $g$ ) on the Gini index (GI), based upon the basic premise that while inflation should naturally worsen income distribution, growth should, following the lead of Alesina and Rodrik (1994), amongst others, improve income distribution. As we were interested in explaining the change in the Gini index ( $\Delta GI$ ), we used only the time series estimates over the period 1986-93 as these were the latest estimates available on a continuous basis. The estimated equation [Rao and Nallari 1996] is given below (with  $t$ -values in parentheses):

$$\Delta GI = 13.47\pi - 25.61g; \quad R^2 = 0.84 \quad \dots (16) \\ (4.2) \quad (-4.5)$$

The results vindicate the hypothesis that growth (inflation) reduces (increases) income disparities. Both the estimated coefficients are significant and the equation explains 84 per cent of the variation in the dependent variable, which testifies to the robustness of the relationship considering that we were explaining the change in, and not the level of, the Gini index.

Using equation (16), along with data on actual inflation and growth, we predicted the Gini index from 1993-94 onwards, and the entire series from 1951-52 to 1997-98 is plotted in Figure 20. The original data imply that the dislocation of the economy in 1991-92 caused the Gini index to increase to 32.53 from its previous level of 29.69 in 1990-91; while the predictions indicate that the Gini index returned to its pre-reform level only in 1996-97 and reduced further to about 28.73 in 1997-98. However, the fact that it took almost five years of sustained growth and moderate inflation for income distribution to revert back to its pre-reform level highlights the difficulties involved in reducing income disparities.

Finally, based upon the implications of equation (16), we relate the Gini index to the differential between smoothed growth and inflation, i.e., ( $g^* - \pi^*$ ), the presumption being that they should be inversely related. The results are presented in Figure 20 which not only establishes the contention but also suggests that

variations in income distribution could depend upon the different phases of the business cycle. What is observed in this context is that while a fall in this differential is clearly associated with a rise in the Gini index, a corresponding increase is not as well reflected in a fall in the Gini coefficient. This indicates that the gains made in reducing income disparities during the upswing of a cycle can easily be diluted during the downturn and, considering the previous results which indicate that the troughs of the business cycle last much longer than the peaks, this only strengthens our earlier conclusion that the quest for an equitable income distribution could indeed be a long and arduous one.

### III Conclusions

Despite certain problems left unresolved by our earlier exercise on data base consistency (reported in Part I of this paper), we did, to a large extent, succeed in integrating the various macro-economic aggregates which, in turn, has helped us in this concluding part to detect the structural changes that have occurred in the real and financial sectors of the Indian economy over the entire sample period, in general, and between the pre- and post-liberalisation phases, in particular.

In such a context, we identified many important empirical patterns and regularities, notably the existence of business

cycles, the counter-cyclical nature of inflation, the cyclical variations in income distribution, the twin deficits problem, the impact of absorption on reserves, the evolution of the debt-income ratio, the relationship between real interest rates and growth, the sustainability of the fiscal stance, amongst others, which could act as theoretical guideposts for the formulation of issues in the role and conduct of macro-economic stabilisation policy. Because the emphasis in this paper was on the detection of basic empirical regularities and not on the identification of structural breaks and related issues, we used relatively less sophisticated econometric techniques in the process. As such, the results obtained here vis-a-vis the problem of pattern recognition are heuristic and should only be treated as first approximations, although they would hopefully enable researchers to translate the implied inter-relationships into various policy relevant solutions for some of the urgent structural adjustment problems confronting the Indian economy currently.

In this context, one strand of thought was entirely devoted to the so-called "twin deficit" problem and consequently dealt with the determinants, decomposition and evolution of the gross fiscal deficit and the current account deficit. Based upon certain empirical regularities observed here, notably the impact of the fiscal stance on the evolution of the debt-income ratio, we

LISTING OF SUPPLEMENTARY VARIABLES

No	Symbol	Phenomenon	Source
1	NYfc	NDP at factor cost (current prices)	EPWRF (1998)
2	Yfc	GDP at factor cost (current prices)	EPWRF (1998)
3	Ymp	GDP at market prices (current prices)	EPWRF (1998)
4	Yfc(r)	GDP at factor cost (1980-81 prices)	EPWRF (1998)
5	NYfc(r)	NDP at factor cost (1980-81 prices)	EPWRF (1998)
6	K	Net fixed capital stock (1980-81 prices)	EPWRF (1998)
7	M3	Broad money	(i) Vasudevan (1980) (ii) Currency and Finance Computed
8	P	GDP deflator (1980-81 = 1)	Currency and Finance
9	i	Nominal interest rate (one-year deposit rate)	Parikh (1997)
10	E	Nominal exchange rate (Rs per US \$)	Computed
11	RER	Real exchange rate	Rajaraman and Mukhopadhyay (1998)
12	IDc	Internal debt (central government)	Rajaraman and Mukhopadhyay (1998)
13	IDs	Internal debt (state governments)	Computed as (12)+(13)
14	ID	Total internal debt	(i) Chandhok (1990)
15	ED	External debt of the central government	(ii) Currency and Finance
16	INT <sub>pc</sub>	Interest payments on external debt	(i) Chandhok (1990)
17	Gi	Gini index	(ii) Currency and Finance Datt (1996)

*Note* As the original estimates of the Gini indices were available on a discontinuous basis from 1951-52 to 1992-93 (i.e., 31 annual observations over a 42 year period), we obtained a complete data set by resorting to the following methodology: (i) We initially extrapolated these indices for the period 1993-94 to 1997-98 using equation (16) and these have been marked with a double asterisk (\*\*) in the data series. (ii) We then interpolated the missing values of these indices by employing a similar variant of this equation which was estimated using the relevant data set in the near-neighbourhood of these missing values. All these interpolations have been marked with a single asterisk (\*) in the data series.

did make modest attempts to study the contemporaneous movements in these two deficits by invoking the third gap as well. However, any future efforts to study their inter-relationships more systematically must analyse the factors which caused these deficits in the first place. The CAD as well as the GFD are usually linked within a general equilibrium framework because their basic proximate determinants, mainly the rates of inflation and growth, are themselves endogenous variables. Thus, any meaningful analysis of these deficits would require that their fundamental causes be specifically identified because the general equilibrium nature of the problem is not merely a theoretical finepoint. The literature provides three lines of approach for analysing responses towards such imbalances and the conclusions of most economists who have studied these issues, using an extended three-gap version of the conventional dual-gap analysis (which is a mere formalisation of the rather eclectic approach adopted in this paper), is that the twin deficits are largely the result of the development strategies being followed by the country as well as the macro-economic policies pursued by its major trading partners. Therefore, reducing these deficits would probably, although not necessarily, entail a significant reversal of these policies in order to correct the imbalances.

With many developing countries irrevocably committed to liberalisation, the issues of the optimal sequencing of reforms, in general, and the manner in which the real and financial sectors can be expected to interact with and respond to the domestic and external sectors, in particular, is becoming increasingly important. Only when all these interactions are well understood will it be possible to predict the effects of policy-relevant variables such as interest rates, exchange rates, capital inflows, amongst others, on key macro-economic outcomes such as inflation, international reserves, savings, investment, fiscal deficits, BOP, income distribution and, above all, economic growth. Keeping this in mind, we initially compiled the data (published in *EPW*, August 7) and later on, in this paper, carried out the relevant empirical investigations – based upon this data set – dealing with the recognition of patterns and regularities. In concluding, we do hope that these two papers provoke interest in the measurement and identification of basic macro-economic outcomes because this is probably the only efficient way to obtain theoretical guideposts for the formulation of issues while designing stabilisation and growth-oriented adjustment programmes.

sation and growth-oriented adjustment programmes.

## Appendix I

### SOME SUPPLEMENTARY MACRO-ECONOMIC STATISTICS FOR THE INDIAN ECONOMY

While we could have identified empirical patterns and regularities based entirely on the data series presented in Table 3\*, we felt that their usefulness would be greatly enhanced if they were supplemented by some additional key macro-economic data on the Indian economy. As such, we selected the following 17 variables as being representative of some of the important ones closely related to our earlier set of variables. The listing of these variables (including symbol used and sources employed) is presented in the previous page.

The corresponding data set pertaining to these variables over the 48-year sample period 1950-51 to 1997-98 is provided in Table 1.

## (Concluded)

### Notes

- 1 It needs to be noted that all figure/equation numbers denoted by an asterisk (\*) refer to the corresponding figures/equations in Part I of this paper (published in the previous issue of *EPW*).
- 2 While, following the logic of Table 7\*, we could have defined both these variables in terms of  $(Y^* + \Delta F)$  doing so would have resulted in a tautological accounting relationship because, from equation (25\*), it is obvious that  $AR^*/(Y^* + \Delta F)$  is exactly equal to  $[1 - (A/(Y^* + \Delta F))]$ .
- 3 The Ponzi scheme technically implies that  $-S = INT_g - \Delta B$ . While it is true that the government has resorted to increased market borrowings since liberalisation, which is the prime cause for the subsequent escalation of internal debt, it would be unfair to suggest that this is the only underlying reason for the increase in the  $INT_g/GDP$  ratio during 1991-95, because increases of identical and even greater orders of magnitude were witnessed during 1981-85 and 1986-90, respectively, when market borrowings were relatively negligible.
- 4 In this context, it needs to be noted that  $RER = E(P_f/P)$ , where  $E$  is the nominal exchange rate ( $\text{Rs}/\$$ ),  $P$  is the domestic price level which was proxied by the GDP deflator (1991-92 = 1), and  $P_f$  is the foreign price level which was proxied by the US GNP deflator (1991-92 = 1).
- 5 The smoothing procedure was carried out as follows. We initially smoothed out the annual time-series data on GDP at factor cost (current prices) and GDP at factor cost (at 1980-81 prices), i.e. the series  $Y_{fc}$  and  $Y_{fc}(r)$ , respectively, in Table 1, by using five-year moving averages. We then divided the smoothed estimates of  $Y_{fc}$  by the corresponding smoothed estimates of  $Y_{fc}(r)$  to obtain smoothed estimates of the GDP deflator ( $P$ ). These smoothed estimates of  $P$  were used to generate smoothed estimates of the annual inflation rate ( $\pi$ ) which, in turn, were used to obtain smoothed estimates of the real interest rate defined as the difference between the one-year deposit rate and the rate of inflation (i.e.  $r = 11 - \pi$ ) over the sample period. We then smoothed out the annual time-series data on NDP at factor cost (at 1980-81 prices), i.e.

the series  $NY_{fc}(r)$  in Table 1, by using five-year moving averages. We then divided the five period difference in net fixed capital stock (at 1980-81 prices), i.e. the series  $K$  in Table 1, by the corresponding five-period difference in the smoothed estimates of  $NY_{fc}(r)$  to obtain smoothed estimates of the ICORs ( $= (K_t - K_{t-5})/(NY_{fc}(r)_t - NY_{fc}(r)_{t-5})$ ).

- 6 The smoothed estimates of  $g$  were computed on the basis of the smoothed estimates of  $Y_{fc}(r)$  obtained earlier, while the smoothed estimates of  $\pi$  were the same as those used in the computation of  $r$ .

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# **CHB CHO HUNG BANK**

(Incorporated in Korea with a limited liability)

## **MUMBAI BRANCH**

BALANCE SHEET AS ON 31ST MARCH, 1999				PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 1999			
(Rupees)				(Rupees)			
Schedule		As on 31-03-99	As on 31-03-98	Schedule		Year ended 31-03-99	Year ended 31-03-98
<b>CAPITAL &amp; LIABILITIES</b>				<b>I. INCOME</b>			
Capital	1	345,397,526	345,397,526	Interest income	13	126,303,586	114,120,343
Reserves and Surplus	2	64,738,266	53,048,819	Other income	14	32,319,728	21,560,242
Deposits	3	908,577,920	307,855,401	<b>TOTAL</b>		<b>158,623,314</b>	<b>135,680,585</b>
Borrowings	4	-	60,000,000				
Other Liabilities and Provisions	5	114,526,085	56,264,350	<b>II. EXPENDITURE</b>			
<b>TOTAL</b>		<b>1,433,239,797</b>	<b>822,566,096</b>	Interest expended	15	23,230,869	20,829,748
				Operating expenses	16	40,124,915	38,860,392
				Provisions and contingencies		42,500,000	34,797,506
				<b>TOTAL</b>		<b>105,855,784</b>	<b>94,487,648</b>
<b>ASSETS</b>				<b>III. PROFIT/LOSS</b>			
Cash and Balances with Reserve Bank of India	6	89,653,113	29,227,391	Net Profit for the period		52,767,530	41,192,937
Balances with Banks and Money at Call and Short Notice	7	580,804,354	1,543,755	Profit brought forward		42,423,819	9,480,882
Investments	8	233,254,812	188,316,812	<b>TOTAL</b>		<b>95,191,349</b>	<b>50,673,819</b>
Advances	9	346,041,613	461,588,004	<b>IV. APPROPRIATIONS</b>			
Fixed Assets	10	7,410,968	9,434,354	Transfer to statutory reserves		10,565,000	8,250,000
Other Assets	11	176,074,937	132,455,780	Transfer to other reserves		-	-
<b>TOTAL</b>		<b>1,433,239,797</b>	<b>822,566,096</b>	Profit remitted to Head Office		41,078,083	-
				Proposed dividend		-	-
				Balance carried over to balance sheet		43,548,266	42,423,819
				<b>TOTAL</b>		<b>95,191,349</b>	<b>50,673,819</b>
Contingent Liabilities	12	1,870,881,064	1,738,601,339				
Bills for Collections		1,609,452,562	1,477,544,254				
Notes to Accounts	17			Notes to the Accounts	17		

Notes and Schedules to the accounts form an integral part of the Balance Sheet.

As per our report of even date attached

For and on behalf of  
**KHIMJI KUNVERJI & CO**

Chartered Accountants

Sd/-

(Shivji K. Vikamsey)

Partner

Mumbai

Dated: 30th June, 1999

Notes and Schedules to the accounts form an integral part of the Profit and Loss Account.

For CHO HUNG BANK

Sd/-

III-Hwan Roh

General Manager & Chief Executive Officer in India

# CHB CHO HUNG BANK

(Incorporated in Korea with a limited liability)

## MUMBAI BRANCH

### SCHEDULES TO THE BALANCE SHEET

(Rupees)			(Rupees)		
	As on 31-03-99	As on 31-03-98		As on 31-03-99	As on 31-03-98
<b>SCHEDULE 1 - CAPITAL</b>			<b>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</b>		
i. The amount brought in by banks by way of start-up capital	345,397,526	345,397,526	I Bills payable	-	-
ii. Unremitted profit	-	-	II Inter-office adjustments (net)	-	-
iii. Head Office blocked amount	-	-	III Interest accrued	1,473,557	353,498
iv. Nominal value of securities	-	-	IV Others (including provisions)	113,052,528	55,910,852
v. Amount of deposit kept with RBI under Section 11(2) of the Banking Regulation Act, 1949 12,500,000/-			<b>TOTAL (I, II, III &amp; IV)</b>	<b>114,526,085</b>	<b>56,264,350</b>
<b>TOTAL (i, ii, iii, iv &amp; v)</b>	<b>345,397,526</b>	<b>345,397,526</b>	<b>SCHEDULE 6 - CASH &amp; BALANCES WITH RESERVE BANK OF INDIA</b>		
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>			I Cash in hand (including foreign currency notes)	1,481,775	1,490,689
I Statutory Reserves			II Balances with Reserve Bank of India		
Opening Balance	10,625,000	2,375,000	(i) In Current Accounts	88,171,338	27,736,702
Additions during the year	10,565,000	8,250,000	(ii) In Other Accounts	-	-
Sub Total	21,190,000	10,625,000	<b>TOTAL (II)</b>	<b>88,171,338</b>	<b>27,736,702</b>
II Profit & Loss Account	43,548,266	42,423,819	<b>TOTAL (I &amp; II)</b>	<b>89,653,113</b>	<b>29,227,391</b>
<b>TOTAL (I &amp; II)</b>	<b>64,738,266</b>	<b>53,048,819</b>	<b>SCHEDULE 7 - BALANCES WITH BANKS &amp; MONEY AT CALL &amp; SHORT NOTICE</b>		
<b>SCHEDULE 3 - DEPOSITS</b>			I In India		
A I Demand Deposits			(i) Balances with banks		
(i) From banks	-	-	(a) In Current Accounts	2,643,374	883,439
(ii) From others	633,948,665	274,601,306	(b) In Other Deposit Accounts	-	-
<b>TOTAL (I)</b>	<b>633,948,665</b>	<b>274,601,306</b>	<b>TOTAL (i)</b>	<b>2,643,374</b>	<b>883,439</b>
II Savings Bank Deposits	1,588,032	1,076,129	(ii) Money at call and short notice		
III Term Deposits			(a) With banks	170,000,000	-
(i) From banks	-	-	(b) With other institutions*	151,000,000	-
(ii) From others	273,041,223	32,177,966	<b>TOTAL (ii)</b>	<b>321,000,000</b>	-
<b>TOTAL (III)</b>	<b>273,041,223</b>	<b>32,177,966</b>	<b>TOTAL (i &amp; ii)</b>	<b>323,643,374</b>	<b>883,439</b>
<b>TOTAL (I, II &amp; III)</b>	<b>908,577,920</b>	<b>307,855,401</b>	II Outside India		
B (i) Deposits of branches in India	908,577,920	307,855,401	(i) In Current Accounts	2,580,980	660,316
(ii) Deposits of branches outside India	-	-	(ii) In Other Deposit Accounts	-	-
<b>TOTAL (i) + (ii)</b>	<b>908,577,920</b>	<b>307,855,401</b>	(iii) Money at call & short notice	254,580,000	-
<b>SCHEDULE 4 - BORROWINGS</b>			<b>TOTAL (i, ii &amp; iii)</b>	<b>257,160,980</b>	<b>660,316</b>
I Borrowings in India			<b>GRAND TOTAL (I &amp; II)</b>	<b>580,804,354</b>	<b>1,543,755</b>
(i) Reserve Bank of India	-	-			
(ii) Other banks	-	40,000,000			
(iii) Other institutions and agencies	-	20,000,000			
<b>TOTAL (I)</b>	<b>-</b>	<b>60,000,000</b>			
II Borrowings outside India	-	-			
<b>TOTAL (I &amp; II)</b>	<b>-</b>	<b>60,000,000</b>			
Secured borrowings included in I & II above	-	-			

\* Deposits with Small Industries  
Development Bank of India.

# CHB CHO HUNG BANK

(Incorporated in Korea with a limited liability)

## MUMBAI BRANCH

### SCHEDULES TO THE BALANCE SHEET

(Rupees)			(Rupees)		
	As on 31-03-99	As on 31-03-98		As on 31-03-99	As on 31-03-98
<b>SCHEDULE 8 - INVESTMENTS</b>			<b>SCHEDULE 10 - FIXED ASSETS</b>		
I Investments in India in:			I Premises		
(i) Government Securities	183,254,812	138,316,812	At cost as on 31 March of the preceding year	-	-
(ii) Other approved securities	-	-	Additions during the year	-	-
(iii) Shares	-	-	Deductions during the year	-	-
(iv) Debentures and bonds	50,000,000	50,000,000	Depreciation to date	-	-
(v) Subsidiaries and/or joint ventures	-	-	TOTAL	-	-
(vi) Others	-	-			
TOTAL (i, ii, iii, iv, v & vi)	233,254,812	188,316,812	II Other Fixed Assets		
II Investments outside India			(including furniture and fixtures)		
(i) Government Securities	-	-	At cost as at 31 March of the preceding year	24,484,488	-
(including local authorities)	-	-	Additions during the year	1,594,500	24,484,488
(ii) Subsidiaries and/or joint ventures abroad	-	-	Deductions during the year	-	-
(iii) Other investments	-	-	Depreciation to date	18,668,020	15,050,134
(to be specified)	-	-	TOTAL	7,410,968	9,434,354
TOTAL (II)	-	-	TOTAL	7,410,968	9,434,354
GRAND TOTAL (I & II)	233,254,812	188,316,812			
<b>SCHEDULE 9 - ADVANCES</b>			<b>SCHEDULE 11 - OTHER ASSETS</b>		
A (i) Bills purchased and discounted	181,176	42,050,322	I Inter-office adjustments (net)	-	-
(ii) Cash credits, overdrafts and loans repayable on demand	292,532,437	339,537,682	II Interest accrued	39,923,156	24,439,016
(iii) Term loans	53,328,000	80,000,000	III Tax paid in advance/tax deducted at source	88,845,532	47,540,925
TOTAL	346,041,613	461,588,004	IV Stationery and stamps	-	-
B (i) Secured by tangible assets	259,028,436	280,135,514	V Non-banking assets acquired in satisfaction of claims	-	-
(ii) Covered by Bank/ Government guarantees	-	-	VI Others	47,306,249	60,475,839
(iii) Unsecured	87,013,177	181,452,490	TOTAL	176,074,937	132,455,780
TOTAL	346,041,613	461,588,004			
C.I. Advances in India			<b>SCHEDULE 12 - CONTINGENT LIABILITIES</b>		
(i) Priority Sectors	-	-	I Claims against the bank not acknowledged as debts	-	-
(ii) Public Sector	-	-	II Liability for partly paid investments	-	-
(iii) Banks	-	-	III Liability on account of outstanding forward exchange contracts	513,060,000	524,229,545
(iv) Others	346,041,613	461,588,004	IV Guarantees given on behalf of constituents		
TOTAL	346,041,613	461,588,004	(a) In India	1,280,745,543	1,001,752,280
C.II. Advances outside India			(b) Outside India	-	-
(i) Due from banks	-	-	TOTAL (IV)	1,280,745,543	1,001,752,280
(ii) Due from others					
(a) Bills purchased and discounted	-	-	V Acceptances, endorsements and other obligations	56,976,604	88,841,022
(b) Syndicated loans	-	-	VI Other items for which the bank is contingently liable	20,098,917	123,778,492
(c) Others	-	-	TOTAL	1,870,881,064	1,738,601,339
TOTAL	-	-			
TOTAL*	346,041,613	461,588,004			

# CHB CHOHUNG BANK

(Incorporated in Korea with a limited liability)

MUMBAI BRANCH

## SCHEDULES TO PROFIT & LOSS ACCOUNT

(Rupees)			(Rupees)		
	Year ended 31-03-99	Year ended 31-03-98		Year ended 31-03-99	Year ended 31-03-98
<b>SCHEDULE 13 - INTEREST EARNED</b>			<b>SCHEDULE 16 - OPERATING EXPENSES</b>		
I Interest/discount on advances/bills	67,596,906	68,813,381	I Payment to and provisions for employees	9,499,232	8,412,108
II Income on investments	30,149,614	28,421,566	II Rent, taxes and lighting	13,439,973	13,329,293
III Interest on balance with Reserve Bank of India and other inter-bank funds	27,858,423	15,865,508	III Printing and stationery	311,120	322,428
IV Others	698,643	1,019,888	IV Advertisement and publicity	50,400	33,000
<b>TOTAL</b>	<b>126,303,586</b>	<b>114,120,343</b>	V Depreciation on bank's property	3,617,886	6,101,298
<b>SCHEDULE 14 - OTHER INCOME</b>			VI Director's fees, allowances and expenses	28,400	14,000
I Commission, exchange and brokerage	11,725,572	9,820,007	VII Auditor's fees and expenses	150,000	157,500
II Profit on sale of investments	-	-	VIII Law charges	695,140	162,880
Less: Loss on sale of investments	(77,000)	-	IX Postage, Telegrams, Telephones etc.	1,150,498	1,285,655
III Profit on revaluation of investments	-	-	X Repair and Maintenance	2,607,506	2,120,379
Less: Loss on revaluation of investments	-	-	XI Insurance	675,330	498,843
IV Profit on sale of land, buildings and other assets	-	-	XII Other expenditure	7,899,430	6,423,008
Less: Loss on sale of land, buildings and other assets	-	-	<b>TOTAL</b>	<b>40,124,915</b>	<b>38,860,392</b>
V Profit on exchange transactions	17,875,006	8,880,890			
Less: Loss on exchange transactions	-	-			
VI Income earned by way of dividends etc. from subsidiaries/ companies and/or joint ventures abroad/in India	-	-			
VII Miscellaneous income	2,796,150	2,859,345			
<b>TOTAL</b>	<b>32,319,728</b>	<b>21,560,242</b>			
<b>SCHEDULE 15 - INTEREST EXPENDED</b>					
I Interest on deposits	19,745,587	1,108,159			
II Interest on Reserve Bank of India/inter-bank borrowings	1,865,072	12,535,264			
III Others	1,620,210	7,186,385			
<b>TOTAL</b>	<b>23,230,869</b>	<b>20,829,748</b>			



# **CHB CHOHUNG BANK**

(Incorporated in Korea with a limited liability)  
**MUMBAI BRANCH**

## **Schedule 17 – Notes to Accounts for the Period Ended 31st March, 1999**

### **I. PRINCIPAL ACCOUNTING POLICIES**

#### **1. General**

The accompanying statements have been prepared on historical cost basis and in accordance with the generally accepted accounting principles and practices prevailing in the country.

#### **2. Revenue Recognition**

Income and Expenditure are accounted for on accrual basis except in the following cases:

(a) Interest on Non-Performing Assets is recognised on realisation basis as per RBI guidelines laid down by Reserve Bank of India (RBI).

(b) Interest which remains overdue for 2 quarters on securities not covered by Government guarantee is recognized on realisation basis as per RBI guidelines.

#### **3. Transactions Involving Foreign Exchange**

i) Transactions during the year in currencies other than Indian Rupees are recorded at the exchange rates prevailing on the date of the transactions.

ii) As of the Balance Sheet date, Monetary assets and liabilities are translated at exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) and Profits or Losses arising from such transactions are included in the Profit and Loss Account.

iii) Contingent Liabilities in currencies other than Indian Rupees are disclosed as under:

(a) Bill for Collection is held by bank on behalf of customer at contracted rate.

(b) Guarantees are stated at contracted rates.

iv) Profit or loss on Pending forward contracts has been accounted for.

#### **4. Investments**

Investments in approved securities are classified into "Permanent" and "Current" categories as per R.B.I guidelines. Permanent Investments include those investments which are intended to be held by the bank till maturity or on long term basis.

Investments are valued as per guidelines laid down by R.B.I as under:

i) Permanent investments are valued at cost.

ii) Current investments have been valued at lower of cost or market value. For the purpose of considering the market value, Stock Exchange quotations wherever available have been taken and where the investments are not quoted on the Stock Exchange, the same have been valued as per the norms laid down by Reserve Bank of India.

#### **5. Fixed Assets & Depreciation**

i) Fixed Assets are stated at historical cost.

ii) Fixed assets are depreciated on the Reducing Balance Method at rates which are higher than those prescribed in Schedule XIV of the Companies Act, 1956. The principal rates of depreciation used by the bank are as under:

Electronic Data Processing Equipments,

Movable Furniture & Fixtures and Other Equipments @ 45.10%

Other Furniture & Fixtures @ 20.00%

iii) Depreciation on assets acquired during the period is provided on pro-rata basis from the month of addition.

iv) The expenditure incurred for addition/modification to leased/tenanted premises are capitalised and the depreciation, on the same, is provided as mentioned in (ii) above. In the year of expiry of the lease/tenancy the written down value of the assets not transferred to the new premise will be fully depreciated/written off.

#### **6. Retirement & Other Staff Benefits**

Gratuity is Provided on the basis of the Payment of Gratuity Act, 1972. The amount of bonus payable as per Payment of Bonus Act, 1965 is provided for and charged to the Profit & Loss Account.

#### **7. Advances**

Provisions for loan losses is made in respect of identified Advances based on the provisioning guidelines issued by R.B.I.

# CHB CHO HUNG BANK

(Incorporated in Korea with a limited liability)

## MUMBAI BRANCH

### II. NOTES FORMING PART OF THE ACCOUNTS

1. As required by the Accounting Standard - 6 on Depreciation Accounting and Accounting Standard - 10 on Accounting of Fixed Assets, issued by the Institute of the Chartered Accountants of India, the details are disclosed as under:  
(In Rupees)

Particulars	Gross Block (At Cost)			Depreciation			Net Block	
	As at 31/3/98	Additions during the year	As at 31/3/99	Upto 31/3/98	For the Year	Total upto 31/3/99	As at 31/3/99	As at 31/3/98
Other Equipments	18,511,696	444,500	18,956,196	12,410,228	2,793,235	15,203,463	3,752,733	6,101,468
Furniture & Fixtures	5,972,792	1,150,000	7,122,792	2,639,906	824,651	3,464,557	3,658,235	3,332,886
<b>Total</b>	<b>24,484,488</b>	<b>1,594,500</b>	<b>26,078,988</b>	<b>15,050,134</b>	<b>3,617,886</b>	<b>18,668,020</b>	<b>7,410,968</b>	<b>9,434,354</b>
Previous Year	24,275,021	209,467	24,484,488	8,948,836	6,101,298	15,050,134	9,434,354	15,326,185

2. Previous period's figures have been regrouped & rearranged wherever necessary.  
3. Additional disclosures in terms of RBI guidelines.

	1998-99	1997-98
a) Percentage of shareholding of the Government of India in the nationalised Banks	-	-
b) Percentage of net NPAs to net Advances	1.88%	1.41%
c) Provisions and contingencies include:		
i) Amount of provisions made towards NPA	Nil	716,309
ii) Amount of provision made towards depreciation in value of investments	Nil	Nil
iii) Provision for Income Tax during the year	42,500,000	34,081,199
d) Amount of sub-ordinated debt raised as Tier II capital	Nil	Nil
e) i) Gross Value of investment		
In India	233,254,812	188,316,812
Outside India	-	-
ii) Aggregate of Provisions for Depreciation on Investments		
In India	Nil	Nil
Outside India	Nil	Nil
iii) Net Value of Investment		
In India	233,254,812	188,316,812
Outside India	Nil	Nil
f) Business Ratios:		
i) Capital Adequacy Ratio - Tier I capital	42%	46%
ii) Capital Adequacy Ratio - Tier II capital	Nil	Nil
iii) Interest income as a percentage to working funds	8.81%	13.87%
iv) Non-interest income as a percentage to working funds	2.26%	2.62%
v) Operating profit as a percentage to working funds	6.65%	9.24%
vi) Return on Asset	2.34%	4.15%
vii) Business (deposit plus advances) per employee	72,844,533	51,296,227
viii) Profit per employee	3,517,835	2,746,196

For and on behalf of  
KHIMJI KUNVERJI & CO.  
Chartered Accountants  
Sd/-  
Shivji K. Vikamsey  
Partner

For CHO HUNG BANK

Sd/-  
Ill-Hwan Roh  
General Manager & Chief Executive Officer in India

Mumbai,  
Dated: 30th June, 1999

# **CHB CHO HUNG BANK**

(Incorporated in Korea with a limited liability)

## **MUMBAI BRANCH**

### **Auditors' Report on the Mumbai Branch of ChoHung Bank, Situated at Mumbai Under Section 30 of the Banking Regulation Act 1949**

We have audited the attached Balance Sheet of the Mumbai Branch of CHO HUNG BANK as at 31st March, 1999 and also annexed Profit and Loss Account for the year ended on that date.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and the Profit and Loss Account together with the notes attached thereto are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949.

We report that:

1. We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit and found them to be satisfactory.
2. The transactions which have come to our notice have been, in our opinion, generally within the powers of the Mumbai Branch.
3. In our opinion, proper books of accounts as required by law have been kept by the Mumbai Branch, so far as it appears from our examination of those books.
4. The above mentioned Balance Sheet and Profit and Loss Account of Mumbai Branch, dealt with by this report are in agreement with the books of account.
5. In our opinion, and to the best of our information and according to the explanations given to us the Balance Sheet and Profit and Loss Account, together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Mumbai Branch of the Bank as at 31st March, 1999 and in case of Profit and Loss Account gives a true and fair view of the profit of the Mumbai Branch of the Bank for the year ended on that date.

For and on behalf of  
**KHIMJI KUNVERJI & CO.**  
Chartered Accountants  
Sd/-  
**Shivji K. Vikamsey**  
Partner

Mumbai,  
Dated: 30th June, 1999



## *Shastri Indo-Canadian Institute* **FELLOWSHIPS FOR CANADA 2000-2001**

### **CANADIAN STUDIES FELLOWSHIPS FOR 2000-2001**

The Department of Foreign Affairs and International Trade, Government of Canada, through Shastri Indo-Canadian Institute, invites applications from Indian scholars for Canadian Studies Faculty Research, Faculty Enrichment, and Doctoral Research Fellowships

**Eligibility:** Applicants in all categories must be citizens or permanent residents of India and proficient in either English or French. Repeat applications for faculty awards will not be considered until the objectives of the earlier award have been demonstrably achieved.

#### **a. Canadian Studies Faculty Research and; b. Faculty Enrichment Fellowships**

These awards are intended to fund a visit to Canada of up to five weeks in duration to work on projects identified by the applicants. The projects should lead to the publication of scholarly articles in India in the case of research awards and the development of courses on Canada in Indian universities in the case of enrichment awards. Preference will be given to projects which focus on topics in the social sciences and the humanities and which lend themselves to enhancing the understanding of Canada, or of the Canada-India relationship, in India.

Applicants will normally be full-time members of the academic staff of a recognized institution of higher education or an equivalent degree-granting organization in India. Faculty Research applicants may also be scholars at research and policy institutes in India or professors emeriti. Applicants should hold a degree equivalent to postgraduate qualification. Applications will be considered from those without these formal qualifications only if successful research and teaching experience can be demonstrated. Applicants able to provide evidence of their interest in or involvement with Canada prior to the application will be preferred. This may be demonstrated by courses already given, research undertaken, active membership in relevant organizations, etc.

Please note that all successful applicants in both faculty categories will be required to attend a Canadian Studies summer-institute-cum-orientation session for four days in May or June 2000 at a location in Canada to be announced and a one day orientation workshop in New Delhi. The remainder of the award period will be spent working on the projects proposed in the applications.

#### **c. Canadian Studies Doctoral Research Fellowships (Canadian Studies Graduate Awards)**

These awards are intended to fund research in Canada for a period of up to ten months on the applicant's doctoral dissertation. Preference will be given to applicants whose dissertations focus on topics in the social sciences and the humanities, which are most likely to advance understanding of Canada in India. Applicants must be enrolled as doctoral candidates in a recognized institution of high education or equivalent degree-granting organization and must expect to have completed non-thesis requirements of the Ph.D. by the time the tenure of the award commences.

Shastri Indo-Canadian Institute, with funding from the Canadian International Development Agency (CIDA), invites applications from established Indian Scholars in the areas of Development and Environment, Social and Economic Reform, Private-sector Development, Gender and Development; for the following fellowships:

- a. Development Studies in Social Sciences and Humanities:** This fellowship enables the Indian Scholar to undertake research and related activities on various development issues. Duration: four months between 1 September 2000 and 1 January 2001.
- b. Women and Development**
  - i) Faculty Research Fellowships:** These fellowships enable the faculty members of Indian Colleges and Universities to carry out research in Canada. Duration: four months between 1 September 2000 and 1 January 2001.
  - ii) Doctoral Research Fellowships:** These fellowships are intended to support research in Canada on the applicant's doctoral dissertation. Applicants must be enrolled as doctoral candidates in a recognized institution of high education or equivalent degree-granting organization and must expect to have completed non-thesis requirements of the Ph.D. by the time the tenure of the award commences. Duration: up to eight months between 1 September 2000 and 1 January 2001.
  - iii) Pilot Project Awards:** These awards make possible the preliminary exploration of a research proposal that gives promise of substantial further development. Duration: up to two months between 1 September 2000 and 1 January 2001.
  - iv) Visiting Lectureships:** These fellowships enable Indian scholars to visit Canada for a period of three weeks to give lectures and to do some networking with colleagues in their academic area. Duration: three-week lecture tour in Canada between 1 September 2000 and 1 January 2001.
- c. Media Fellowships:** These fellowships support the research of mid-level journalists in print and electronic media in Canada for a period of four months each to explore in depth a developmental issue. Duration: four months between 1 September 2000 and 1 March 2001.

Since these awards are a part of the Institute's Development Studies Programme, work to be carried out during the tenure of the fellowships must have a clear developmental significance.

**General Eligibility:** Candidates must be: i) citizens or permanent residents of India, ii) have a clear and focused plan of work which can reasonably be implemented during the tenure of the fellowship; and iii) be prepared to leave for Canada no later than 1 January 2001 if selected.

**Value:** i) excursion rate return air ticket between India and Canada; ii) Cdn \$ 500 for books and personal effects; iii) a living and accommodation allowance.

### **ENQUIRIES AND APPLICATION FORMS**

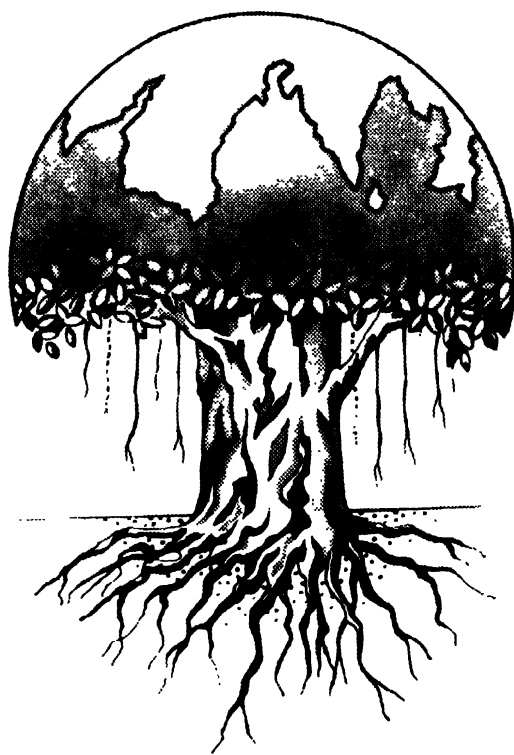
For the application materials please write to the following address (specifying the category of fellowship) by sending a self-addressed RS-25 stamped envelope(s) (size 26 cms x 30 cms) superscribing the name of fellowship to: Shastri Indo-Canadian Institute, 5, Bhai Vir Singh Marg, New Delhi 110 001.

A separate stamped envelope is required for each fellowship Category.

**DEADLINE:** For REQUEST of application forms: September 10, 1999 by post and September 17, 1999 in person and for RECEIPT of completed applications: October 1, 1999. (5.00. p.m.)



# Indian Roots. International Spread.



Bank of Baroda, Indian at heart.

International when it comes to service. Value based and  
technologically-advanced banking - our inherent feature.

And steadfast philosophy.

In its 90th year of banking, the bank opens its  
2500th branch (and its 39th overseas one) at Durban, South Africa.

बैंक ऑफ बड़ौदा

( भारत सरकार का उपनिवेश )

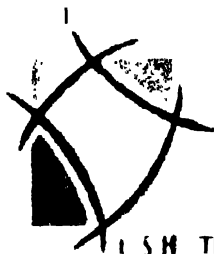


Bank of Baroda

BARODA, VARANASI, RAIPUR, GANDHIDHAM

## **ELECTORAL POLITICS IN INDIA, 1989-99**

- **ELECTORAL POLITICS IN TIME OF CHANGE: INDIA'S THIRD ELECTORAL SYSTEM, 1989-99**
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- **NEW PHASE OF BACKWARD CASTE POLITICS IN BIHAR**
- **POLITICAL REALIGNMENTS IN POST-NTR ANDHRA PRADESH**
- **SHIFTING POLITICAL LOYALTIES IN UTTARAKHAND**
- **PRAGMATIC POLITICS IN GOA, 1987-99**
- **ASSAM: FRACTURED IDENTITIES AND POLITICS IN A MULTI-ETHNIC STATE**
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- **CASTE, REGION AND COMMUNITY IN UTTAR PRADESH**



# CENTRE DE SCIENCES HUMAINES

**CSH** The Centre de Sciences Humaines (New Delhi), along with the French Institute of Pondicherry, is one of the twenty five research centres of the French Ministry of Foreign Affairs, which conducts research work in social sciences and humanities in various countries. The Centre's main objectives include:

- conducting joint research programmes, which highlight the contemporary dynamics in South Asia,
- acting as an interface between French and Indian research institutions, scholars and students,
- providing access to logistical support and a well-stocked library to European and Indian researchers.

The CSH focuses on four main research themes:

- Economic growth and sustainable development
- International and regional relations
- Institutional structures and political constructions of identity
- Urban dynamics

The CSH also organizes seminars and conferences at New Delhi, in collaboration with Indian institutions.

## CSH Publications

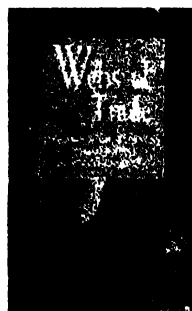
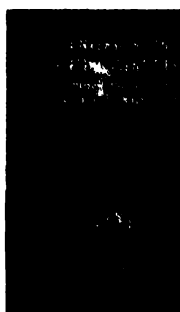


**BOQUERAT G. (Ed.),**  
*International Relations in South Asia:  
Directory of Institutions,*  
Manohar-CSH, New Delhi, 1999, 134 p., Rs. 200.

**ZERAH M.-H.,**  
*Water. The Unreliability of Supply in Delhi*  
Manohar-CSH, New Delhi, 1999, 140 p., Rs. 275.



**KHAN D.-S.,**  
*Conversions and Shifting Identities:  
Rumdev Pir and the Ismailis in Rajasthan*  
Manohar-CSH, New Delhi, 1997, 294 p., Rs. 450.



**CADENE P., VIDAL D. (Eds.),**  
*Webs of Trade:  
Dynamics of Business Communities in Western India*  
Manohar-CSH, New Delhi, 1997, 196 p., Rs. 320.

**NATIONAL  
IDENTITY  
AND  
REGIONAL  
COOPERATION**

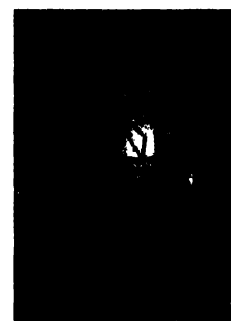
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European Integration and  
South Asian Perceptions



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**CHOPRA H.S., FRANK R., SCHRÖDER J. (Eds.),**  
*National Identity and Regional Cooperation:  
Experiences of European Integration and South Asian Perceptions*  
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# ECONOMIC AND POLITICAL WEEKLY

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## Electoral Politics in India, 1989-99

The changing outcome of the electoral game in this decade may be seen as the reflection of a fundamental transformation in the terrain of politics which in turn is anchored in the process of social change. While the structure of choice inherent in elections has undergone change, the exercise of that choice is not necessarily the act of sovereignty that it is meant to be in a democracy. **2393** By a combination of subtle redefinition and judicious alliances, the BJP has been able to change the composition of its social base and venture out from its nesting ground in the north. **2511** The diverse social profile that the Congress had cultivated in the past through active political mobilisation is non-existent today and it has been reduced in most states to picking up votes that other parties have not been able to mobilise. **2518** With de-ritualisation, caste now operates in a different newly-emergent system of social stratification where members of different castes form themselves into larger horizontal social groups and are competing for entry into the middle class, changing thus its pre-independence character and composition. **2502** Notwithstanding the BJP's recent spread into all regions of Uttar Pradesh, there are structural limitations – in the form of rigid caste polarisations and the strong social bases of the SP and the BSP – to its emergence as a dominant broad-based party in the image of the Congress of the past. **2400** In Bihar, while there are clear indications, in the changing social composition of political representation, of the important role that the middle castes are playing, the emergence of broad-based social configurations rather than 'backwardism' may be the future characteristic of politics in the state. **2472** The articulation of the aspirations of different social groups, especially of those in the subaltern ranks, has contributed to the volatility of their electoral support in Andhra Pradesh. In the process parties which have encouraged articulation of particular caste aspirations may well turn out to be the losers. **2449** The pre-eminence of the Congress in Maharashtra is based on two disjunctions: while it claimed to represent the oppressed, it was a maratha-kunbi dominated party; similarly, while it drew support from rural voters, it served urban interests. The BJP-Shiv Sena alliance shows no such disjunction between material and political domination. **2409** In Gujarat the traditional social support bases of the Congress have been either won over or neutralised by the BJP. **2423** The Congress has attempted to widen its support base in recent years among the OBCs and is projecting itself as the 'natural' choice of the poorer classes in Karnataka. **2440** The movement away from traditional centripetalist politics and the movement for a separate state of Uttarakhand makes the region a distinct political entity which yields interesting insights into electoral processes. **2459** The mechanisms of accountability, democracy's chief virtue, do not seem to deter the current crop of political leaders of all parties in Goa and the politics of pragmatism makes party ideologies irrelevant. **2434** In Himachal Pradesh, physiographic and demographic factors have come to exercise much influence on electoral politics. However, the struggle for power on caste lines is not as visible or intense here as elsewhere. **2465** In its transition to modern representative democracy, the electoral agenda in Meghalaya is still largely determined by clan and kinship loyalties in tribal communities and both the BJP and the Congress have had to take cognisance of this. **2481** In Assam a number of smaller ethnic communities are beginning to carve out areas of influence through their respective parties, which accounts for the fact that national parties have not been able to pose an effective challenge to these regional forces. **2492**

## Role of Rajya Sabha

THE arguments for and against the holding a special session of the Rajya Sabha to discuss the Kargil conflict were covertly political. The author of 'Rajya Sabha: Redefining its Role' (July 24) has wisely separated them from the larger question and dealt with the issues concerning the interregnum between two Lok Sabhas when the Rajya Sabha is the only wing of the union parliament, which is in existence. The point made is that it is the only representative wing available for consultation by the caretaker government. Even for the president, it is a forum he could turn to for some sort of an advice on the prevailing view on important matters of government policy. A conundrum for constitutional experts has also been posed: Lok Sabha, is the power giver to the council of ministers, the council loses Lok Sabha's confidence, Lok Sabha loses its existence; in the circumstances is the council competent to advise the president?

To understand the conundrum, one needs to address some basic issues including the role of the president between elections. Meanwhile, it would be wise to look closely at the Rajya Sabha and recall its position in a bicameral parliament. The 'rajya' in its name refers to the states of the union. The English title is council of states. Of the two houses of parliament it is the upper one because it is expected to function as a house of elders. The intention of creating the Rajya Sabha was to provide a sounding board to test legislative policies, as well as a forum of advice and guidance, which would include voices from the states and the perceptions of persons of eminence from the arts and sciences, mass media, sports, etc. The latter would be brought in by nomination, as they would in the ordinary course not enter any electoral fray. Political groupings, protestations based on party loyalties, unruly conduct and such do not fit into this picture.

The pristine concept of the Rajya Sabha found in the Constitution has been mutilated out of recognition by the venality of political parties. The house of elders is no longer a body of sober debate and mature guidance. The utter cynicism with which political parties have collared seats in the Rajya Sabha mocks the Constitution. It is fractured on political lines and all members behave like they form a diluted version of Lok Sabha. We have the spectacle of otherwise enlightened and responsible individuals hypocritically seeking to speak for far-off places other than their nativity,

and of lawyers nominated for their eminence as jurists unhesitatingly acting as the mouthpiece of a political party. As a political scientist has put it: Presently the Rajya Sabha represents none and discharges no special functions except to act as an appendix or a second chamber of a unitary system of government. No, the Rajya Sabha is not what it should be. The Rajya Sabha of the Constitution needs to be restored to its original status and functioning. This is all the greater need when, as now, an increasing dose of federalism is flowing into the Indian polity. Meanwhile, the voice of the people and the counsel of the wise are not to be equated. They occupy different political spaces. As a representative house the Rajya Sabha is not a substitute, and cannot be a surrogate, for the Lok Sabha except for those who have mangled the intention of the Constitution.

M A S RAJAN

Bangalore

## State Terror

HAVE you ever been into Southall train station? If you have, do you remember seeing a pleasant-looking Sikh guy wearing a blue turban? Balbir Singh has been working for Thames Train services for at least a decade. But now, since June 24, on a trip to India, he has been detained by Indian police at Delhi airport for allegedly 'bringing in RDX to blow up parliament'. He was on his way to a wedding at the time, but instead of celebrating has been imprisoned and subject to torture. He was on his way to being transferred to the notorious Punjab police when media and

international pressure curtailed the move, and now he's awaiting trial. His wife only suspected something wrong when he did not phone on arrival. His relatives managed to get his whereabouts a few days later. He has five children – aged between 7 and 14, the eldest being physically disabled, and very much dependent upon his income for livelihood. From what I know about Indian prisons, they are infested with rats, cockroaches, mosquitoes amongst other dangers. Anyone who has come out of them has suffered from, at best, malaria, at worst, AIDS. Every day he stays in there he is courting death. And knowing the Indian litigation system, that could be months if not years. Why am I doing this? Because I used to see the man at Southall train station from 1991, and I remember him as a smiling, polite and hard-working guy. The last time I saw him was two months ago on his way to the office. The man apprehended could have been my dad – an innocent abroad who happened to be wearing a turban. Also what happened to the wedding gifts? I'd hate to think.

I want to spread this news to as many people as possible so that it would have knock-on effect. If you are as shocked and upset as I am please do likewise. Silence is itself a kind of conspiracy. If you want to do something more about it, write to your local MPs, the Indian Embassy, journalists, any suitable organisations in UK or in India, Indian ministers and politicians (if they can spare a moment from election fever), etc. For more information, contact 0181 840 3222 or e-mail: psing@brookes.ac.uk me.

PRITAM SINGH

UK

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## Polarisation and Consensus

**D**O poll manifestos matter? Political parties forget them the day after polling; the vast majority of voters never get a chance to see them and, in any case, are influenced in their voting behaviour by more proximate concerns such as the caste of the candidates and how they promise to solve local problems. Manifestos are still worth our attention because they offer several things important in a democracy: one, a standard of performance against which subsequent achievements can be measured; two, a measure of the issuing party's clarity on policy; three, articulation of the popular consensus on major themes – parties that entertain reasonable hope of getting elected to power say what they believe the voters would like them to say rather than what they actually stand for.

There is a great deal of similarity between the manifestos of the Congress and the BJP-led National Democratic Alliance. Both present secular, inclusive visions, want economic reform in the present direction and at the current pace, seek sound federal relations, call for stronger defence, promise to strengthen decentralised, pro-poor development. This is worthy of note on its own. The polity has become relatively more polarised than in the past between the BJP-led front and the Congress camp but the area of consensus between the two sides has expanded. This is a direct result of the BJP's realisation that it cannot become the ruling party of the country by continuing with its sectarian Hindutva agenda. To broaden its direct appeal and indirect reach through allies who would have none of Hindutva, the BJP has been trying to substitute good governance as its defining characteristic in place of identity politics.

The BJP has refrained from having a manifesto of its own. The common manifesto of the BJP-led NDA has called for a moratorium on contentious issues. BJP leaders have clarified that the contentious issues are the demand for building a Ram temple at the site of the demolished mosque at Ayodhya, scrapping Article 370 of the Constitution which gives Jammu and Kashmir certain degrees of freedom not enjoyed by other states and instituting a uniform civil code in place of the communitywise personal laws currently followed. That a moratorium is not quite the same thing as giving up became clear in the subsequent controversy over the BJP's commitment to these demands. Their unapologetic espousal by party general secretary Govindacharya, outright rejection by prime minister Vajpayee and indefinite deferment by spokesperson Venkaiah Naidu reveal that the BJP's evolution into yet another centrist party is far from complete and remains a

source of severe intra-party strain. The NDA manifesto's obsession with Vajpayee's visuals and Vajpayee's putative achievements also reflects the BJP's desire to put its liberal face forward.

The NDA and the Congress both seek electoral reform to eliminate criminals and reduce money power. The NDA manifesto does make a crucial demand that the Congress does not: review of the Constitution. Its operational significance in the 13th Lok Sabha might be insignificant, but it is significant for the window it offers the BJP to push forward its own agenda, whether under moratorium or not.

The Congress and the NDA both want the economy to grow by 7-8 per cent a year. Both will try to legislate fiscal responsibility. Both manifestos stand for better federal relations. However, both manifestos also do violence to the constitutional division of responsibilities between the centre and the states by burdening their prospective governments with extensive activism in areas of state-level responsibility. That this makes a mockery of their professed commitment to fiscal discipline escapes the attention of both manifestos.

Both the Congress and the NDA aim at foreign investment of around \$10 billion a year, including in the insurance sector. Both want to create a non-segmented market in India and therefore a switchover to value added taxation. Neither talks about privatisation of the public sector, although restructuring of the public sector and disinvestment are favoured. The Congress is more forthright on trade reform, seeking tariffs of Asian levels very soon. The NDA has abandoned the traditional stance of WTO-bashing and merely seeks to assert India's rights in the forum. This means that trade liberalisation will proceed at the pace required by India's membership of and commitment to the world trade body, whoever forms the government. The overlap between the economic agendas of the two sides will help the new government pass laws: they have to co-operate in the Rajya Sabha where neither side will have a majority, whoever commands a majority in the Lok Sabha after the elections.

Both the NDA and the Congress manifestos reflect their concern for industrial restructuring. However, neither finds the courage to say that laws that prevent such restructuring and permit redeployment of resources from inefficient managements to efficient ones will ruthlessly be changed. This shows that for India's major political parties reform remains something that has to be introduced by stealth. If either political camp sees overhaul of the country's economic laws, including those relating to industrial relations and

corporate control, as a necessary part of reform required to generate fast growth that will abolish poverty and unemployment, they choose to keep quiet in their manifestos about any such radical convictions.

Both carry forward the statist tradition of India's political parties. While mobilisation of the people for essential regeneration of society, in terms of education, hygiene, health, intercommunity amity and participation in local government does not call for the instrumentality of the state, the Congress and the NDA, as well as the Left parties, portray this as a state function. The vision of politics revealed by the manifestos is that of a process identified with the exercise of state power. To conceptualise a political party as an agency that awakens, organises and articulates the democratic urges of the population is beyond these manifestos.

The parties' commitment to fiscal reform is suspect, for a variety of reasons. Both the NDA and the Congress believe in extensive and intensive state activism to tackle each and every social ill. Such activism takes the empirical form of schemes, programmes, buildings, staff and materiel. The NDA, in fact, calls for "all kinds of subsidies" for the rural population. This spells expenditure. The BJP's record on fiscal restraint gives no credence to its promise of future discipline. The sudden surge in the states' fiscal deficit from less than 3 per cent of GDP to more than 5 per cent of GDP in 1998-99 surely reflects the BJP government's dependence on regional parties that run state governments with a huge appetite for debt. After all, no state government that owes the centre money can raise a single rupee of fresh debt without the centre's permission. Such vulnerabilities will haunt an NDA government as well. Further, the BJP-led government's refusal to raise retail prices of petroleum products although oil prices more than doubled during its brief tenure shows little sign of fiscal responsibility. Such off-budget items as the oil pool deficit and the public sector undertakings' borrowings matter, along with the combined fiscal deficit of the states and the centre, when it comes to macro-economic management. The measure of this total claim on funds by the government sector is the gross public sector borrowing requirement. The reforming zeal of the Congress had failed to lower the PSBR from around 10 per cent of GDP during its 1991-96 stint.

In sum, given their political timidity over breaking with traditional notions of the state's role in the economy and given their record in office, the manifestos of the two major contenders for power offer the prospect of muddling reform at a muddling pace after the elections.

## NUCLEAR DOCTRINE

### Mainstreaming the Debate

THE announcement of an Indian nuclear policy by the National Security Advisory Board (NSAB) came as no surprise. After all this is simply a documentation of the government's nuclear agenda which opened with the Pokhran tests, an agenda which has not been given the stamp of approval yet, not having been subject to parliamentary debate. What is curious is, of course, its timing. Announced and released at a time when the country is in the throes of elections after which, regardless of who returns to power, the government will have a changed composition, the nuclear policy document ensures that no political party can afford to avoid setting out a clear policy statement on the nuclear issue. In fact that is its stated purpose: "to encourage public debate on the topic".

Insofar as it has put down on paper views on nuclear weaponisation which one presumes are those of the BJP-led government, it is in the nature of a gambit which if pursued will effectively prepare the ground for the long-overdue public debate on nuclear issues. Taken further, it may well be the first major step towards articulation of well-founded mass opinion not only on the nuclear issue but issues relating to weapons of mass destruction in general. It is not that there has been no public debate, but these have generally remained on the fringes, on the platforms of alternative streams of opinion. In the past while political parties have had a 'consensus' on nuclear weapons, that consensus has not been arrived at through public debate. In consequence, the nuclear issue came into the public arena for some specific reasons, such as the signing of the Nuclear Proliferation Treaty, and the debate has necessarily been a fractured one. At another level, there has been a curious disjuncture: political parties have by and large quite impressively and wholeheartedly supported the 'peaceful' development of nuclear power, etc., again without debate, even while protesting loudly on the nuclear issue. With the Pokhran tests, the disjuncture has been even more sharp, with nuclear power issues almost acquiring a sacrosanct status, a status seen to be violated by India's entry into the nuclear weapons arena through the nuclear tests.

A first criticism of what has been titled the Indian Nuclear Doctrine would be that it is silent on aspects other than weaponisation. Nowhere, not even in the preamble, is there a suggestion (one would not expect anything more in a brief document) that there are other critical issues

to be dealt with. It is hardly necessary to point to the links between a 'peaceful' nuclear programme and weapons. And in India, the rationale for the huge investment in nuclear power and its development has never been debated at any level. This is another area of 'consensus' without debate. That there is so little comprehension of the impact of nuclear damage, by whatever source, is evident in what the document has to say on 'safety' and 'disaster control'. The ensuring of 'tamper proof procedures and systems' to prevent unauthorised use of nukes is just one aspect of safety; the other more important aspect is to ensure that those who deal with them, those who manufacture them – at all stages – are safe and those who may be exposed to accidental releases may be rendered the best possible care. Moreover, safety is not a limited concept – for after all to make the environment safe for people the government must attempt to put them at least risk from severe damage and death. The very production and build up of nuclear weapons makes this impossible. Brajesh Mishra's remark on the responsibility and restraint of our political leadership as demonstrated in Kargil – "as you would expect from the largest democracy in the world" – hardly inspires confidence. And as for disaster control, in India this has not been possible for even the seasonal natural disasters, often predictable, which take so many hundreds of lives, nor for mishaps in areas potentially at risk as for instance around chemical plants. To imagine that under the nuclear umbrella an appropriate system would be developed for an emergency the likelihood of which is officially regarded as remote is absurd.

It would be easy enough to dismiss the document as yet another of the BJP-led government's ploys in the political game of one-upmanship. It would be more worthwhile, however, to take the document seriously and use it as a platform for launching a massive campaign, not necessarily against a particular party's preoccupations, but on the much more serious issue of nuclearisation in all its dimensions.

## MAHARASHTRA

### Changed Equations

WHILE the country is all set to witness bipolar Lok Sabha election contests in many states between the Congress and its allies on the one hand and the BJP and its allies on the other, in Maharashtra Sharad Pawar's three-month old National Congress Party (NCP) has introduced an element of unpredictability. The complexity of the electoral scene in the state

is compounded by the simultaneous Lok Sabha and state assembly polls which, besides stretching the contesting parties' search for suitable candidates, have raised tantalising questions about the eventual contours of the political equation among Shiv Sena, BJP, the NCP and Congress in the event of a fractured mandate in the assembly elections. A clear majority nationwide for either the BJP-led or Congress-led groups in the Lok Sabha is bound to considerably reduce the NCP's bargaining capacity since, like Mulayam Singh Yadav's Samajwadi Party in Uttar Pradesh, the NCP has not been able to rope in any significant ally. The NCP's chances in the assembly elections appear better as more MLAs (including independents) than MPs in the state have switched from the Congress to the NCP.

If the political re-alignment in favour of the BJP gained momentum in the post-Kargil phase, especially in Bihar, Andhra Pradesh and Karnataka, thus somewhat reducing the possibility of a fractured mandate at the national level, Pawar's NCP in Maharashtra has not succeeded in forging a broad alliance of non-Congress, non SS-BJP parties. CPI and PWP opted out of an alliance with NCP due to differences over seat distribution. But more importantly, the RPI in the state, like the Congress, has split vertically, with the Gavai-Kavade-Ambedkar faction aligning with the Congress and the Athavale faction entering into a tie-up with the NCP. The combined impact of this split in the Congress and in the neo-Buddhist vote is expected to be significant in Vidarbha region, where the neo-Buddhists, besides malis, telis and kunbis, traditional Congress supporters, have a sizeable presence in many constituencies. For example, Congress candidate Vilas Muttemwar, who secured a handsome victory in the 1998 Lok Sabha election in Nagpur, by garnering 4.86 lakh votes, of which an estimated 1.4 lakh votes were of dalits, is expected to face a serious depletion of dalit votes as the NCP has put up a dalit candidate, Ashok Ghodghate, belonging to the influential Khobragade group aligned to the Ramdas Athavale faction. The dalit factions have decided not to put up a rival dalit candidate, and so dalit votes in Muttemwar's constituency are likely to swing in favour of Ghodghate. Though the SS-BJP had lost all the 11 Lok Sabha seats in Vidarbha to the Congress in 1998, quite a few SS-BJP candidates in the region had registered increases of 25,000-30,000 votes. In the coming three-cornered contests, the SS-BJP alliance is expected to neutralise the margin of their defeats in 1998 in the Nagpur, Bhandara, Buldhana, Amravati,

Akola and Chimer Lok Sabha constituencies, the last three of which had then sent dalit leaders R S Gavai, Prakash Ambedkar and Jogendra Kavade to the Lok Sabha. Without Pawar and Bhujbal, the Congress in Vidarbha clearly lacks a state-level leader to sustain its campaign.

Though Madhavrao Scindia, to counter Pawar, did play up his Maratha identity in his election tour of south Maharashtra, except for Sushil Kumar Shinde from Solapur and Prithviraj Chavan from Karad, none of the other Congress Lok Sabha candidates can be confident of their success in Pawar's bastion. In adjacent Marathwada, which is home ground for BJP's Gopinath Munde, the BJP expects to recover lost ground after expanding its base among dhangars, vanjaris, banjaras and mangs and by taking advantage of the split in the Congress. Though some Congress candidates for Lok Sabha and the state assembly such as Shivraj Patil, Vilasrao Deshmukh, Ashok Chavan and NCP candidates such as Madhav Kinhalakar and Padamsinh Patil are expected to be re-elected, the sizeable Muslim vote in the region is going to be crucial in deciding the fate of a large number of the candidates.

It is in Konkan and in the Mumbai region that the SS-BJP alliance is expected to gain the most from the Congress split. Konkan has been the Sena's stronghold. The division in the Congress vote has compelled Congress leader A R Antulay to abandon Raigad for Aurangabad and persuaded the PWP's seasoned leader D B Patil to contest the Lok Sabha election on a Sena ticket from Raigad. Similarly, Ramdas Athavale has opted for Pandharpur, vacating his Mumbai north-central seat for Sena's Manohar Joshi. The split in the Muslim and dalit votes poses a challenge even to otherwise strong Congress candidates such as Murli Deora and Gurudas Kamat as they try to retain their Mumbai south and Mumbai north-east seats, respectively.

Against this picture of the votes in Maharashtra being divided among the three main contestants, one thing seems reasonably certain: in the new state assembly there will be few independent MLAs compared to the 45 in the dissolved one.

## POLITICAL DECENTRALISATION

### Evading Clear Commitment

*A correspondent writes:*

ON centre-state relations, both the BJP-led alliance and the Congress have chosen to be equally vague and non-committal in their respective manifestos. All that the Congress manifesto says on the subject is

that it "believes in a strong centre, strong states and strong panchayats and nagar-palikas". As far as the manifesto of the BJP-led alliance is concerned, it speaks of centre-state relations in the context of the proposed constitutional and legal reforms, noting that "there is a clear case for devolution of more financial and administrative powers and functions to the states". When it comes to committing itself to concrete measures in this regard, all that the manifesto promises is to "take suitable steps to ensure harmonious centre-state relations in the light of the recommendations of the Sarkaria Commission and also effect decentralisation right up to the grass roots level by activating and involving panchayats and local bodies". In fact in the whole manifesto of the alliance this is the only context in which a reference is made to panchayats and local bodies. The Congress manifesto devotes quite some space to these bodies, but all that it really promises is that money under anti-poverty and rural development schemes will be remitted directly to the grass roots bodies, without any commitment regarding additional powers, functions and funds.

The Left has promised "constitutional amendments for devolving more powers in the economic, fiscal and administrative areas; decentralisation of powers to the local bodies including local participation in the formulation of plans and projects". The Congress manifesto totally glosses over the question of devolution of financial and administrative powers and functions to the states, not even in the context of the implementation of panchayati raj, even though it pays lip-service to the need for "meaningful forward movement" as envisaged in the Constitution, with a view to "realising the aims and objectives of the constitutional amendments brought by Shri Rajiv Gandhi". The Congress closes its eyes to the progress already made in a state like Kerala with regard to effective devolution of financial and administrative powers and functions to panchayats and nagarpalikas to enable them to fulfil their role as not only units of local self-government, but also as agencies for local planning and development. In Kerala, the CPI(M)-led coalition has not only implemented the recommendations of the state finance commission on non-plan financial devolution but gone further and decided to allocate over 35 per cent of the state plan to the local bodies for financing plans formulated at the local level with the full involvement of the gram sabhas under its People's Planning Programme, locally referred to as Janakeeya Aasuthranam, which is under implementation since August 1996.

# CURRENT STATISTICS

EPW Research Foundation

Many economic indicators are looking up. recovery in manufacturing output with notable increases in consumer durables, capital goods and intermediate goods, reversal of the decline in exports, reduction of the trade deficit and continued foreign exchange accrual; turnaround in use of bank finance by the commercial sector, sudden and sharp recovery of share prices; and persistent decline in the inflation rate measured both by the WPI and the consumer price indices. Even RBI credit to the centre has remained moderate this year so far, despite the government's large market borrowing.

## Macroeconomic Indicators

			Variation (Per Cent): Point-to-Point									
Index Numbers of Wholesale Prices (1981-82 = 100)	Weights	August 7, 1999	Over Month	Over 12 Months		Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96	
				Latest	Previous	1999-2000	1998-99					
All Commodities	100.00	358.30	0.4	1.7	8.1	1.2	4.5	5.0	5.3	6.9	5.0	
Primary Articles	32.30	384.60	0.8	1.7	12.6	1.2	8.7	9.3	5.5	7.0	5.4	
Food Articles	17.39	454.50	1.6	3.6	14.0	3.5	11.6	11.7	4.0	9.6	9.8	
Non-Food Articles	10.08	368.50	-0.5	-2.5	12.4	-3.8	6.1	7.5	8.5	3.5	-1.9	
Fuel, Power, Light and Lubricants	10.66	397.20	0.7	4.6	8.8	4.7	-1.1	-1.2	11.4	16.9	3.7	
Manufactured Products	57.04	336.10	-0.0	1.1	5.2	0.4	3.2	3.8	4.0	4.9	5.0	
Food Products	10.14	341.30	-1.1	-2.9	8.6	-0.2	7.9	4.9	5.5	14.1	-0.7	
Food Index (computed)	27.53	412.79	0.7	1.5	12.2	2.3	10.4	9.5	4.5	11.1	6.3	
All Commodities (weekly average basis) (April 3-August 7, 1999)	100.00	356.8	0.2	5.4	5.5	3.0	7.1	6.9	4.8	6.4	7.8	
			Variation (Per Cent): Point-to-Point									
Cost of Living Indices	Latest Month	Over Month	Over 12 Months		Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96	1994-95	
			Latest	Previous	1999-2000	1998-99						
Urban Workers (1982=100)	420.0 <sup>a</sup>	0.2	5.3	12.4	1.4	5.0	8.9	8.3	10.0	8.9	9.7	
Urban Non-Man Emp (1984-85=100)	346.0 <sup>a</sup>	0.6	6.1	10.5	1.8	4.5	9.0	7.2	10.2	8.2	9.9	
Agri Lab (1986-87=100) (Link factor 5.89)	301.0 <sup>a</sup>	1.0	6.7	8.9	1.7	3.7	8.8	3.8	10.5	7.2	11.1	
			Variation									
Money and Banking (Rs crore)	July 30, 1999	Over Month	Over Year	Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96	1994-95		
				1999-2000	1998-99							
Money Supply (M <sub>3</sub> )	1017016 <sup>a</sup>	3037(0.3)	158896(18.5)	50867(5.3)	37836(4.6)	145865(17.8)	118436(16.9)	97841(16.2)				
Currency with Public	176604	-5570(-3.1)	26207(17.4)	6485(3.8)	4393(3.0)	24115(16.5)	13917(10.5)	13829(11.7)				
Deposit with Banks	835574 <sup>a</sup>	9115(1.1)	132118(18.8)	43355(5.5)	32717(4.9)	121479(18.1)	104173(18.4)	84162(17.5)				
Net Bank Credit to Govt	418717	2879(0.7)	51686(14.1)	32045(8.3)	36440(11.0)	56080(17.0)	41972(14.5)	30840(12.0)				
Bank Credit to Comm'l Sector	494508	169(neg)	61640(14.2)	7565(1.6)	130(neg)	54204(12.5)	56432(15.0)	31659(9.2)				
Net Foreign Exchange Assets	155554	1706(1.1)	29892(23.8)	6922(4.7)	-907(-0.7)	22064(17.4)	21073(20.0)	23356(28.4)				
Reserve Money (August 6)	263535	-4858(-1.8)	36562(16.1)	4314(1.7)	571(-0.3)	32818(14.5)	26417(13.1)	5527(2.8)				
Net RBI Credit to Centre \$	154221	-4154(-2.6)	1781(1.2)	8805(6.1)	18824(14.1)	11799(8.8)	12914(10.7)	1934(1.6)				
RBI Credit to Bks/Comm Sector	25752	172(0.7)	11877(85.6)	265(1.0)	-1407(-9.2)	10205(66.8)	2029(15.3)	-15557(-54.0)				
Scheduled Commercial Banks (July 30)												
Deposits	740578 <sup>a</sup>	8806(1.2)	113932(18.2)	31485(4.4)	28161(4.7)	118837(19.9)	92886(18.4)	71780(16.5)				
Advances	372028	2657(0.7)	48978(15.2)	6025(1.6)	-1029(-0.3)	41924(12.9)	45677(16.4)	24387(9.6)				
Non-Food Advances	349537	2157(0.6)	43945(14.4)	349(0.1)	-6001(-1.9)	37593(12.1)	40790(15.1)	26580(10.9)				
Investments (for S.L.R. purposes)	281298	4235(1.5)	43208(18.1)	27179(10.7)	19385(8.9)	35414(16.2)	28192(14.8)	25731(15.6)				
Commercial Investments and bills rediscounted with FIs	52990	1081(2.1)	15458(41.2)	4246(8.7)	5667(17.8)	16879(53.0)	12324(63.1)	4168(27.1)				
@ Includes Rs 17,945 crore on account of proceeds from RIBs since August 28, 1998; excluding them the year on year and the 1998-99 fiscal year growth of money supply would be 16.4 per cent and 15.6 per cent, respectively. Likewise, bank deposits without RIBs grew by 15.3 per cent and 15.5 per cent, respectively. \$ after closure of govt accounts.												
Index Numbers of Industrial Production (1993-94=100)		June 1999	Fiscal Year So Far		Full Fiscal Year Averages							
		Weights	1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96	1994-95			
General Index	100.00	144.6	145.4(5.6)	137.7(4.5)	142.8(3.8)	137.6(6.6)	129.0(5.5)	122.3(12.8)	108.4(8.4)			
Mining and Quarrying	10.47	115.2	115.7(-0.6)	116.4(-0.3)	120.3(-1.7)	122.4(5.9)	115.6(-2.0)	117.9(9.6)	107.6(7.6)			
Manufacturing	79.36	149.0	149.5(6.5)	140.4(4.2)	146.3(4.1)	140.6(6.7)	131.8(6.7)	123.5(13.8)	108.5(8.5)			
Electricity	10.17	140.6	143.6(4.1)	138.0(10.2)	138.4(6.5)	130.0(6.6)	121.9(3.9)	117.3(8.1)	108.5(8.5)			
Capital Market		August 21, 1999	Month Ago	Year Ago	1999-2000 So Far		1998-99		End of Fiscal Year			
					Trough	Peak	Trough	Peak	1998-99	1997-98	1996-97	
BSE Sensitive Index (1978-79=100)	4646(58.9)	4660	2923(-29.7)	3245	4705	2783	4281	3740(-3.9)	3893(15.8)	3361(-0.2)		
BSE-100 (1983-84=100)	2090(59.7)	2029	1309(-27.9)	1409	2110	1242	1890	1651(-2.7)	1697(15.9)	1464(-5.5)		
BSE-200 (1989-90=100)	481(57.7)	464	305(-25.1)	322	486	289	429	380(0.8)	377(14.9)	328(-5.0)		
S and P CNX-50 (Nov 3, 1995=1000)	1347(57.6)	1340	855(-27.7)	931	1363	812	1213	1078(-3.5)	1117(15.4)	968		
Skandia GDR Index (Jan 2, 1995=1000)	861(54.6)	885	557	581	980	515	1015	653(-30.5)	940(1.1)	930(-4.4)		
Foreign Trade		June 1999	Fiscal Year So Far		Full Fiscal Year		Variation Over					
			1999-2000	1998-99	1998-99	1997-98	1998-99	1997-98	1996-97	1995-96	1994-95	
Exports: Rs crore	11247	34241(8.0)		31717(4.1)	141604(8.8)	130101(9.5)	118817(11.7)	106353(28.6)				
US \$ mn	2607	7983(3.0)		7747(-8.9)	33613(-3.9)	34976(4.5)	33470(5.3)	31797(20.8)				
Imports: Rs crore	15705	44410(3.4)		42934(19.5)	176099(14.2)	154176(11.0)	138920(13.2)	122678(36.3)				
US \$ mn	3641	10354(-1.3)		10487(4.6)	41802(0.9)	41449(5.9)	39132(6.7)	36678(28.0)				
Non-POL: US \$ mn	2867	8328(-3.0)		9174(22.7)	35928(10.3)	32526(11.9)	29096(-0.2)	29152(28.3)				
Balance of Trade: Rs crore	-4458	-10169		-11218	-34495	24076	-20102	-16325				
US \$ mn	-1033	-2371		-2740	-8188	-6472	-5663	-4881				
Foreign Exchange Reserves (excluding gold)		August 13, 1999	August 14, 1999	March 31, 1999	Variation Over							
					Month Ago	Year Ago	Fiscal Year So Far		1997-98	1996-97	1995-96	1994-95
							1999-2000	1998-99				
Rs crore	132384	101362		125446	1572	31022	6938	-1149	22935	22137	21649	-7302
US \$ mn	30461	23577		29530	216	6884	931	-2399	3554	3607	5243	-3690

Notes: (i) Superscript numeral denotes month to which figure relates, e.g., superscript 6 stands for June; (ii) Figures in brackets are percentage variations over the specified or over the comparable period of the previous year na: not available neg: negligible \* unchanged

Table: CSO's Quarterly Estimates of GDP for 1996-97 to 1998-99

Item	1996-97				1997-98				1998-99				1998-99				(Rs crore)								
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1		Q2	Q3	Q4	Annual				
Part I																									
Quarterly Distribution of GDP at 1993-94 Prices											Percentage Growth in GDP over the Corresponding Quarter of the Previous Year (at 1993-94 Prices)														
1 Agriculture, forestry	66661 (23.8)	49684 (17.7)	87587 (31.3)	76247 (27.2)	280179 (24.0)	56657 (18.3)	50693 (32.3)	89481 (32.3)	70587 (25.4)	277418 (22.9)	68416 (22.9)	51210 (17.2)	98481 (33.0)	80273 (26.9)	298380 (100.0)	0.0	2.0	2.2	-7.4	-1.0	2.6	1.0	10.1	13.7	7.6
2 Mining and quarrying	5441 (23.3)	5362 (22.9)	6029 (25.8)	6562 (28.0)	23394 (100.0)	5625 (23.5)	5549 (23.1)	6174 (25.7)	6656 (27.7)	24017 (100.0)	5606 (23.8)	5541 (23.5)	6176 (26.2)	6212 (26.4)	23535 (100.0)	3.6	3.5	2.4	1.4	2.7	-0.6	-0.1	0.0	-6.7	-2.0
3 Manufacturing	42021 (24.2)	41958 (24.2)	43137 (24.9)	46330 (26.7)	173442 (100.0)	43377 (24.0)	44974 (24.3)	46627 (25.2)	49202 (26.6)	185180 (100.0)	46684 (24.0)	47467 (24.4)	48729 (25.0)	51902 (26.6)	194782 (100.0)	5.6	7.2	8.1	6.2	6.8	5.2	5.5	4.5	5.5	5.2
4 Electricity, gas and water supply	5720 (24.5)	5666 (24.2)	5935 (25.4)	6070 (26.0)	23301 (100.0)	6031 (24.0)	6156 (24.3)	6180 (25.2)	6566 (26.6)	24933 (100.0)	6585 (24.8)	6463 (24.4)	6516 (25.0)	6939 (26.2)	26503 (100.0)	5.4	8.6	4.1	8.2	6.6	9.2	5.0	5.4	5.7	6.3
5 Construction	11660 (24.6)	11424 (24.1)	11842 (25.0)	12456 (26.3)	47382 (100.0)	12101 (24.5)	11767 (23.9)	12428 (25.2)	13016 (26.4)	49312 (100.0)	12528 (24.9)	11998 (23.8)	12419 (24.7)	13383 (26.6)	50328 (100.0)	3.8	3.0	4.9	4.5	4.1	3.5	2.0	-0.1	2.8	2.1
6 Trade, hotels, transport and communication	53340 (23.4)	52797 (22.9)	59928 (26.0)	64845 (28.1)	230910 (100.0)	60315 (24.7)	56951 (23.3)	64200 (26.3)	62707 (25.7)	244173 (100.0)	61396 (23.6)	59292 (22.8)	70596 (27.1)	69142 (26.5)	260426 (100.0)	13.1	7.9	7.1	-3.3	5.7	1.8	4.1	10.0	10.3	6.7
7 Financing, insurance, real estate and business services	27206 (24.6)	27328 (24.6)	27246 (24.6)	28795 (26.0)	110575 (100.0)	28892 (24.1)	29463 (24.6)	29752 (24.8)	31708 (26.5)	119815 (100.0)	30754 (24.2)	30935 (24.3)	31652 (24.9)	33864 (26.6)	127205 (100.0)	6.2	7.8	9.2	10.1	8.4	6.4	5.0	6.4	6.8	6.2
8 Community, social and personal services	24963 (22.9)	24563 (22.4)	25292 (23.1)	34837 (31.8)	109705 (100.0)	26739 (21.5)	27267 (21.9)	30509 (24.5)	39826 (32.0)	124341 (100.0)	28490 (23.6)	30879 (23.6)	29446 (22.5)	42233 (32.2)	131048 (100.0)	7.1	11.0	20.6	14.2	13.3	6.5	13.2	-3.5	6.0	5.4
GDP at factor cost	237012 (23.7)	218782 (21.9)	266992 (26.7)	276192 (27.6)	998978 (100.0)	250751 (23.9)	232821 (22.2)	285351 (27.2)	280269 (26.7)	1049192 (100.0)	240457 (23.4)	243784 (21.9)	304016 (27.3)	303949 (27.3)	1112206 (100.0)	5.8	6.4	6.9	1.5	5.0	3.9	4.7	6.5	8.4	6.0
Part II																									
Quarterly Distribution of GDP at Current Prices											Percentage Growth in GDP over the Corresponding Quarter of the Previous Year (at Current Prices)														
1 Agriculture, forestry	85602 (22.8)	65645 (17.5)	119832 (31.9)	105013 (27.9)	376092 (100.0)	92033 (23.5)	70316 (17.9)	126532 (32.3)	103253 (26.3)	392134 (100.0)	104516 (21.6)	83684 (17.3)	166062 (34.4)	128570 (26.6)	482832 (100.0)	7.5	7.1	5.6	-1.7	4.3	13.6	19.0	31.2	24.5	23.1
2 Mining and quarrying	6220 (22.9)	6234 (22.9)	7049 (25.9)	7706 (28.3)	27209 (100.0)	6622 (22.5)	6643 (22.6)	7754 (28.5)	8359 (28.5)	29378 (100.0)	7112 (24.9)	6688 (23.4)	7376 (25.8)	7425 (26.0)	28601 (100.0)	6.5	6.6	10.0	8.5	8.0	7.4	0.7	-4.9	-11.2	-2.6
3 Manufacturing	51078 (23.7)	52000 (23.7)	54045 (25.1)	58170 (27.0)	215293 (100.0)	56599 (23.6)	57968 (24.2)	60765 (25.3)	64540 (26.9)	239862 (100.0)	64097 (24.3)	61044 (23.2)	72027 (27.3)	66313 (25.2)	263481 (100.0)	10.8	11.5	12.4	11.0	11.4	13.3	5.3	18.5	2.7	9.8
4 Electricity, gas and water supply	7107 (23.8)	7128 (23.9)	7513 (25.2)	8105 (27.1)	29853 (100.0)	8366 (23.4)	8540 (23.8)	9119 (25.5)	9796 (27.3)	35821 (100.0)	10041 (24.4)	9878 (24.0)	10096 (24.5)	11161 (27.1)	41176 (100.0)	19.8	19.8	21.4	20.9	20.0	20.0	15.7	10.7	13.9	14.9
5 Construction	14946 (23.8)	15151 (24.1)	15946 (25.3)	16871 (26.8)	62914 (100.0)	16217 (24.0)	15960 (23.6)	17194 (25.4)	18292 (27.0)	67663 (100.0)	17971 (24.3)	17733 (23.9)	18567 (25.1)	19816 (26.7)	74087 (100.0)	8.5	5.3	7.8	8.4	7.5	10.8	11.1	8.0	8.3	9.5
6 Trade, hotels, transport and communication	64564 (22.3)	66003 (22.8)	76150 (26.3)	82730 (28.6)	289447 (100.0)	79928 (24.2)	76142 (23.1)	87359 (26.5)	86284 (26.2)	329713 (100.0)	86745 (23.0)	85963 (22.8)	103769 (27.6)	100538 (26.6)	376535 (100.0)	23.8	15.4	14.7	4.3	13.9	8.5	12.9	18.8	16.0	14.2
7 Financing, insurance, real estate and business services	33193 (23.9)	34325 (24.7)	36630 (24.9)	36930 (26.5)	139111 (100.0)	36636 (23.6)	37767 (24.3)	38803 (25.0)	42002 (27.1)	55208 (100.0)	41378 (23.6)	42721 (24.4)	44190 (25.2)	46997 (26.8)	175286 (100.0)	10.4	10.0	11.9	13.7	11.6	12.9	13.1	13.9	11.9	12.9
8 Community, social and personal services	31853 (21.9)	32517 (22.4)	34040 (23.4)	46930 (32.3)	145340 (100.0)	36943 (20.9)	38659 (21.9)	44010 (24.9)	57281 (32.4)	176893 (100.0)	42926 (21.0)	48230 (23.6)	46597 (22.8)	66859 (32.7)	204612 (100.0)	16.0	18.9	29.3	22.1	21.7	16.2	24.8	5.9	16.7	15.7
GDP at factor cost	294564 (22.9)	279003 (21.7)	349237 (27.2)	362455 (28.2)	1285259 (100.0)	333333 (23.4)	311996 (21.9)	391515 (27.4)	389806 (27.3)	1426670 (100.0)	374788 (22.8)	355940 (21.6)	468685 (28.5)	447199 (27.2)	1646612 (100.0)	13.2	11.8	12.1	7.5	11.0	12.4	14.1	19.7	14.7	15.4

Note: Figures within brackets represent quarterly proportions of sectoral GDP



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## RAYMOND

### Streamlining for Performance

RAYMOND, the flagship company of the Singhanian group, is a market leader in the worsted textiles industry with a market share of 40 per cent. However, the company's diversification into unrelated cyclical areas like steel and cement has adversely affected its performance over a period. Though this diversified company performed well during the year 1998-99, following savings in operational costs, better cement prices and low raw material prices for textiles, all is not well within. The company's steel division faced stiff competition in the face of increased capacities coming on stream in the industry, leading to lower price realisations. The demand for textiles too was sluggish and there was a flooding of supplies at very low prices by manufacturers in India and the south-east Asian countries. However, the company's wide range of fabrics and its aggressive promotion campaign, and its strong distribution chain, helped it maintain a leadership position in the industry. With cement prices in the eastern region, especially in West Bengal, picking up following a boost to the housing sector, the company's cement division witnessed a 4 per cent rise in sales and better realisation.

In a bid to eliminate the fluctuation in its profits because of its diversified nature, the company had decided to concentrate on textiles way back in 1997. However, its negotiations to hive off its steel unit to the Thyssen AG of Germany fell through. The steel division has been a major drag on the company's profitability in the past. Its Rs 500-crore cold rolled steel strips project in Nashik (Maharashtra) has been incurring losses. However, if reports are to be believed, Raymonds is once again negotiating with German steel major EBG Gesellschaft of the Thyssen-Krupp Steel group to sell this unit. Raymond's attempts to sell its cement plant too suffered a set-back recently with no bids being received for the tender offer which expired on May 7. This was despite the fact that French cement giant Lafarge and Associated Cement Companies (ACC) had evinced interest in

buying the unit. Raymond had already attempted to sell the cement unit to British buildings and materials major Blue Circle some time ago, but the deal fell through.

Raymond has now embarked on a fresh restructuring plan and appointed Price Waterhouse Coopers to look into the matter. Reportedly, the company plans to concentrate on information technology upgradation and also identify core areas of business thrust in the future. With the cement sector showing signs of revival, sources claim that the company might change its mind about selling off its cement division. The company has also decided to further strengthen its distribution network (which presently boasts of 230 stand alone Raymond shops) by increasing the total number of outlets to 300 in the next 12-18 months. In order to change its carefully created image of an upmarket textile company, Raymond has now launched the Prax range of cotton casuals projected at the younger generation of buyers.

If its restructuring plans go through smoothly, the company could be set for better times in the years ahead. Presently, the company's stock rules at around Rs 73 on the bourses, discounting its 1998-99 earnings by 6.8 times.

## ZUARI INDUSTRIES

### Concrete Plans

Zuari Industries, a K K Birla group company, is engaged in the manufacture of fertiliser, cement and furniture. The year 1998-99 was not a good one for the company. While its net sales declined by 10.4 per cent over the previous year, 1997-98, operating profit fell drastically by 39.4 per cent. A steep increase in interest charges (up 16.5 per cent) led to a further erosion in profitability with the company's bottom line plummeting by 70.3 per cent by the end of the year under review. Production of ammonia, urea, NPK and DAP at the company's fertiliser division was lower than in the previous year following a planned revamp of all plants, an illegal strike by the bagging contract labour and a breakdown caused by fire in the main electrical system. Production of clinker and cement at its cement division too fell drastically

following the ongoing integration of various process facilities of the existing plant with the plant and machinery installed under the expansion project and commissioning and stabilisation of the expanded plant. Cement prices too were under pressure due to recessionary conditions.

Though the company's furniture business has been looking up, this presently contributes less than 2 per cent of the company's turnover. Meanwhile, the company has successfully raised its cement manufacturing capacity from 5 lakh to 17 lakh tonnes at a total cost of Rs 357 crore. The cement division has now entered the blended cement market with its brand Zuari Super Fine and earmarked up to 20 per cent of its total capacity for the same. The company also has plans to set up a two-million-tonne per annum cement factory in Gulbarga, Karnataka, at a total cost of around Rs 800 crore. Cement presently contributes about 13 per cent of Zuari Industries' turnover and once its expansion plans take concrete shape, so to speak, this contribution could more than double, thus inextricably linking the company's fortunes with that of the cement industry as well. The company's stock presently quotes at around Rs 57 on the Bombay Stock Exchange, discounting its 1998-99 earnings by 10.5 times.

## GREAVES

### New Ventures

Greaves, the engineering arm of the Thapar group, has pioneered the gearbox technology in India for over 40 years and is the largest manufacturer of the product in the country today. The company has a market share of over 50 per cent in worm gearboxes and commands more than 20 per cent of the helical gearbox market. However, the low industrial growth registered in the country has affected the company's performance drastically for the year 1998-99. The company saw its net sales decline by 3.1 per cent over the previous year, 1997-98, while its bottom line fell by 5.7 per cent.

With restructuring being the mantra of corporate bodies who wish to remain competitive in a constantly changing en-

Financial Indicators	Raymond		Zuari Industries		Greaves	
	March 1999	March 1998	March 1999	March 1998	March 1999	March 1998
<b>Income/appropriations</b>						
1 Net sales	128449	120670	83988	93741	68811	71042
2 Value of production	129749	123501	77939	95732	66158	72546
3 Other Income	2744	2524	2338	1654	1449	852
4 Total income	132493	126025	80277	97386	67607	73398
5 Raw materials/stores and spares consumed	51192	50838	36313	45521	45136	50189
6 Other manufacturing expenses	20627	22207	22504	23236	1142	978
7 Remuneration to employees	13702	12859	3071	3422	7837	7702
8 Other expenses	15174	14267	11341	13580	7592	7494
9 Operating profit	31798	25854	7048	11627	5900	7035
10 Interest	11369	11447	5169	4438	3968	2289
11 Gross profit	18308	13491	3194	7586	6365	7554
12 Depreciation	9214	8459	1457	1417	1223	1009
13 Profit before tax	9077	5013	1737	6169	5142	6545
14 Tax provision	1000	510	140	790	23	1115
15 Profit after tax	8077	4503	1597	5379	5119	5430
16 Dividends	1667	1239	980	903	1286	1706
17 Retained profit	6410	3264	617	4476	3833	3724
<b>Liabilities/assets</b>						
18 Paid-up capital	7509	7509	2944	2944	5663	4441
19 Reserves and surplus	71386	64976	33292	32675	21803	23235
20 Long-term loans	66415	58391	51408	48068	16979	11615
21 Short-term loans	24088	39263	5229	5309	18696	14079
22 Of which bank borrowings	15226	30386	5229	5309	18696	14079
23 Gross fixed assets	146703	138018	84129	73515	27349	17448
24 Accumulated depreciation	53199	44537	16025	13982	7062	5125
25 Inventories	29319	27944	16979	21463	12308	12726
26 Total assets/liabilities	197134	194275	111489	103464	81869	70364
<b>Miscellaneous items</b>						
27 Excise duty	1031	533	1146	2042	NA	NA
28 Gross value added	40155	36008	11855	15128	22495	20329
29 Total foreign exchange income	18044	22357	448	30	6364	5201
30 Total foreign exchange outgo	18455	24642	26326	32579	9702	7594
<b>Key financial and performance ratios</b>						
31 Turnover ratio (sales to total assets) (%)	65.16	62.11	75.33	90.60	84.05	100.96
32 Sales to total net assets (%)	75.83	70.92	90.43	105.33	108.98	133.11
33 Gross value added to gross fixed assets (%)	27.37	26.09	14.09	20.58	82.25	116.51
34 Return on investment (gross profit to total assets) (%)	9.29	6.94	2.86	7.33	7.77	10.74
35 Gross profit to sales (gross margin) (%)	14.25	11.18	3.80	8.09	9.25	10.63
36 Operating profit to sales (%)	24.76	21.43	8.39	12.40	8.57	9.90
37 Profit before tax to sales (%)	7.07	4.15	2.07	6.58	7.47	9.21
38 Tax provision to profit before tax (%)	11.02	10.17	8.06	12.81	0.45	17.04
39 Profit after tax to net worth (return on equity) (%)	10.24	6.21	4.41	15.10	18.64	19.62
40 Dividend (%)	20.00	15.00	30.00	40.00	25.00	35.00
41 Earning per share (Rs)	10.76	6.00	5.42	18.27	11.31	12.28
42 Book value per share (Rs)	105.07	96.53	123.08	120.99	56.95	60.75
43 P/E ratio	6.79	NA	10.51	NA	2.12	NA
44 Debt-equity ratio (adjusted for revaluation) (%)	84.18	80.56	141.87	134.95	63.79	43.22
45 Short-term bank borrowings to inventories (%)	51.93	108.74	30.80	24.74	151.90	110.63
46 Sundry creditors to sundry debtors (%)	36.66	42.64	172.44	226.61	67.71	63.00
47 Total remuneration to employees to value added (%)	34.12	35.71	25.90	22.62	34.84	37.89
48 Total remuneration to employees to value of production (%)	10.56	10.41	3.94	3.57	11.85	10.62
49 Gross fixed assets formation (%)	6.29	17.58	14.44	69.59	56.75	-3.43
50 Growth in inventories (%)	4.92	1.04	-20.89	20.05	-3.28	10.62

NA: means not available

vironment, Greaves too has decided to shed off its non-core business and concentrate on its strengths. In line with this strategy it now plans to divest its power transmission units by selling or transferring them to BTR European Holdings of Netherlands or its associated company. Reportedly, BTR Holdings will promote a new 100 per cent Indian subsidiary company to which the sale or transfer will be executed. Greaves has already divested its Garuda three-wheeler auto plant at Baramati in favour of a joint venture company Piaggio Greaves Vehicles, which was formed in collaboration with Piaggio Veicoli Europei Spa of Italy. Greaves holds a 49 per cent stake in the venture while the Italian partner holds a controlling 51 per cent.

The semiconductor unit of Greaves too has been divested in favour of Teamasia Greaves Semiconductors, which is a joint venture company with Teamasia. The ailing group company Rajasthan Polymers and Resins (RPRL) has been merged with Greaves with effect from April 1, 1997, and the latter has offset the losses of RPRL against its income for the year. Greaves is now planning to launch a series of new products and embark on new business ventures. It has decided to focus on three key areas: a new range of tractors, a new class of single-cylinder diesel engines and the launch of a new plastic-based wood substitute. The company has a tie-up with SAME SpA of Italy to manufacture tractors and presently has a total installed capacity to produce 10,000 tractors and 15,000 engines per annum. Greaves has already launched its 50 hp tractors and will now be including 25-40 hp tractors as well in its product range. In the next three years, the company means to offer tractors in the range of 25-70 hp. Greaves is aiming to spend Rs 39 crore over the next two years on two other projects. Of this, Rs 11 crore will be injected in refurbishing the erstwhile RPRL which is now a company division. The balance Rs 28 crore is to be invested in developing a whole new range of diesel engines for auto-rickshaws in the 8-13 hp range. Despite Greaves' attempts at improving its lot, however, the stock market remains unimpressed with its efforts for the moment, with the company's stock presently quoting at around Rs 24, discounting its 1998-99 earnings by a mere 2.1 times.

# Amnesty and Human Rights in the US

A G Noorani

*Amnesty International's report on human rights in the US is welcome for two reasons: it confirms Amnesty's reputation for impartiality and it exposes the US's hypocrisy in claiming to be a champion of human rights.*

DURING the Emergency, Amnesty International published a pamphlet entitled *AI in Quotes*. It was a delightful compilation of attacks on Amnesty from a wide range of leaders, from Idi Amin to Indira Gandhi. Amnesty baiting is not confined to such. The so-called mainstream press in India revels in challenging its credentials whenever it publishes any report on the human rights situation in India, especially if it is on Kashmir for that is when the 'super-patriots' are truly aroused.

Amnesty's report entitled *United States of America: Rights for All* is welcome for two reasons. One is that it confirms Amnesty's reputation for impartiality. The other, that it exposes the US's hypocrisy in claiming to be a champion of human rights. The report finds: "There is a persistent and widespread pattern of human rights violations in the US. This is not to say that federal, state or local authorities pursue policies deliberately designed to repress particular groups or violate human rights. Rather, it is to recognise that in the wide variety of jurisdictions across the country, practices persist which result in real and serious abuses. Some arise from individual misconduct, encouraged by an institutionalised failure to hold officials accountable. Others result from inadequate systems of control or an outright refusal to recognise or respect international standards for human rights protection. In some cases, economic policies and political trends are creating conditions in which these violations are becoming more widespread and increasingly severe."

The report focuses on several areas where the authorities have failed to prevent repeated violations of basic human rights: the right to freedom from torture and cruel, inhuman or degrading treatment, the right to life and the right to freedom from arbitrary detention. It shows that police officers, prison guards, immigration and other officials in the US are regularly breaching their own laws and guidelines as well as international standards; that the

authorities have failed to take necessary action to punish and prevent abuses; and that US government policies and practices frequently ignore or fall short of the minimum standards required by the international community.

While successive US governments have used these international human rights standards as a yardstick by which to judge other countries, they have not consistently applied those same standards at home. In some areas international standards offer greater human rights protection than US domestic law, but the US authorities have refused to recognise the primacy of international law.

Much of the report is based on information from human rights groups. Amnesty International researchers have also conducted more than 18 research visits to the US over the past three years, carrying out on-site visits and interviews. Other sources include government agencies, court documents, academics, lawyers, and victims and their relatives. "We extend our thanks to all those who provided information and assistance", the report acknowledges.

By what tests does Amnesty judge countries? Simply by the yardstick that is the corpus of UN documents. To wit: International Covenant on Civil and Political Rights; Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment; International Convention on the Elimination of All Forms of Racial Discrimination; the Convention relating to the Status of Refugees; Protocol relating

to the Status of Refugees; Universal Declaration of Human Rights; Body of Principles for the Protection of All Persons under Any Form of Detention or Imprisonment; Standard Minimum Rules for the Treatment of Prisoners; Safeguards guaranteeing protection of the rights of those facing the death penalty; United Nations Rules for the Protection of Juveniles Deprived of their Liberty; Code of Conduct for Law Enforcement Officials; Basic Principles on the Use of Force and Firearms by Law Enforcement Officials; Principles on the Effective Prevention and Investigation of Extra-Legal, Arbitrary and Summary Executions; Guidelines on the Role of Prosecutors; Basic Principles on the Role of Lawyers; Basic Principles on the Independence of the Judiciary.

The chapter on 'Police Brutality: A Pattern of Abuse' should convince the worst of our chauvinists that India is not being 'targeted' by Amnesty. One can only quote from the report extensively and not merely to expose the falsity of the slurs but also because the excerpts are so instructive: "Police brutality seemed to occur... whenever we uncovered corruption". This was one of the findings of the Mollen Commission of Inquiry into corruption in the New York City Police Department (NYPD) in 1994.

Consider these passages:

There have been numerous deaths in police custody following restraint procedures known to be dangerous. Suspects have died after being placed face-down in restraints, usually while 'hogtied' (where a suspect's ankles are bound from behind to the wrists), or after pressure has been applied to the neck or chest. Such practices can severely restrict breathing and can lead to death from 'positional asphyxia', especially when the subject is agitated or under the influence of drugs...

At least 3,000 US police departments authorise the use of Oleoresin Capsicum (OC) spray—an inflammatory agent derived from cayenne peppers. OC spray inflames

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the mucous membranes, causing closing of the eyes, coughing, gagging, shortness of breath and an acute burning sensation on the skin and inside the nose and mouth. Patrol officers in some police departments are authorised to use stun guns or tasers. The stun gun is a hand-held device with two metal prongs that emit an electric shock. The taser is a hand-held device which shoots two barbed hooks into the subject's clothing from a distance; the current is transmitted through wires. In both cases a high voltage 'jolt', typically 50,000 volts, incapacitates the suspect.

Minorities are the worst sufferers:

Members of racial minorities bear the brunt of police brutality and excessive force in many parts of the US. The over-representation of people from minority groups in complaints against the police is undoubtedly due in part to underlying social and economic inequalities; a disproportionate number of people from minorities live in low-income neighbourhoods where police activities are often concentrated in response to higher levels of reported street crime.

There is, however, one big difference between the situation in the US and in India. There is absolutely no move for reform in India. The reports of the National Police Commission have been pigeon-holed. But in the US, "as of June 1998, there were 94 independent oversight bodies...with authority to review complaints against the police, compared to just 13 in 1980. The review bodies (commonly referred to as 'citizen' or 'civilian' review) include civilian complaints review boards; municipal offices; and individual counsel appointed to audit the internal complaints process. Three-quarters of the police departments in the 50 largest cities, as well as many smaller agencies, are now subject to some form of civilian review. However at the time of writing, the police in 12 major cities were not subject to any functioning oversight system."

There are chapters on prison conditions and the treatment of asylum-seekers, the report does a thorough job in exposing US's hypocrisy in its lack of respect for human rights internationally:

Examples include the US government's long-standing refusal to criticise blatant human rights violations by Israel against the Palestinian population; its passivity in the face of gross human rights violations in Saudi Arabia; and its willingness to ignore for many crucial months in 1996 and 1997 massive human rights abuses committed against civilians and refugees

by the armed opposition in Zaire, now the Democratic Republic of the Congo (DRC). Until recently the US failed to effectively oppose the obstruction of UN investigation missions by the DRC authorities. US government officials have denied, ignored or played down massacres of unarmed civilians in Rwanda by members of the army since 1994.

One of the clearest examples of the US's changing attitude to human rights violations in different circumstances is that of Iraq. During the 1980s Iraqi forces committed gross and widespread abuses, including repeated massacres of Kurdish civilians, many of them children, sometimes using chemical weapons. Amnesty International repeatedly appealed for action, yet neither the US authorities nor the UN responded. However, after Iraq invaded Kuwait in August 1990, the US attitude changed dramatically. The US repeatedly cited the Iraqi government's appalling human rights record to gather support for UN military intervention in the Gulf.

There are only two countries in the world that have not ratified the Convention on the Rights of the Child – Somalia and the US.

India ratified the International Covenant on Civil and Political Rights adopted by the UN General Assembly in 1979. The US did so in 1992 subject, however, to numerous reservations. "The Human Rights Committee, the UN body of experts that monitors states' compliance with the ICCPR, has stated that several of these reservations are incompatible with international law. In 1995 it recommended that the US consider withdrawing them, in particular those relating to the death penalty and to the right not to be tortured." It presented its first report to the Committee in 1994, 11 years after India did.

In two respects the records are identical. "The US has not recognised the jurisdiction of the Human Rights Committee and the Committee against Torture to hear individuals' complaints that their rights have been violated under the ICCPR and the Convention against Torture...Human rights experts appointed by the UN Commission on Human Rights to investigate particular types of human rights abuse have not received full co-operation from the US authorities." India's record has been just as bad.

The Report says:

Thousands of foreign military officers are trained in the US every year and US armed forces conduct training programmes and joint exercises around the globe. The School of the Americas (SOA), located in Fort Benning, Georgia, is the best known US training facility, but it is only one of more than 150 centres in the US and abroad where foreign officers are trained. A number of SOA 'alumni' have been implicated in gross human rights violations. US officials maintain that current trainees are vetted to exclude human rights violators and that courses now include human rights training.

Under Section 502B of the Foreign Assistance Act, the US is required to cut off all security assistance to any government which 'engages in a consistent pattern of gross violations of internationally recognised human rights' unless the US president deems that there are 'extraordinary circumstances'. However, Section 502B has never been used to cut off such aid. Likewise, the US Congress has never formally blocked a sale proposed by the US executive branch, although a few sales have been delayed, modified or withdrawn.

Next time Amnesty publishes a report on India our professional patriots would do well to remember its report on the US.

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# Subsidies and Countervailing Measures

## Case for Review of WTO Agreement

C Satapathy

*The Seattle ministerial conference in November presents an opportunity for the developing countries to seek a review of the WTO Agreement on Subsidies and Countervailing Measures to ensure that large-scale subsidisation by the rich countries is stopped and small exporters from the developing countries are not subjected to countervailing action.*

THE WTO Agreement on subsidies and countervailing measures deals with two separate but related topics.<sup>1</sup> Firstly, it provides for multilateral rules regarding provision of subsidies by WTO members and enforcement of such rules through the dispute settlement mechanism of the WTO. Secondly, it deals with countervailing duties which can be imposed by a WTO member unilaterally on determination that injury is caused to a domestic industry by subsidised imports. Part I of the agreement provides that the agreement applies only to such subsidies as are specifically provided to an enterprise or industry or a group of them. It defines subsidy to be a financial contribution by a government or a public body that confers a benefit. It also defines the concept of 'specificity' to include enterprise-specificity, industry-specificity, regional-specificity (certain producers in a specified region are subsidised) and prohibited subsidy (subsidy is specific to export goods and goods using domestic inputs).

Parts II, III and IV of the agreement deal with prohibited, actionable and non-actionable subsidies. Prohibited subsidies are of two kinds, export subsidies and local content subsidies. The first is contingent either wholly or in part "upon export performance" while the second is contingent either wholly or in part "upon the use of domestic over imported goods". Complaints regarding prohibited subsidies are subject to a rapid (three-month period) dispute settlement mechanism. Actionable subsidies are not prohibited but when they cause adverse effects they can be challenged either through multilateral dispute settlement or through unilateral countervailing action. Adverse effects are (i) injury to a domestic industry of another member caused by subsidised imports, (ii) serious prejudice to the export interests of another member, and (iii) nullification or impairment of benefits accruing

under GATT 1994 (e.g., improved market access may not follow from a bound tariff reduction if undercut by subsidisation). The agreement also establishes a sub-category of actionable subsidies in respect of which the complainant member need only to establish that such a subsidy exists. Since serious prejudice will be presumed in such cases, the subsidising member has to demonstrate that the subsidy has not caused serious prejudice to the complainant. This sub-category includes subsidies greater than 5 per cent, subsidies to cover operating losses, and direct waiver of debt. Non-actionable subsidies cannot be subjected to countervailing action nor can they be challenged multilaterally. These include (i) basic research and pre-competitive development subsidies, (ii) assistance to disadvantaged regions (should not be enterprise or industry specific), and (iii) assistance to adapt existing facilities to new environmental requirements (limited to one-time and 20 per cent of the adaptation cost).

Part V of the agreement specifies the substantive and procedural requirements for investigation and imposition of countervailing measures. Parts VI and VII of the agreement establish the institutional structure, notification modalities, etc., whereas Parts IX to XI deal with rules for transition, dispute settlement, etc. Part VIII of the agreement is of particular interest to the developing countries as it contains rules for special and differential treatment. The developed countries were allowed only three years to phase out prohibited subsidies. Least developed countries and countries with less than US \$ 1,000 GNP per capita (listed in Annexure VII to the agreement) are exempted from the prohibition on export subsidies. Other developing countries have an eight-year period to phase out such subsidies. A developing country is required to remove such export subsidy within two years if it acquires

export competitiveness in the product accounting for a share of 3.25 of world trade in that product for two consecutive calendar years. As far as import-substitution subsidies are concerned, the LDCs have eight years and other developing countries have five years to phase out such subsidies. In the case of specified actionable subsidies, the presumption of serious prejudice does not apply to developing countries. Exporters from developing countries are also entitled to differential treatment with respect to countervailing measures and termination of investigations where the level of subsidy does not exceed 2 per cent (3 per cent for Annex VII countries) and volume of subsidised imports is less than 4 per cent from one developing country (subject to 9 per cent limit from all developing countries).

Cass and Boltuck have investigated in some detail the history and rationale behind countervailing action.<sup>2</sup> US Tariff Act of 1890 for the first time provided for countervailing duty on imports of subsidised sugar. Initially only dutiable goods were subjected to countervailing action till 1974 when such action was extended to non-dutiable goods also. Though GATT 1947 provided for an injury test for countervailing action, till 1974 the US law did not provide for the same, claiming waiver under grandfather rights. Under the existing US law as well as the WTO Agreement, countervailing action can be taken not only against export subsidy, but also against subsidy relating to production. Article 19.2 of the agreement states that the countervailing duty should be less than the amount of subsidy if such lesser duty would be adequate to remove the injury. Cass and Boltuck have pointed out that under the US law countervailing duty has to be equal to the subsidy. They have also demonstrated that production subsidy results both in higher returns to producers and lower prices to consumers and that a larger production subsidy will produce the same consumer price effect in the export market as a smaller export subsidy. It would be excessive, therefore, to set countervailing duty equal to the production subsidy. Cass and Boltuck are also of the view that in the US, "the administrative calculations of subsidy margins and consequent injury seem built on questionable economics and even more questionable statistics".

As in the case of anti-dumping duty, countervailing duty is also often used more as an instrument of protecting domestic trade than for countering unfair trade

practices. The forthcoming Seattle ministerial conference scheduled to be held in November presents an opportunity particularly to the developing countries to seek a review of the Agreement on Subsidies and Countervailing Measures. Several suggestions are being made in this connection which are worth considering. These need to be included in the Seattle agenda to make it a truly "positive trade agenda".

Article 27.1 of the agreement recognises that subsidies may play an important role in the economic development programmes of developing countries. However, subsidies which are commonly used by the developing countries are included in the prohibited and actionable categories whereas the non-actionable category includes those primarily used by the developed countries. The fact that the subsidies currently being used by the developing countries were earlier being used by the developed countries is also significant. Some of these subsidies are necessary for creation of new industries, diversification of exports, balanced development of disadvantaged regions, creation of jobs as well as improving trade balances and greater participation in international trade. Moreover, Annex VII of the agreement needs revision in this regard to include all the lower and lower-middle income countries as per the World Bank classification. Annex VII should also have the flexibility of allowing inclusion of countries which experience fall in their income level. These modifications will enable the developing countries at the lower end to be exempted from prohibitions on export subsidies. Article 8.1 of the agreement dealing with non-actionable subsidies should also be amended to specifically include export subsidies provided by developing countries to ensure that no action is taken either multilaterally through the dispute settlement route or unilaterally through countervailing action against such subsidy.

The concept of special and differential treatment for developing countries needs to be operationalised in real terms. For example, Article 11.9 of the agreement has a *de minimis* subsidy threshold of 1 per cent ad valorem for developing countries. Similarly, under Article 27.10(b) there is a *de minimis* share of import of 4 per cent for individual developing countries and 9 per cent on the whole below which no countervailing duty investigation can be continued. A better approach would be to have a higher individual limit of say 7 per cent without clubbing imports from different developing countries. Article 27.6 has a threshold limit of 3.25 per cent of

world trade for two consecutive years for applying prohibition on export subsidy. The two-year period could be increased to five years to enable a developing country to have a firm foothold in world trade for a reasonably long period.

In the past, several export promotion schemes operated by developing countries have been adversely questioned under countervailing duty investigations. To remove doubts in this regard, the agreement requires several clarificatory amendments so that exporters are not harassed time and again. Many developing countries do not have a VAT system of taxation under which zero-rating of exports can allow refund of all domestic taxes and duties. Any alternative method of neutralising or refunding sales tax, octroi, cess, etc., by such countries should not be termed as subsidisation. Similarly, aggregated and generalised rates of duty remission should not be questioned in the case of developing countries merely on the ground that individual units are not able to establish the source of inputs. The definition of "inputs consumed in the production process" is currently restricted to inputs physically incorporated, energy, fuels, oils and catalysts under footnote 61 to the agreement. There is a need to expand the definition to include all inputs. It is also well known that the cost of borrowing money is much more in developing countries. Export credits given by developing countries should not, therefore, be considered as subsidy as long as the rate of credit is above LIBOR. The amount of countervailing duty not only needs to be restricted to the extent of injury but also, in respect of developing countries, needs to be additionally restricted to the extent it exceeds the *de minimis* level of subsidy.

A number of developing countries are agitated about the unfair use of countervailing measures by developed countries in order to impede market access for goods from developing countries. They are also equally concerned about the difficulties experienced and costs incurred by their exporters defending themselves against countervailing duty investigations in the developed countries. One suggestion has been made that the governments of the developing countries should be fully consulted before initiating any countervailing action against individual exporters. The need for exploring constructive remedies before applying countervailing duties cannot be overstated in this regard. Developing country members are also concerned about the trade-distorting effect of direct subsidies used by the developed countries in the agriculture sector. Pro-

ducers of developed countries should not be hiding behind fair-trade slogans and shouting for countervailing action while they themselves enjoy subsidies on a liberal scale. In this context, a case in point is that of the US law permitting so-called Foreign Sales Corporations to enjoy exemption from US taxes on their income from US exports. Such exemption is particularly used by the transport, machinery, chemical industries as well as agricultural exporters. Since 1997, the exemption has also been extended to the software industry.<sup>3</sup> The US companies are alleged to be channelling over \$ 150 billion of export income involving profits of \$ 10 billion annually through these corporations (mainly set up in tax havens like the US Virgin Island) costing the US treasury above \$ 2 billion in taxes forgone. The EU has claimed in a complaint before the WTO panel that the scheme involves the biggest subsidy in the world trade system and severely distorts international competition.<sup>4</sup> The WTO panel has since decided against the US but its finding can be further appealed against. Another case in point is the Emergency Steel Loan Guarantee Act recently passed by both the Houses of the US Congress which is likely to provide \$ 1 billion loan guarantees to the US companies. Leon Brittan, the outgoing EU Trade Commissioner, feels that this plan would certainly constitute a subsidy under the WTO rules and that it could lead to countervailing measures from other countries as well as damaging escalation of subsidies.<sup>5</sup> The WTO Agreement certainly needs a review to ensure that such large-scale subsidisation is not allowed on the one hand and small exporters from developing countries are not subjected to countervailing action on the other.

## Notes

[This article reflects the personal views of the author.]

- 1 <http://www.wto.org/wto/goods/scm.htm>, the official web site of the WTO, contains a detailed overview of the agreement. The brief summary of the agreement given here closely follows the overview.
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# Right to Constitutional Remedy

## Significance of Article 32

Nirmalendu Bikash Rakshit

◆ *A mere enumeration of rights, even if it is meticulously worded is not enough. What is needed is a provision for its enforcement, an avenue for redressal. Article 32 of the Indian Constitution enshrines this provision whereby individuals may seek redressal for the violation of their fundamental rights.*

THE Constitution of India has engrafted several fundamental rights in Chapter III. But, the writers of the Constitution knew well that a mere declaration of such rights hardly ensures their practical existence in political life. In reality, rights must be enforceable by the judiciary, otherwise they are sure to remain as mere 'paper-rights'. This is why, they provided for a guaranteed remedy in case of infringement of such rights. Constitutionally, they relied upon the superior courts – particularly the Supreme Court – for undertaking this stupendous responsibility.

A mere enumeration of rights, even in the most elaborate and meticulously worded form, is not enough. What is needed, in addition to all this, is the provision for their enforcement (J C Johari, *Indian Government and Politics*, p 109). So, if and when a person feels that he is unduly deprived of any of the fundamental rights, he can, under Article 32 of our Constitution, move the Supreme Court for a legal remedy. In this sense, this article is, really, novel one and as B P Gajendra-gadkar (*Constitution of India*, pp 60-62), a former chief justice of India, has observed, it is "a very distinguishing feature of the Constitution". According to him, it is the "cornerstone of the democratic edifice raised by the Constitution". This observation is true as far as it goes.

Article 32 has four parts:

(i) First, under Article 32(i), an aggrieved person can move the Supreme Court for a legal remedy in case of an alleged infringer of his Fundamental Right. In such case, it is the constitutional duty of the apex court to look into the matter and to provide necessary redress to the affected person.

◆ (ii) Secondly, in such case, the Supreme Court protects the fundamental rights with the help of the constitutional weapon of 'writs'. So, when an aggrieved person eagerly moves the Supreme Court under Article 32, it has to protect the rights by

issuing an appropriate writ for the restoration and maintenance of the rights unduly curtailed by any other person or authority.

(iii) Thirdly, the parliament may, by law, empower any other court with such authority so that it too can act as the protector and guarantor of such rights.

As it is often observed, rights without remedy is a meaningless formality. So, very wisely, the founding fathers have engrafted Article 32 by which the individual may secure a guaranteed remedy in case of the infringement of fundamental rights. Article 32, with its first three clauses, has necessarily done the job. As M V Pylee rightly claims, "the first three sections of the article, taken together, make fundamental rights under the Constitution real and, as such, they form the crowning part of the entire chapter" (*Constitutional Government in India*, pp 60-62).

(iv) Fourthly, clause (4) of the Constitution, however, mentions an exception. When the president proclaims an emergency under Article 352, the provision for guaranteed remedy of fundamental rights remains suspended. In such times, the president may, under Article 358, make a separate proclamation by which Article 32 remains suspended (H H Das, *Principles of Indian Constitution*, p 136). In other words, an individual cannot, during such emergency, move the Supreme Court, even if he feels that he has been unduly deprived of the Fundamental Right guaranteed by the Constitution.

Obviously, it is a black spot on the fair face of the Constitution which claims to stand for democracy and freedom (M V Pylee, *An Introduction to the Constitution of India*, p 117). But B R Ambedkar, the chief architect of the Constitution, observed in the constituent assembly that the interests of the state as a whole are of much greater importance than those of the individual and, hence, individual liberty cannot be allowed to destroy the very

fabric of national security. He observed, "...it is equally clear that in certain cases, where, for example, the state's very life is in jeopardy, these rights must be subject to a certain amount of limitations". Particularly, the Constitution was drafted during a period of horrid ordeal marked by war, infiltration, partition, communal riots and other subversive activities (D D Basu, *Introduction to the Constitution of India*, p 100). This is why, the makers felt that during an emergency, the enforcement of fundamental rights should remain suspended because the unrestrained right of the individual might, in such times, endanger the security of the nation as a whole.

But, in normal times, fundamental rights seem to be 'fundamental'. In the case of *Ram Singh vs Delhi* the Supreme Court observed, "It is our privilege and duty to see that rights which are intended to be fundamental are kept fundamental..." So, the Supreme Court has to intervene whenever a fundamental right has been transgressed upon. J Sastri similarly claimed in the case of *Row vs Madras* that they were "sentinel on the qui vive", and hence, it is their bounden duty to save their rights from being ruined.

Thus, as the judicial sentinel of fundamental rights, they are equipped with some constitutional weapons, known as 'writs', for the enforcement of such rights.

(i) First, the writ of Habeas Corpus (meaning 'you may have the body') may be issued in order to set free a person who is, in the opinion of the court, arbitrarily arrested or detained by the executive authority.

(ii) Secondly, there is the writ of Mandamus. The Latin word 'Mandamus' means 'we order'. The Supreme Court can issue this writ for the reason of directing an inferior court or department to do the needful for protecting or maintaining a Fundamental Right. It is normally used for public purposes to enforce performance of public duties. But the court often enforces some private rights when they are withheld by the public officers.

The writ actually demands some activity on the part of the body or person to whom it is addressed. Whenever a public officer or the government has done an act which violates the Fundamental Right of a person, the court can issue this writ restraining that officer or the government from enforcing that order.

(iii) Thirdly, the Supreme Court sometimes issues the writ of 'prohibition' for preventing an inferior court from doing

something which it is not legally competent to do.

(iv) Fourthly, there is another writ known as 'certiorari' with which the Supreme Court can remove a case from an inferior court to a superior court in order to protect a Fundamental Right.

(v) Lastly, with the help of 'quo warranto', the Supreme Court can protect a Fundamental Right from being violated by a government order based upon favouritism. If a person, for example, is unduly promoted by superseding his seniors, the Supreme Court can, by such writ, quash the order of such appointment for protecting the Right to Equality as guaranteed by Article 14 and Article 16.

As the Supreme Court itself held in the case of *Charanjitlal vs Union*, the individual can move the court only when he claims that his own Fundamental Right has been infringed upon (V D Mahajan, *The Constitution of India*, p 97). The aggrieved person, may, however, seek a particular writ to be issued, but it is the Supreme Court which will decide what writ will be appropriate in a particular case. In *Charanjitlal's* case, it held "Article 32 gives us very wide discretion in the matter of framing our writs to suit the exigencies of particular cases, and the application of the petitioner cannot be thrown out simply on the ground that the proper writ has not been prayed for". In other words, it is the judges, and not the petitioner, who will actually determine the nature of the writs to be issued in a particular case.

#### UNIQUE PROVISION

In this way, Article 32 has become a novel provision in the Constitution of India and, in reality, it has no parallel in the Constitution of any other country (H H Das, *India: Democratic Government and Politics*, p 128). Our Constitution has, by inserting several provisions (covering Articles 12 to 36) clearly guaranteed various types of rights concerning equality, liberty, religion, education and property. But Article 32 does not give us any new thing, it actually makes room for the guaranteed remedy in case any other right is violated. In other words, it is a fundamental right which can be used to protect other fundamental rights. As Gajendra-gadkar points out, no other Constitution of the world has made a remedial article as a Fundamental Right. In this sense, D D Basu very correctly observes, "Article 32, thus, provides a guaranteed remedy for the enforcement of these rights and

this remedial right is itself made a Fundamental Right, being included in part III" (D D Basu, *op cit*, p 110).

So, when the individual seeks the protection of any fundamental right by Article 32, the court's fundamental duty is to carefully hear the appeal. As it observed in the case of *Ramesh Thapper vs Punjab*, "The Supreme Court is, thus, constituted the protector and guarantor of Fundamental Right and it cannot, consistently with the responsibility so laid upon it, refuse to entertain applications seeking protection against infringement of such rights.

Significantly, Ambedkar was glad that the constituent assembly realised the importance of this article. As he happily declared, "Hereafter, it would not be possible for any legislature to take away the writs which are mentioned in this article". Thus, Article 32 has actually made the Supreme Court the guarantor and protector of the fundamental rights (B C Rout, *Democratic Constitution of India*, p 99). Until and unless the provision of Article 32 is deleted by an amendment of the Constitution, it will help the aggrieved individual place before the apex court his allegations regarding the infringement of his rights.

According to Ambedkar, out of 395 articles of the Constitution, Article 32 was the most important, because it provided for a guaranteed remedy for the violation of any of the rights. As he claimed, "If I were asked to name the particular article in this Constitution as the most important one, without which this Constitution would be a nullity, I could not refer to any other article except this one. It is the very soul of the Constitution and the very heart of it..." (CAD, Vol VII, p 953). Thus, according to the chief architect of the Constitution, this single article surpasses, in value, the totality of the constitutional provisions because it acts as the bulwark of democracy and freedom.

This statement is sufficient to prove that the makers placed a stupendous importance to this provision in order to make the fundamental rights 'fundamental' in the society. So, this provision is extraordinarily important, because it gives meaning and fulfilment to the other fundamental rights guaranteed by the Constitution.

It has been pointed out that the concept of 'judicial review' has been introduced in our Constitution by which the Supreme Court can examine the constitutional validity or otherwise of a legislative act or an executive order (W H Morris Jones,

*The Government and Politics in India*, p 42). In case an executive order or legislative enactment violates any of the fundamental rights, the Supreme Court can, under Article 13(2), declare it unconstitutional and void. So, every law or act must conform to the fundamental rights as enshrined in chapter III. Grenville Austin rightly (in *The Indian Constitution: Cornerstone of the Nation*, p 114) observes that the heaps of applications before the Supreme Court proves that the people of India are very conscious of their fundamental rights and that they regard the Supreme Court as the guardian of the rights and liberties of the citizens.

Some critics, however, think that financial disabilities have virtually taken away the real significance of Article 32. Legally, every citizen has equal opportunity to move the court for seeking remedy for the infringement of his rights, but the lack of finance often acts as the stumbling block. Once a British judge said, "Justice is open to all – like the Grill-Room of the Ritz Hotel". The euphemism is, however, equally applicable to the case of India. Lack of means often implies the lack of access to the court and, thus, what is legally granted is financially denied to the vast majority (Anup Chakraborty, 'The Judiciary and the Ordinary Citizens in India', *The Modern Review*, August 1973).

It is, of course, true that in order to enlarge the scope of such constitutional remedy, Article 226 is also engrafted in the Constitution. So, in such case, an affected person may also move to the high court which is often residually nearer than the Supreme Court. Thus, so far as the protection of Fundamental Right is concerned, the Supreme Court and high courts enjoy concurrent jurisdiction as the latter can, just like the Supreme Court, issue the writs for the enforcement of fundamental rights (G N Joshi, *The Constitution of India*, p 214).

But it hardly benefits the ordinary man because the system itself is dilatory, clumsy, tiresome and costly. Even if the case is lodged before the high court, the aggrieved person has to spend much time and pay a huge sum in order to get the remedy. This is why, instead of seeking legal redress, most of the affected person choose to bear with the injustice meted out to them.

Though five decades have passed since the making of the Constitution, we have failed to establish either social justice or economic equality. So fundamental rights may practically be regarded as some con-

stitutional privileges only for a section of the people, because despite the existence of some remedial measures, ordinary people cannot hope to restore them in case of their actual infringement.

Above all, the entire judicial process is artificial and alien to the ordinary people. Often the law does not seem to be Indian in spirit, form, content and even in language. The slow-moving legal machinery becomes, in fact, a negation of justice to such people (Justice P B Mukherjee, Inaugural Speech at the Annual Conference of the West Bengal Lawyers' Association, March 21, 1971). The Law Commission has pointed out that nearly 36 per cent of cases available for disposal during a year remains unresolved and that the slow movement of cases results in the accumulation of arrears which causes further delay, producing a snow balling effect.

Of course, a right without remedy is a meaningless formality (A C Kapur, *The Indian Political System*, p 143). This is why, our Constitution has not only enlisted them, but has also made them enforceable by some written provisions. Yet they are limited by various ways. During an emergency, they can be suspended by presidential proclamation and, in normal times, they may be curtailed by preventive detention acts, amendments and other restrictive measures. As such, often the judiciary, despite its eagerness, finds a little scope to step in.

For all these reasons, it is alleged that the people of India practically enjoy fewer rights than they are guaranteed. The chapter on fundamental rights may, hence, be called 'Limitations on Fundamental Rights' or 'Unfundamental Rights'. Some critics even point out that the benefits of the remedial provisions have practically been taken away by various factors of realistic life. These rights may well be regarded as double-edged weapons, because what is given by one hand is taken away by the other (K V Rao, *Parliamentary Democracy in India*, p 146).

Thus, it is a cardinal truth that fundamental rights India are hedged with many limitations and also that the remedial provisions (Articles 32 and 226) have little practical use. However, the makers thought that they had aptly created an effective-enforcement-machinery. Particularly, as D D Basu opines, the sole object of Article 32 is the enforcement of the rights guaranteed by the Constitution (*Constitutional Law*, p 110). But procedural complexities and financial incapacity are sure

to take away much of the merits of the original scheme. As a matter of fact, rights of a man have no teeth unless they are protected by the Constitution itself. It is to be noted that the Soviet Constitution also mentioned some rights, but they were not practically enforceable. The unwritten British Constitution has, however, no place of such express rights, though the people enjoy them through the conventional force. In America also, there is no specific provision for the issue of writs for protecting

the rights, but the judiciary carefully keeps them fundamental.

Where right is, remedy there must be, because a right without remedy is a rope of sand (A G Agarwal, *Comparative Study of Modern Indian Constitution*, p 428). In this sense, the provisions for the enforcement of fundamental rights is a most novel feature of our Constitution. But the constitutional mechanism is not enough, because, after all there remains a big gap between the lip and the cup.

## Call for Papers

### **Second Annual Conference on Money and Finance in the Indian Economy**

The Indira Gandhi Institute of Development Research (IGIDR) will be hosting its second annual conference on **Money and Finance in the Indian Economy** during November 30 to December 2, 1999. The conference will consist of invited papers, which would be state of the art surveys of various aspects of the broad Money and Finance area and contributed papers, for which submissions are invited. Although papers on all topics in the broad money and finance area are solicited, we would particularly welcome papers on the following topics:

1. The design of Monetary Policy in a Liberalizing Economy: Targets and Instruments;
2. The coordination of Monetary Policy with Fiscal and other Policy Instruments;
3. Financial Innovations and the Conduct of Monetary Policy;
4. Capital Account Convertibility, Currency Crisis and Global Financial Institutions.

Complete papers should reach Raghbendra Jha at the address noted below by **October 15, 1999**. All papers will be refereed. Authors will be informed by end October. Authors of accepted papers may also be requested to act as discussants for other papers. Some subsidy for travel to and from the conference for authors (within India) of accepted papers may be available. Accommodation and local hospitality will be arranged by IGIDR. A proposal to publish revised versions of selected papers is under consideration.

Kirit Parikh (Director) and Raghbendra Jha (Professor)  
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# *Chs* Centre for Health Studies

TATA INSTITUTE OF SOCIAL SCIENCES

## ANNOUNCEMENT OF RESEARCH AND VISITING FELLOWSHIPS

The Centre for Health Studies (CHS) at the Tata Institute of Social Sciences, Mumbai, is a Ford Foundation funded project which had commenced its activities since 1993. The broad objectives of the CHS include initiating research and field action projects on health issues, generating and disseminating vital information through workshops, seminars and training programmes, and strengthening of capacity among social scientists, health activists and professionals in the field of health.

### RESEARCH

The CHS has identified three priority themes for focused research in the coming years. They are : (a) Primary Health Care in India, (b) Sexuality and (c) Structural Adjustment Policies and Health. Study groups consisting of Faculty members from the Institute have been formed to initiate extensive review, launch empirical studies and establish networks. Series of workshops are being planned to share and document research in these areas as well. Researchers, scholars, activists or NGOs studying and working on these issues are invited to contact the Facilitators of the study groups with a one page note about the work being carried out in these areas, at the earliest.

Primary Health Care – Dr. Siva Raju, Unit for Urban Studies, e-mail: [sivaraju@tiss.edu](mailto:sivaraju@tiss.edu)

Sexuality in India – Mr. Anil Kumar, Unit for Child and Youth Research, e-mail: [anil@tiss.edu](mailto:anil@tiss.edu)

Structural Adjustment Policies and Health – Dr. Lakshmi Lingam, Women's Studies Unit  
e-mail: [lakshmi@tiss.edu](mailto:lakshmi@tiss.edu)

### VISITING FELLOWSHIPS

The CHS offers Senior Fellowships to individuals having a Masters degree in Social Sciences/Social Work/Public Health/Preventive and Social Medicine; and a Ph.D. with 10 years of research/field experience preferably on the social aspects of health. The Senior Fellow will receive a consolidated sum of Rs. 15,000 p.m. along with some allowances for contingencies. The duration of the fellowship is for 4 months. Durations shorter than this are possible. The Junior Fellowship grant is offered to individuals having a Masters degree in Social Sciences/Social Work/Public Health/Preventive and Social Medicine and a Ph.D. with 5 years. The Junior Fellow will receive a consolidated sum of Rs. 12,000 p.m. along with some allowances for contingencies. The incumbents of these fellowships may be called upon to contribute to the research, training and teaching programmes of the Institute. Where the area of the work coincides with the interest area of any of the Teaching Department or Research Units, the incumbents will be attached to the said Dept/Unit. Family accommodation on the campus is not available. Individual accommodation in the Research Hostel / Guest House may be available, subject to vacancy. Interested persons may send in their Resume, a two page research proposal and three best publications, within one month from the time of this announcement to the address given below. Individuals who can send in these particulars within 3 weeks from the date of this advertisement, would be considered for the current semester. Employed persons are expected to seek requisite permission from their organisations prior to submission of the application.

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# Changing Dimensions of Electoral Politics

**Rekha Chowdhary**

*One of the most notable accomplishments of Mufti Mohammed Syed and his daughter Mehbooba Mufti had been to steer the Congress towards providing a healthy democratic opposition to the National Conference. Their resignation from the party affects the Congress adversely and has ramifications for politics in Kashmir.*

THE Congress Party in Jammu and Kashmir has faced a set-back as Mufti Mohammed Syed, the sole representative of the party from the state in the dissolved Lok Sabha, and his daughter, Mehbooba Mufti, the leader of the Congress Legislative Party, deserted it to float their own regional party, People's Democratic Party. The decision of the Muftis to abandon the Congress on the eve of the Lok Sabha elections is bound to have a definite impact on the poll prospects of the Congress in the state, specifically in the Valley of late, the Congress seemed to have carved a space for itself mainly because of the efforts of the father-daughter duo. They have been consciously nursing the politics of Kashmir in what may be termed as a 'people oriented' approach – identifying with the urges and aspirations of the people, condemning human rights violations and calling for an unconditional dialogue with the militants to resolve the tensions in the state. The most notable elements of their political approach have been their political communication with the people as well as their political visibility, which they have been successful in maintaining throughout this period. Any situation involving the people anywhere in the state, inevitably brought them to the political scene. Thus one could see their pictures all over the local newspapers after any major act of violence – listening to the gruesome stories of the victims and sympathising with them. The healing touch that the people of the valley need very much after a prolonged period of turmoil was seen to be provided by them.

For the Congress high command, all this may be a calculated political move rather than a genuine response to people's problems. Yet in the context of the political tangle that the valley is faced with it is difficult to dismiss the implications of this kind of politics. Mehbooba Mufti, in her letter of resignation to the Congress president, Sonia Gandhi, has specified the core

of this politics by posing the question: "You want the land of Kashmir or also the people?" It is the political response of the people of Kashmir that Muftis are targeting. Despite the restoration of the political order in the valley, people continue to be alienated. In fact, they are much more alienated now as compared to the initial years of the political upsurge that accompanied militancy. In the early 1990s, their alienation against the Indian state was reflected in their distinct support to the militancy and their participation in demonstrations of massive nature, chanting the slogans of 'azadi'. Now almost a decade later, they seem to be alienated from the movement as well. They are a wearied lot; drained and consumed by violence all around and thoroughly disillusioned – as much by militancy as by Pakistan. So jaded and apathetic have they become that even a situation like Kargil fought in their name both by India and Pakistan has not been successful in evoking any kind of emotion among them.

In retrospect, the people of Kashmir see the movement not in terms of gains but in terms of losses. Whatever the official figure, they count their dead to be more than 50,000. Beside the huge loss of life, it is the overall effect of the upheaval on the life of the community that the people of Kashmir mourn. It is a community that has been kept at siege continuously for 10 years now. A generation has been exposed to the protracted violence leading to psychological effects. Meanwhile, there are social and economic costs that the community has to bear. The health of all social institutions has been affected, the economy has been shattered and development has been totally halted. All this has created a wounded psyche in Kashmir, which needs to be taken seriously. In national politics there is no political agenda that takes into consideration the political psyche of people of Kashmir. Kashmir figures in the national politics in a big way but not

the people of Kashmir or their political responses.

The Congress has a history of being utterly insensitive to the responses of people of Kashmir which is why the people of Kashmir have been quite antagonistic to it, especially after 1984 it engineering defections in the National Conference leading to the dismissal of the legitimately elected government of Farooq Abdullah and lending its support to the G M Shah ministry. Such was the popular disapproval of this party in the valley that its alliance with National Conference in 1986 led not only to the latter's undoing but also the disruption of the political order itself.

It is in this context of the generally prevalent hostility towards Congress in the valley that the leadership of the Muftis and their politics had its relevance. The politics being pursued by them at the grass roots levels made for the possibility of locating the Congress in the local politics and inculcating in it a sensitivity towards the local urges was increasing. Under their leadership the Congress could have gained acceptance in Kashmir.

Yet, there were other implications of the politics being pursued by Muftis, for the Congress as well as for the politics of Kashmir in general. One of the most notable accomplishment of the father-daughter team in recent years had been of steering the Congress in a direction where it could provide a healthy democratic opposition to the National Conference. Despite the dent made in its politics by the militancy in the last 10 years, the National Conference continues to hegemonise the electoral politics of the valley. One of the reasons for this is that it has been the only party operating within the democratic space which represents, at least symbolically, the political ethos of Kashmir. This ethos is governed by the logic of an autonomous political space and an urge for political autonomy. The kind of politics being pursued by the Congress under the Muftis could have developed the potentiality of challenging this hegemony. The politics of the Muftis overlaps the politics of the National Conference. Operating in the same paradigm, its political ideology runs on a similar pattern – with same issues of political dignity and identity and same emphasis on autonomy. It was in this vein that the Congress could have gained from the crisis of legitimacy faced by the National Conference at this moment. Despite its massive majority within the assembly the Conference has not been able to deliver the goods. The promised jobs have not materialised, corruption has not been checked, militancy is unabated and the human rights abuses are galore.

With the Muftis leaving the Congress, it remains a party as alien to the political responses of people of Kashmir as always. In the coming parliamentary elections it has not only to face the challenge of the National Conference but also of the Mufti-led People's Democratic Party.

The implications of the Muftis launching a regional party are not limited to the Congress only. It will have definite ramifications for the National Conference as well. At least, the Conference will not be able to take its victory for granted. It will have to face a tough fight in those areas which the Muftis have been nurturing for some time now. But it is beyond this election that one may be able to see the real impact of the newly launched party. It may very well initiate the interactive politics very much needed in the valley. The hegemonised politics of the ruling party as well as the failure of the oppositional politics to evolve itself, both have had disastrous effects in Kashmir. It was due to the absence of an effective oppositional politics in Kashmir that most of

the political grievances of the common people were articulated and voiced in the extra-systemic space. In terms of the potential of the new regional party to provide a democratic alternative to the ruling party, the Muftis in past few years have established a reputation for their oppositional politics. They have been actively engaged in censuring the party in power. As leader of the Congress Legislative Party, Mehbooba Mufti was known for her firebrand speeches in the assembly, raising issues not only with a view to corner the government but also to articulate alternative political options. It is difficult to gauge the chances of the political success of the party floated by the Muftis. Electoral politics is governed by the logic that is quite complex. Yet, one thing is clear: the politics pursued by this party has the potential of rejuvenating the electoral scene in the valley. By boldly raising issues, which other parties shy away from it is not only bound to bring greater credibility to the electoral exercise but also more seriousness to democratic politics.

is paid to the shrinking of the state is also the increasing hiatus between the state and private sectors in terms of salaries and the impact this has on the courses of study the youth wish to pursue.

On the first drawback we find proponents as well as opponents sharing an assumption although it is doubtful if they are aware of it. This assumption derives from the dichotomous framework referred to above. Opponents can perhaps be forgiven for assuming that efficiency/merit/excellence, etc., will always be compromised if reservations are practised. This is not a sound argument but given the position taken by the anti-reservationists it is understandable. What is surprising is finding supporters and fervent advocates appearing to endorse this stand. However, a caveat should be entered. Proponents posit this apparent irreconcilability between merit and reservation within a framework which begins by questioning the former at the level of the concept itself.

The standard argument runs as follows. The yardstick by which merit is sought to be measured is derived from the standards set by the ruling or the dominant elite and is indeed derived from its perception of what is of value. The elite ensure that there is an exclusive club of the merited which operates more or less, on the lines of a closed shop and the rest of society is ensnared into this trap which engenders a false conception of what constitutes merit or excellence (incidentally these terms are used interchangeably in this note). Against this background the argument for reservation commences with an attack on the existence of a yardstick of merit.

#### ASSESSING MERIT

Obviously there is some truth in this argument too. It does not require much analytical insight to suggest that the standard setters are those who are able to wield influence in relation to issues that matter in this context. However, in no society has the yardstick for assessing merit remained constant. On the contrary it has always responded to changes in values as well as perceptions and social need. A somewhat simple example relates to the major alterations that have taken place between the pre- and post-independence India. These changes are due in part to the entry of hitherto marginalised groups into higher education, white collar employment and the like. Another good example is from the princely state of Mysore where the brahmins held a preponderant proportion of jobs under the state despite their numerical smallness and the fact that their literacy was less than 25 per cent and literacy in English less than 10 per cent

## Reservations: Seeking New Perspectives

V K Natraj

*Critics of reservation often look upon the policy as the arch villain responsible for the dilution of standards everywhere without taking cognisance of the changes in the economy and polity in recent times.*

IN the aftermath of the recent gory railway accident which has claimed hundreds of lives there is, not unnaturally, an attempt at blame-fixing. As so often happens we are told that human error was probably the cause and a few officials have been suspended and an enquiry ordered. A former high ranking official of the Railway Board, while discussing this avoidable tragedy on a TV programme, drew attention to two issues whose importance extends beyond this accident. He commented upon the woefully inadequate training imparted to the staff. This is quite likely true being a ubiquitous phenomenon in our country in most fields. Secondly, he commented upon the adverse consequences of reservation and gave the instance of hundreds of employees being regularised due to the insistence of the minister concerned and apparently this was done without reference either to need or competence. This is not altogether surprising since we are all aware of the 'spoils system' which operates in relation to employment. However, we need to look a little more closely into the charge against reservation.

Reservation is an issue that provokes

strong feelings. Its status reminds us of Albert Hirschman's observation decades ago on how the price mechanism served to divide the economic profession into two categories, one extolling it and the other criticising it. Similarly with reservation we have supporters who consider it a near panacea for the ills of a society for long riven by social and economic differences. Critics of reservation look upon the policy as the arch villain, responsible for dilution of standards. As a doctoral pupil of mine once put it: "When there is a train accident it is at once presumed that the driver must have been a beneficiary of reservation!"

Discussions of reservation suffer from two principal drawbacks. In the first place merit and reservation are posited as being antithetical to each other. This is done, if not explicitly, certainly by implication. The framework of the discourse is essentially dichotomous. Secondly, the reservation dialogue of the present does not seek to accommodate the changes which are sweeping across the economy. The idiom of the discussion is what it was when state sector employment was a major factor which it no longer is. Little heed

— of course these not very impressive percentages were higher than those of other castes. The point is that the non-brahmin movement was able to secure better representation for the backward castes and in doing so caused some changes in the manner in which efficiency was assessed. Also to be noted is the vitally significant fact that the non-brahmins, by and large, sought concessions in order that they could compete with the elite and did not seek to dilute standards. Indeed when the brahmins questioned the legitimacy of the policy of reservation the non-brahmin leaders were quick to point out that the former had been the first to seek reservation by insisting that the Mysore civil service examination should not be open to candidates from outside the state. It was argued that this was solely because the Mysore brahmins were not sure of competing on equal terms with the better trained men of their own caste from Madras presidency. The non-brahmin leaders forcefully argued that they were seeking precisely the same protection so that their people could begin to compete on a level playing field with the brahmins. There was not much questioning of the principle of excellence.

In recent times the complexion of the discourse has altered in that the necessity of a yardstick is in question. There are two possible reasons for this. One is that over the years the numbers of those aspiring to play in the big league of higher education and white collar employment has increased visibly. The opportunities, though, have not kept pace with the increasing demand. Secondly, a process of differentiation among the non-brahmins has been taking place. Added to this there is competition among the backward classes and even the scheduled castes although this may not have occurred to the same extent with the scheduled tribes. In this situation it is hardly surprising that there is a sense of frustration among the potential beneficiaries of reservation. Above all we live in a context in which norms are rarely adhered to and there is a complete lack of faith in the ability of the political system to be a neutral arbitrator of competing interests. In the spoils system so much in evidence today this constellation has logically led to an attack on the very existence of a criterion of excellence. At the same time we notice a different but related trend. Those intermediate castes which have made use of reservation in some degree begin using the idiom of excellence and at times even border on opposition to reservation.

It is particularly unfortunate that in this process something fundamental is lost sight of. It is the realisation that no society has

advanced without the pursuit of excellence. As discussed above the criteria are forever in a state of change. The saddest part is that in this altered discourse it is the genuine aspirants and the ones with the most legitimate claims for protective discrimination that are getting hurt. Once the notion of excellence is disputed it becomes all too easy to confer the advantage of reservation not on the most deserving but on those who have 'access' and influence. Apart from the problem that those who require protection do not receive it this state of affairs results in yet another disaster in that undeserving beneficiaries show the scheme of reservation in poor light. It helps critics to adopt an attitude of "I told you so" when performance is below the desired level. This is not all. It enables wrong selections, from among other sections including affluent backward castes who manage to stay on the reservation wagon (very often undeservingly) to be justified. After all every kind of inefficiency can now be easily ascribed to numerically large categories of beneficiaries like the scheduled castes — they are numerically large because of the percentage of reservation and because there is a tendency to treat SC as a homogeneous group. It is not uncommon in Karnataka to hear upper castes expressing anger against the SCs and be seemingly unaware that their competitors are generally from the other backward classes. It is amazing to find reservation being spoken of as if it applies only to the SCs and the STs. One is almost tempted to see in this a hidden agenda to discredit the most deprived groups as well as protective discrimination. The situation is rather similar to the anti-immigration protests in western countries where unemployment is attributed to immigrants unmindful of the unwillingness of local people to do the jobs which the former take.

#### QUALITY VS EQUALITY?

It is necessary then to place the issue of reservation in a new framework which explicitly takes cognisance of the changes occurring in the economy. Also the frame of discourse should seek to avoid the dichotomy between quality and equality, rather the focus should be on blending and harmonising the two. Earlier in the absence of reservation elite domination kept several sections of society outside the mainstream as it were. Insistence on quality as perceived by the elite resulted in a near monopoly for the privileged sections. Protective discrimination, despite its several faults especially in implementation, has opened the arena to more people and to an extent has helped the participation

of previously marginalised groups. This is not to suggest that reservation has succeeded in its panacea role but it cannot be denied that it has played some role at least in the direction of democratising entry into what I call the 'big league'.

However against the backdrop of the trends described above little effort is made to combine quality and equality. It is forgotten that lack of attention to equality today will perpetuate inequalities and at the same time neglect of quality will mean that tomorrow's economy and society may not possess the resilience and strength to promote equality. In order to make this a reality it is essential that the relatively better-off are kept out of the ambit of reservation thereby avoiding the 'free ride' problem and that within every category of reservation are also the general ones the accent is on quality. It is obvious that in choosing among the reserved categories the welfare of the most disadvantaged is constantly kept in mind.

An important area where the interests of the youth in the SC and ST categories in particular are wholly compromised is in education. A large proportion of these young people are virtually first generation learners and language is a serious handicap. Predictably this is specially so with English. Unlike youngsters who come from educated families these have no opportunity to hone their language skill in English at home and their schooling does little to develop the ability. This is the reason many of them find it difficult to cope with the demands of higher education and our system offers them no help. From the outside there are voices urging the virtues of instruction in the mother tongue. These voices are not only the politicians' but of the literati. While no objection can be raised at the level of theory to this prescription the fact is that children from deprived backgrounds have their problem compounded by denial of access to English. Further, since English is still much sought after and English medium schools continue to thrive — they are patronised often by votaries of the mother tongue/regional language, indeed one suspects that many of them start preaching after their children are safely out of school (otherwise the wife/mother is readily available to be made a scapegoat) — there emerge two clear divisions in society-based essentially on language ability. Naturally the deprived also end up having no access to high paid non-state sector jobs which will continue to be the haven of the privileged.

[This is a modified version of the author's paper titled: 'Reservation Quality and Equality' published by the National Institute of Advanced Studies, Bangalore 1998.]



# Politics of Fragmentation

Manjushree Thapa  
Hari Roka

*The changing pattern of political parties in the country appears baffling. Whether large or small these parties have proven unstable over these years with personality clashes and petty quarrels causing splits and realignments rather more often than genuine difference of opinion on national or international issues.*

A DECADE after the 1990 restoration of democracy, Nepal has 93 recognised political parties, most of them vying for legitimacy. Six have successfully established themselves as national parties: the Nepali Congress Party, the Nepal Communist Party (United Marxist Leninist), the Nepal Communist Party (Marxist Leninist), the Rastriya Prajatantra Party (Thapa), the Rastriya Prajatantra Party (Chand) and the Nepal Sadbhavana Party. About six more are considered significant political forces. Whether large or small, these parties have proven unstable over these years, with personality clashes and ideological battles played for all to see in the headlines of party-backed weeklies, often leading to a breakaway splinter group or to a down-the-middle split.

In the 1999 general elections voters surprised political pundits, and seemingly even themselves, by giving a majority of 111 seats in the 205-house of parliament to the Congress Party. Many intellectuals were quick to praise the maturity of the Nepali voter (who had acted much more wisely than their Indian neighbours, it was said) for rejecting the kind of round-robin coalitions which had frustrated governance for the past four years. A more modest explanation for the Congress majority may come from the fact that its major opposition, the Communist Party of Nepal (UML) had split into two just a year before the general elections. The UML and the breakaway Communist Party of Nepal (ML) waged fratricidal battles with each other during the elections, often supporting the Congress or other parties in the hopes of decimating each other. This strategy paid off for the UML, which won a total of 71 seats and succeeded in eliminating the ML from parliament. The Congress Party was left celebrating the most victory parades.

Because the UML-ML split was so obviously self-destructive to both the parties' interests, its rationale remains somewhat baffling to all but those respon-

sible for it, who maintain that the breakup stemmed from ideological differences. It is true that ML members, then part of the minority wing of the UML, differed sharply with the majority over the 1998 renewal of the Mahakali Treaty with India. The minority maintained that the treaty upheld greater Indian use of the waters of the Mahakali river along the western Nepal-India border. They also clashed with the majority in demanding that Indian troops be removed from Kalapani, an area along the river where border demarcations were, and still remain, in question. And while the majority favoured the proposed construction of the Pancheswor Dam along this same river, the minority opposed the project on grounds that its agreement would grant India unequal water sharing rights.

In the elections the ML thus positioned itself as a nationalist force and accused the UML of kowtowing to the interests of the Indian government. There was, however, little in the two parties' election manifestos to attest to an ideological divergence between them. Both parties remained committed to the somehow-communist principle of *janatako bahudaliya janabad* or 'people's multiparty democracy', a socialist stance carefully worded to avoid the taboo word 'socialism'. Both identified themselves as the party of the poor. And both managed to win voters' trust based on their identical platforms. Jointly, the UML and the ML garnered 37.12 per cent of the popular vote, beating the Congress Party's 36.14 per cent.

Informally, party workers tend to identify the cause of the UML-ML split as being cultural rather than ideological. With its heated intellectual debates and lengthy deliberations extending all the way down the ten-tiered party structure to approximately 80 per cent of the wards throughout the country, the joint UML was known for its comparatively participatory decision-making process. (The Congress Party, by contrast, has tended to centralise decision-making power in the hands of the central

working committee and the party president.) Still, according to workers, the UML majority did not see any gain in tolerating the minority or engaging in dialogue over differences. The party – or more specifically, its leaders – sought to surround themselves with supporters and sycophants, and to eliminate detractors. The party lacked a democratic culture.

Despite the bitter accusations and counter-accusations exchanged till recently by the ML and UML, there are indications, now, that party leaders are conferring over the prospects of a merger. The reason for this union can easily be found in their losses at the polls. Yet if the sharp ideological difference over Mahakali river-related issues remain unresolved, and if there is no significant change to the party culture, their rationale for uniting could end up just as baffling as their rationale for breaking up.

The rest of the splintered left of Nepal seems to be following a similar move towards merging and regrouping. Currently there is talk of unity between two small underground parties, the Nepal Communist Party (Masal) and the Unity Centre. (Both these parties conduct elections from other above-ground platforms, respectively the Rastriya Janmorchha with five seats in parliament and the Samyukta Janmorchha with one seat.) There is also speculation as to the fate of the Nepal Communist Party (Maoist) which has since 1995 waged a guerilla 'People's War' against parliamentary democracy, inciting violence and also falling victim to brutal government crackdowns that have alarmed human rights activists. The Congress government is hoping to use a combination of force and incentives to put an end to the Maoist insurgency, but efforts so far have yet to yield good results.

No matter how united the communist parties of Nepal may become, they will perhaps always fall into three ideological camps. Centremost is the democratic camp consisting of the UML, ML and the Nepal Workers and Peasants' Party which has one seat in parliament. To their left are the traditional communists, comprising of the Masal and the Unity Centre. This camp rejects the UML/ML's principle of 'people's multiparty democracy' in favour of 'naya janabad' or 'new democracy', a somehow-democratic system that enforces co-operation between political parties which all serve communist ideals. The Maoists, on the extreme left, advocate nothing less than a Chinese-style peasants' revolution.

The communist parties are not alone in their displays of instability, in their proclivity to fragment and unite unpredictably.

In 1997, the conservative Rastriya Prajatantra Party split into two remarkably similar parties named after their leaders: RPP (Thapa) and RPP (Chand). The two were said to differ in their proximity to the Royal Palace and in their nationalism vis-a-vis India; but with identical programmes and with some members even floating back and forth between them, the split seemed to reveal ego rather than ideological clashes. With 19 seats in parliament at that time and 11 today (all belonging to the Thapa faction), this split does not seem to have served these conservative parties well. There is now, as there has been many times before, speculations of their possible union.

The case of the ruling Congress Party is more unique. This is a party that, in the words of a senior diplomat, will neither break up nor unite. Since forming its first government in 1994, the Congress has been known for its deep, and usually embarrassingly public rifts. Prime minister Krishna Prasad Bhattarai currently leads one faction within the party, a faction which seems to be losing ground to the more powerful faction led by party president and former prime minister Girija Prasad Koirala. There are also smaller sub-groups

within the party, most notably a group led by former prime minister Sher Bahadur Deuba; but these sub-groups tend to be unstable, often shifting their loyalties between the Bhattarai and Koirala factions.

The clashes within the Congress Party are unabashedly power-related. With the exception of a few leftover socialists from the time of the party's origins, Congress leaders are equally committed to waiting for market miracles to save the nation, sometimes promising to turn Kathmandu into Singapore, and at other times the whole nation into Switzerland. Much to the embarrassment of intellectuals close to the party, the Congress' most heated debates centre not on policy matters, but on who will get a ticket from which electorate, and which faction will control the central working committee. In the 1994 elections, very strong objections over ticket distribution led a small dissident faction to splinter off. This faction quickly plummeted into political oblivion. Though there were no such splinter groups in this last election, party members did wrangle fiercely over the distribution of tickets.

Given to positioning themselves as the Nehru dynasty of Nepal, the Koirala family seems determined in its pursuit to lead

the Congress and the nation. Along with his political aspirant daughter Sujata, G P Koirala is flanked in the party hierarchy by niece and former deputy prime minister Shailaja Acharya; nephew and party general secretary Sushil Koirala; sister-in-law and former minister of women and social welfare Lila Koirala; brother-in-law and minister of agriculture Chakra Bastola, and sister-in-law Nona Koirala. While many applauded G P Koirala's concession of the prime minister post to Bhattarai after the 1999 elections, it is clear that he has no intention of loosening his stranglehold over Congress politics. This last July Koirala restructured the central working committee, removing many Bhattarai loyalists and replacing them with his own supporters. Those threatened by this move have grumbled vocally; but such grumbling and even shouting, name-calling, slandering – the Congress party is used to. This is one party in Nepal in which a split could be easily explained. But the party keeps staying together through bitter words, through acrimony and accusations and bad blood. In this case it is not the fragmentation of the party, but how the party manages to prevent fragmentation, which is baffling.

## MODERN MONETARY THEORY: AN EXPOSITION

Kishore Kulkarni, Metropolitan State College of Denver, Denver, Colorado.

This book is written for undergraduate (B A or B Com.) students at the Indian universities who have taken at least one Macroeconomic course. It deals with macro-monetary economic concepts in complete detail and makes them understandable to economics students. The book consists of 21 chapters – many of which are theoretically rigorous. It builds a macro model of an economy with the help of such famous macroeconomic concepts as IS-LM, Aggregate Demand-Aggregate Supply, Phillips Curve, Crowding-out, Expectations Theories, Purchasing Power Parity (PPP) Theory and Balance of Payments (BOP). It also includes applied theoretical chapters such as application of crowding-out, PPP, demand for money to the Indian conditions, and India's BOP movements.

The analysis in every chapter is carried out with as little mathematics as required for the exposition, and "simplicity in explanation" is considered as of paramount importance. Most of the explanation is carried out in terms of graphs. All figures are kept simple and there is more emphasis on economics rather than on statistics and/or mathematics. There is also some policy-oriented chapters on such topics as the anticipated full flexibility of Indian Rupee and Impact of Monetary policy in case of India. In general, the present book is the most expository, thorough, simplistic and applied monetary economics in the Indian market. The book springs out of Prof. Kulkarni's successful textbook in USA published by Kendall/Hunt Publishing Company, Dubuque, Iowa that is in the third edition. Besides these books Prof. Kulkarni has published two other research books and has authored 45 refereed journal articles many of which have appeared in famous Indian journals. He is considered as an authority in Monetary and International Economics areas. He has been awarded Outstanding Faculty Researcher/Scholar Award, but to him of no less significance is the nomination by his students in the Who's Who Among America's Teachers.

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# Power Relations and Panchayats in UP

U Kalpagam

**Unequal Partners: Power Relations, Devolution and Development in Uttar Pradesh** by G K Lietaen and Ravi Srivastava; Sage Publications, New Delhi, pp 297, Rs 395 (cloth).

THIS book explores aspects of dominance in rural Uttar Pradesh. Its primary focus is the role and performance of village panchayats in development. Through an analysis of ground-level reality in six villages spread over three districts from eastern, central, and western Uttar Pradesh, the study examines the constraints and potentialities of devolution of power and money to the lowest level decision-making authority, the village panchayat. The opening chapter traces the history and highlights some of the critiques of panchayati raj institutions, and notes that the isolation of village democracy from party politics as hitherto conceived was an important factor in its failure to have any significant impact on rural development. Although the transition towards a new model of open democratic participation since the 73rd constitutional amendment in 1993 is a significant departure, the efficacy of the present model in the authors' view is based on the assumption that the highly unequal access to resources in rural areas will be modified.

The next four chapters provide a detailed analysis of the dynamics of rural transformation in the state. The authors note that there has been some dynamism in the rural economy leading to the emergence of new economic classes in the public arena which has led to political turbulence as well. There has been a widening of the base of landownership on account of land reforms. Some backward and intermediate castes as well as some scheduled castes were able to become landowners. The abolition of zamindari only led to large-scale eviction of tenants without significantly altering the dominance of the major proprietary castes, the brahmins, thakurs, jats and ashraf Muslims. Agricultural dynamism instilled by the Green Revolution, which initially was confined to the western region, has spread to other regions as well, thus closing the gaps in growth and productivity between regions. Employment in agriculture has in general been disappointing although there has been an increase in real wages, but non-agricultural employment has increased even if it often involves temporary migration. In spite of this dynamism at the macro level, the

traditional hierarchies at the village level are not significantly altered for each of the six villages have their own particular social specificities such as the dominance of jats or brahmins, etc.

The succeeding chapters focus on power relations first at the level of the three districts – Muzaffarnagar, Rae Bareilly and Jaunpur – and then in the six villages taken up for the study – Siswa, Nawa, Teka Janwa, Jasra, Birpur and Belapur. Patterns of castewise dominance in land and asset ownership, education and occupational diversification are presented for all the six villages based on data from household surveys conducted by the authors. The unmitigated jat dominance in Muzaffarnagar district is reflected in their dominance in the panchayats of the two villages, Siswa and Nawa. In Rae Bareilly's two villages, Jasra and Teka Janwa, the traditionally dominant castes have now to contend with the emerging landholding 'other backward castes' (OBC). This according to the poorer classes, has mitigated to a considerable extent the *dabdaba* of the traditional castes. In the Jaunpur panchayat of Birpur, brahmins and thakurs are still dominant, while the Belapur brahmins have in recent years put up spectacular shows of violence and dominance in their village. The authors thus contend that by and large the congruence of caste and class still holds good, with only some uneven disjunctures between the two. Dominance has to some extent been challenged by the poorer classes. Both the decline in traditional services performed by the poorer classes on account of Biradari solidarity and the increase in real wages on account of the Jawahar Rozgar Yojana (JRY) have increased the bargaining power of the poorer classes. Although the authors have taken up 76 pages of the book to explain the nature of rural dominance before launching on their discussion of panchayats, these chapters are useful in understanding the constraints in the functioning of panchayats.

After surveying 250 panchayat members from 25 panchayats before the new panchayat elections in 1995 and a few members of the new councils, the authors report that many candidates to the

panchayats before 1995 were elected unopposed signifying some kind of dominance relations, many panchayats only existed in name but were otherwise non-functional as meetings were hardly held, and the village pradhans had in most instances become dominant and villagers were very frightened to talk about them. In the new panchayats formed after 1995, OBCs and SCs have gained representation and many are agricultural labourers or poor peasants with low levels of literacy. Similarly, although there were many illiterate and poor pradhans in the new councils, they often tended to be pradhans by proxy, the rich landowners being the king-makers. Such proxies also abound in the case of women members and women pradhans. The new legislation of reservation for women and SCs was not viewed favourably by the richer classes. Intense factionalism in the villages created obstacles for the panchayats in undertaking even small development projects like road construction. The authors' general conclusion is that panchayats are not functioning properly and in many cases were not functioning at all. It is to the credit of the authors that they interviewed a large number of women.

The panchayats' role in the village development programmes was also evaluated. The selection of the beneficiaries for the IRDP programme by the village pradhan often resulted in the selection of ineligible beneficiaries as well as corruption. Since 1989 the JRY funds have devolved directly to the panchayats which despite a poor record on the employment front has pushed up wages. Despite this record, villagers overwhelmingly supported greater devolution of resources to the village panchayats with the caveat that there be better supervision over the management of funds. The study also did an insightful exercise of prioritising development expectations of the different classes. Across the board, everyone wanted a more responsive administration; the poorer classes favoured land reforms and redistribution of assets.

The overall conclusion of the book is that whatever be the deficiencies of the panchayat system, it has opened up expectations of a more broadbased participatory democracy, and since these expectations cannot be rolled back, there is ground for optimism in the future. Combining anthropological and economic methods of inquiry, the authors have provided a serious study of an important aspect of the democratisation process.

# Sense on Pokhran II

Vijay Prashad

**Riding the Nuclear Tiger** by N Ram; LeftWord Books, New Delhi, 1999; pp viii + 120, Rs 175 (hardcover), Rs 60 (paperback).

MOST commentaries on the Indian and Pakistan nuclear 'tests' remain at the level of the superficial, as we read reports of 'popular support' and of the machinations of the various international regimes vis-a-vis the two states. Only a few commentators have offered us balanced and reasoned analyses of these events, one of whom is N Ram (whose *Frontline* carried splendid technical and political pieces). Under review is Ram's book, *Riding the Nuclear Tiger*, written in conjuncture, as he notes, with the physicist T Jayaram. The book is without parallel as a summary account of the perils of 'atomic diplomacy' Indo-Pak style. In this review, I will examine some of Ram's main points, but I will also amplify them with the experience of Kargil (since I read Ram's book with those events in the background).

It does not take Ram long to cast away the infamy of 'deterrence'. Drawing from a host of wonderful material, Ram cuts at deterrence from two angles. First, he shows that 'deterrence' itself is both a logical fallacy and a historical failure. On the latter count, the nuclear powers did not feel deterred by the policy of Mutually Assured Destruction (MAD). On the contrary, many of these states pursued adventurist interventions across the globe at the expense of each other (hence, Kargil). Second, for the subcontinent, both India and Pakistan lack an acceptable early warning system to offer each other the comfort of deterrence. Rather than take shelter in the hope of MAD, each side will, if nuclear weapons enter the arsenal, await a 'first-strike' from the other. Any error in the instruments may result in an accidental, but no less deadly, release of nuclear missiles. In the event of a nuclear exchange, "neither Pakistan or India will be spared the effects of the fall out of radioactive material" (p 30). Given the lack of confidence between the two states, and given Pakistan's inferiority in conventional weapons, there is every indication that a nuclear strike might occur. "If there is a grave crisis with the possibility of nuclear confrontation", Ram notes, "the temptation to move towards a first-strike posture will be overwhelming if nuclear weapons are already deployed. Armies in the real world plan for the use – not the non-use – of their weapons" (p 82). This is what perhaps prevented the Indian army from opening a second front in Rajasthan during the Kargil conflict.

The anti-communist edge to atomic diplomacy was on display in the days after

Pokhran II when the BJP-led government targeted China as the threat to India. Ram quotes from Aijaz Ahmed who noted perceptively that "this focus on China is deliberate, as the beginning of a methodical red-baiting offensive within the country, as the inauguration of an arms race on the Asian continent, and as an appeal to long-term US goals in Asia" (p 6). As Ram asserts, "the appeasement policies followed by the BJP-led government after the nuclear explosions have enabled the enforcers of the Washington Consensus, led by the US, to tighten their grip over India's economic and political policies in a manner that could not have been foreseen in, say, early 1998" (p 10).

The attempt to appease the US led India to forgo a rather useful history of anti-nuclear activism. Indeed, Ram argues that "with their nuclear misadventure, the government of the Hindu Right and the strategic affairs apologists have attempted to lay a rich 50-year legacy to waste, and in doing so have alienated people of goodwill everywhere" (p 8). The 'swadeshi' decision to demonstrate 'shakti' was followed without much ado with the 'videshi-backed' acceptance of the protocols of the CTBT. India, until recently, refused to sign any treaties that perpetuated the discriminatory nuclear bargain. To deal with 'nuclear apartheid', the Indian government from 1945 until 1998 "worked out for its own guidance clear rules for the game that kept the independent element and the peaceful development element in balance and thus stood the country in good stead". This included India's refusal to allow "full-scope safeguards" or for external surveillance of its peaceful nuclear programme (p 50). To sign the CTBT now, as the BJP seems wont to do, shows both "the subversion of a well-tested policy committed to independence as well as peace" as well as "exaggerated claims" about the capacity of India to be a nuclear power (p 74). C N R Rao argues that Pokhran II exemplified "trivial science" (p 60) – little that was learnt there will help produce a modern, nuclear armory. Drawing from this sort of comment (and from extensive work by T Jayaram), Ram points out that "India's current nuclear status is probably best described as 'pseudo-weaponised' and it is extremely unlikely that its 'nuclear deterrent' will become 'credible' in any global sense in the foreseeable future" (p 76). This is an argument that one has not heard anywhere else, and it is unique both to this book and

to T Jayaram's columns in *Frontline*.

What should the Left do in response to 'atomic diplomacy'? Ram argues that "from a democratic and progressive standpoint, the pursuit of independence on the nuclear question needs to go hand in hand with the non-hawkishness, self-restraint, and a genuine commitment to the global de-legitimisation and elimination of nuclear weapons". As he rightly points out, this stands diametrically opposed to the Jaswant Singh-Arun Shourie line that calls for one set of rules for nuclear powers and another for those without nuclear bombs (p 52). Ram's position also stands some way apart from those who draw upon Edward Thompson to call for a unilateral abandonment of the nuclear option. In the face of imperialist pressure, states like India must neither elect the nuclear bomb nor should they compromise their sovereignty by signing a discriminatory nuclear bargain. It is far better to stand apart from the hypocrisy of the NPT-CTBT and to fight for a genuine disarmament regime.

"After our nuclear tests", said General Pervez Musharraf (chief of army staff, Pakistan), "Pakistan is talking to India on an equal basis. We are not talking to India from a weak position" (p 62). Before Pokhran II, India held a large conventional weapons advantage over Pakistan. With Chagai, the imbalance was rendered useless, since Pakistan could now threaten to use the ultimate weapon if it was put into a conventional bind. In order to make Kashmir an international issue, Sharif and his Generals indulged in an adventure that would horrify the world with the prospect of nuclear war and therefore draw the 'international community' into deliberations over Kashmir. Indeed, as Sharif and Vajpayee prepared to meet in late July 1998 "a Pakistani barrage of bombardments, begun in early July, peaked and the targets shifted inwards, hitting positions as far away as 20 km from the LoC". With the high casualties as a backdrop, Pakistan came to the SAARC meetings to ask that India and Pakistan discuss nothing else but Kashmir. 'Bus Diplomacy' and the Lahore Declaration provided little confidence measures for the two sides. As Ram notes, "those who read into Vajpayee's pacifist rhetoric at Lahore the message that the bellicosity of the Hindu Right on relations with Pakistan is behind us are living in a world of maya" (p 90). For instance, the Pakistani government, whatever its motives, did offer not to deploy nuclear weapons (as in Sartaj Aziz's November 1998 statement). Fernandes did not respond. "The leading share of responsibility for the failure of the Lahore exercise to achieve real progress towards resolving the India-Pakistan nuclear stand-off rests", Ram argues, "with the BJP-led government" (p 88).

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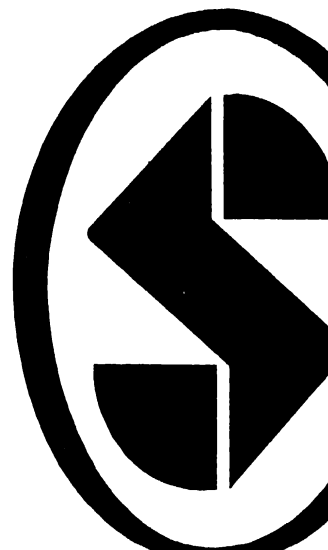
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# Electoral Politics in Indian States, 1989-99

Aditya Nigam  
Yogendra Yadav

THIS special number brings together a collection of articles on electoral politics in India in the last decade. Most of the articles here focus on one state and take a close look at the trends and patterns in the series of parliamentary and state assembly elections since 1989. The authors examine the electoral outcome as revealed in the aggregate data by placing it in the context of the structural attributes of state politics. In addition to this, they also weave into their interpretation the available survey data from the various surveys carried out by the Centre for the Study of Developing Societies (CSDS). There are also some general articles that examine the process of electoral and political change at the national level in this period by focusing on a party (Congress and the BJP), a group (dalits) or a process (caste and politics). But such is the salience of the state level analysis in this period – characterised as the 'third electoral system' by Yogendra Yadav in his overview – that even those articles that do not focus on any state place state politics at the centre of their analytical frame.

Competitive politics in India has undergone a major change in the last two elections – a process that began around the turn of the decade. The transformations within it reveal a bewildering array of patterns and give the impression of a gigantic mess that one cannot possibly make sense of. The electoral developments in the states do point, as most articles presented here will show, to the emergence of certain bipolarities, either in the form of competition between two parties, or often between two competing alliances. But there the similarities – or the possibilities of a larger pattern – seem to end. Beyond this express level of 'commonness', we can see at play an extreme fluidity of electoral-political permutations and combinations.

A common theme that runs through most of these articles is how the old, received, but hitherto dormant identities get mobilised and inserted into the grids of the representational democratic process. D L Sheth draws our attention to the three processes that are transforming the insti-

tution of caste: de-ritualisation, classisation and politicisation. Several articles bring out how dormant social identities acquire a new salience in the context of electoral competition. They could be of the type in Assam where the endless unravelling of identity leads to one kind of fragmentation (and also subsequent 'normalisation'); or they could be the Gujarat type of conflicts where the Hazooria-Khajooria divide within the BJP reveals eruption of social conflicts inside the very instruments/parties that were meant to externalise them. Social conflicts could, on the other hand, take a more explicit form as they do in the politics of Bihar. But even there, we could have the painful forging of a 'bahujan' or 'shudra' identity go through endless negotiations – often excessively influenced by conflicts between regions like the east and the west in UP or between the yadavs and the kurnis and koeris in Bihar. The unravelling of the old OBC bloc that has been going on for some time now seems to have reached its culmination. Recent developments have further accentuated this process with the remainder of the JD going to the NDA. Recent developments in Karnataka present another instance of this process. The divergences in voting behaviour between the assembly and the parliamentary elections which formed a kind of stable pattern in the past have been unsettled.

Equally importantly, it seems no longer possible to think of even 'national parties' like the Congress as homogeneous entities. In their study Anthony Heath and Yogendra Yadav show that the Congress represents different social forces in different states, depending upon whom it is facing as the main opponent. Oliver Heath examines the relationship between the BJP's entry into new regions and alliance building on the one hand and the broadening of its social base on the other. Both these articles demonstrate that the 'national' and 'regional' parties are not all that different from one another – the profiles of the former are also subject to continuous remaking through the mobilisational successes of the latter.

These and other articles that follow are exploratory in nature. Far from providing a definitive answer or a collective theory, they are aimed at raising some questions and preparing the ground for more nuanced and rigorous studies of democratic politics. These explorations are anchored in the desire to escape the two extremes of the discipline of political science – mindless empiricism on the one hand and impressionistic theorisation on the other. For the last two decades studies of Indian politics have suffered from a lack of reliable information base. The authors of the papers in this issue are part of an ongoing collective effort at gathering data on politics through large-scale surveys of the electorate. They along with some others form a network of scholars working in association with Lokniti: Institute for Comparative Democracy, a research programme of the CSDS. This network came into being through participation in the research projects National Election Study 1996 (NES 1996) and National Election Study 1998 (NES 1998). These studies build upon the legacy of National Election Studies of 1967 and 1971. They are empirically grounded yet theoretically sensitive studies of Indian politics which attempt to go beyond the mere numbers of electoral politics to try and understand the larger forces and long-term changes taking place in Indian politics and society. The studies presented here provide a first cut analysis of the data thus obtained.

NES 1996 and NES 1998 include five waves of all-India surveys of a nationally representative sample of the electorate, conducted before and after the Lok Sabha elections in those years. A target sample of 15,030 was approached and face-to-face interviews were conducted with 9,697, 9,266 and 9,832 respondents in the pre-, mid- and post-poll surveys respectively in 1996. The same panel was continued for the study in 1998 with some additions for new voters and actual interviews were conducted with 8,938 and 8,133 respondents in the pre- and post-poll surveys, respectively. The sample was spread across 20 states and union

territories, 108 Lok Sabha constituencies (one-fifth from each state), 216 Vidhan Sabha constituencies (two each from the sampled Lok Sabha constituencies) and 432 polling booth areas (two each from the sampled Vidhan Sabha constituencies). The Lok Sabha and Vidhan Sabha constituencies were selected by circular sampling (probability proportionate to size) and the polling booths by simple circular sampling. Each state was allotted a sample size in proportion to its share in the national electorate. Within a polling booth area the respondents were selected from the electoral register by circular sampling with a random start. An analysis of the sample profile convinces us that the NES series meets its goal of achieving a nationally representative sample that can stand rigorous scrutiny. We believe that this ongoing series should prove a valuable source of data for anyone working on democratic politics and social change in India.

[We would like to acknowledge the editorial help of Aditya Nigam, honorary associate fellow of Lokniti, CSDS, in

putting together these papers for publication. Earlier versions of most of these papers were presented at the two national workshops for state co-ordinators involved in NES 1996 held at the Department of Political Science, Utkal University, Bhubaneswar in November 1996 and at the CSDS, Delhi in December 1997. Thanks are due to Mrs Kanchan Malhotra, Himanshu Bhattacharya and K A Q A Hilal of the CSDS Data Unit for providing survey data analysis and aggregate election data for these articles and to Bhuvan Chandra for word processing.

The financial support of Indian Council of Social Science Research and *The Hindu* for NES 1996 and *India Today/TV Today* for NES 1998 is gratefully acknowledged.

At the national level the new NES series has been co-ordinated by V B Singh (principal co-ordinator) and Yogendra Yadav (national co-ordinator 1996) and Sanjay Kumar (national co-ordinator 1998), all from the CSDS. At the state level, the surveys have been co-ordinated by Prakash Sarangi (Andhra Pradesh

1996), K Srinivasulu (Andhra Pradesh 1998), Apurba K Baruah (Assam and the north-east), Sanjay Kumar (Bihar and Delhi 1996), Rajendra Ravi (Bihar 1998), Anupama Singh (Delhi and Uttar Pradesh west 1998), Peter R deSouza (Goa), P M Patel (Gujarat), T R Sharma (Punjab, Himachal Pradesh and Haryana 1996), Sudhir Hilsayan (Haryana 1998), Sandeep Shastri (Karnataka), G Gopa Kumar (Kerala), Ram Shankar (Madhya Pradesh), Suhas Palshikar (Maharashtra), S N Misra (Orissa 1996), Bijoy K Bohidar (Orissa 1998), S N Singh (Rajasthan 1996), Sanjay Lodha (Rajasthan 1998), G Koteswara Prasad (Tamil Nadu and Pondicherry), V K Rai (Uttar Pradesh east), M Aslam (Uttar Pradesh central 1996), M S Mishra (Uttar Pradesh central 1998), Pradeep Kumar (Uttar Pradesh west 1996 and Uttar Pradesh north 1998), Sajal Basu (West Bengal 1996) and Surojit Mukhopadhyaya (West Bengal 1998).

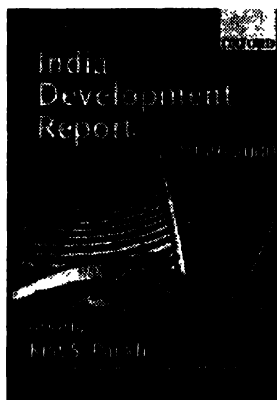
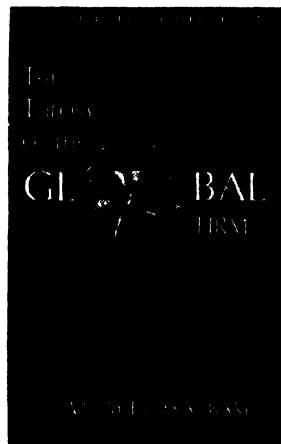
Finally, our gratitude to the team of investigators for doing fieldwork under trying circumstances and to all the respondents for their time and patience.]

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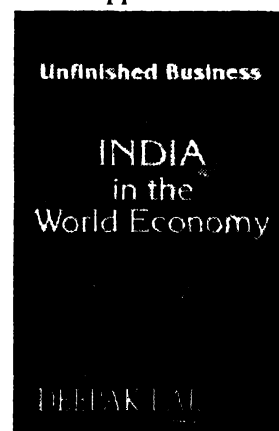
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# Electoral Politics in the Time of Change

## India's Third Electoral System, 1989-99

Yogendra Yadav

*The popular reading of the last decade of electoral politics is of a rapid decline and impending collapse of Indian democracy. This essay attempts to contest this all too familiar view from above without yielding to the temptation of building its mirror-image. The changing outcome of the electoral game in this decade is seen here as the reflection of a fundamental transformation in the terrain of politics which in turn is anchored in the process of social change. The voters choose differently in this decade, for, the structure of choice inherent in elections has undergone a change. Yet the choice often turns out to be far from the act of sovereignty that the fiction of liberal democracy makes it out to be.*

AN attempt to understand the politics of electoral choice in contemporary India brings us face to face with a tension that lies at the heart of India's current democratic transition, if not at the heart of democratic theory itself. The current decade represents the full unfolding of the contradiction between the logic of political equality and that of social inequality, something that Ambedkar had warned against in the Constitution assembly itself. The dynamics of political equality triggered off by the institution of universal adult franchise and the self-reproductive processes of the structure of socio-economic inequality inherited from the past have both crossed a certain threshold without being able to tame the other completely.

As the participatory upsurge leads to the downward spread of democracy, the political processes begin to disturb the inherited ritual social hierarchy and trouble the established elite with hitherto unknown anxieties. Since elections are associated with much of this upheaval, the spectacle of election has come to occupy an aura of 'samudra manthan', the grand ritual churning of the social sea by the small gods of democracy with the help of the modern instrument of a vote. But just as this churning seems poised to yield the proverbial 'amrita', it comes up against the rocky bed of economic inequality. The maya of collective action and the invisible 'rakshasa' called Ideology conspire against all the small gods. The churning does not stop, the spectacle goes on. Yet at some level it turns into a harmless game, subtly delinked from some of the gravest threats it posed to the lords who inherited the sea.

It is hardly surprising that the enactment of this story through a series of elections, all in the course of 10 years or so, has stumped analysts of Indian politics, often deceiving them into a surface reading of the entire process as no more than a horse-race of political entrepreneurs.

Interpreting modern politics is a demanding activity in the best of times. But the cognitive demands placed on the interpreter of contemporary Indian politics appear excessive even by that standard. For one thing, the received conceptual frames of various hues were never designed to grasp the specificity of the path of democracy in a poor, non-western society. Besides, there was no way the feeble intellectual attention given to the task of collecting relevant information and making sense of it in India could have met the scale and the pace of events in the last decade.

The most common reading of the last decade of electoral politics, in its academic and popular versions, is a story of the rapid decline and the impending collapse of Indian democracy. It finds signs of widespread election fatigue leading to popular disinterest in and cynicism towards politics. The last decade stands out for sudden outburst of some of the maladies inherent in our system: the endemic multiplication in the number of political parties and the fractionalisation of the political space; the rise of regional parties and caste-community based parties that threaten to unleash fissiparous tendencies and a clash of primordial loyalties; end of ideology-based politics and the decline of political morality; and, of course, excessive political corruption, non-governance, disorder and instability. To sum up: our politics is one big mess.

The principle ambition of this overview of the electoral politics of the last decade is to contest this all too familiar view from above without yielding to the temptation of building its mirror-image. The changing outcome of the electoral game in this decade is seen here as the reflection of a fundamental transformation in the terrain of politics which in turn is anchored in the process of social change. The voters choose differently in this decade, for the structure of choice inherent in elections has under-

gone a change. The size, the composition and the self-definition of those who choose have changed. More and more citizen from the lower rungs of society participate in this ritual of choosing, they come not as individual but as groups, and they bring with them their own tastes and worldviews. They have much more to choose from and they exercise their right to reject very frequently, as the site of choice has moved closer home. Yet the choice turns out to be far from the act of sovereignty that the fiction of liberal democracy makes it out to be. The voters can choose from a given set, but they cannot determine which set to choose from. They can elect someone and then throw himself out, but there is precious little that they can do to ensure that the representatives actually represent them once in power.

### THIRD ELECTORAL SYSTEM

The period since 1989 is best characterised as a new electoral system, the third one since the inauguration of democratic elections in 1952. Normally the expression 'electoral system' is used in the limited sense of the formal rules that specify the procedure (first-past-the-post or the proportional system, for example) followed in elections. In that sense there has been no change in our electoral system. But political historians have also used the same expression to capture a certain constellation or pattern of the outcome and the determinants of electoral choice that characterise a certain period of history.<sup>1</sup> In this substantive political sense, we can talk of a new electoral system when we detect a destabilisation of and its replacement by a new pattern of electoral outcomes as well as its determinants.

In this substantive sense the first four general elections from 1952 to 1967 fall under the first election system. The one party dominance of the Congress meant that the elections in this period were not seriously competitive in this period marked

by a low level of electoral participation. The choice was between the omnipresent Congress and its regionally fragmented opposition; often the opposition came from within the Congress. Electoral loyalties were fixed at the national level unless the constituency level preferences dictated short-term deviations from it. The voter of course did not vote as an individual, but rather as a member of politicised 'jati'. Next to the candidates' party, their jati had some effect on the voting behaviour. In social terms the castes that enjoyed the benefits of early entry into modern education or early politicisation through the national movement or both dominated the list of elected representatives. The 1967 election had already signalled a transition, for the monopoly of the Congress and the savarna jatis was challenged for the first time in north India. The process had started much earlier in the south.

Although Indira Gandhi's unprecedented electoral victory in the 1971 election was initially seen as the restoration of the Congress dominance, in retrospect that election looks like a beginning of the second electoral system. The apparent continuity of the Congress was deceptive; the Congress that Indira Gandhi led to power in 1971 was a new party that had to negotiate a new terrain of electoral politics. The move towards the new system was triggered off by the first democratic upsurge in the late 1960s. The upsurge brought a great many new entrants from the 'middle' castes or the OBCs into the game of electoral politics and turned it truly competitive. Congress was no longer the single dominant party but throughout the 1970s and 1980s it continued to the natural party of governance, the pole around which electoral competition was organised. The success or the failure of the attempts by the 'opposition' to put up a united front against the Congress made a decisive difference to the electoral outcome. Elections turned into plebiscites where the effective unit of political choice was the entire nation, sometimes split along the north-south lines. A typical electoral verdict in this period took the form of a nation-wide or sometimes state-wide wave for or against the Congress. The local specificities of a constituency simply did not matter. These electoral waves flattened the terrain of electoral competition, leaving little room for local variations. In social terms it was a period of cross-sectional mobilisation via state-wide jati alliances like KHAM in Gujarat or AJGAR in Uttar Pradesh. Ideologically, it was an era of populism, as the borrowed framework of western

ideologies was adapted to suit popular taste.<sup>2</sup>

On the face of it, the 1989 electoral verdict appeared no different from the earlier wave elections of the second electoral system. In many ways that election indeed belonged to the earlier period. The rise of V P Singh had galvanised the opposition to the Congress. The anti-Congress wave in north India followed the same logic of opposition unity (captured so well by David Butler and Pranoy Roy's index of opposition unity) as the 1977 wave. The Congress and the opposition tried their old social alliances. Yet there were signs of the new order yet to be born. Under the umbrella of Janata Dal, state-wide political formations had already begun to exercise a significant role in national politics. Devi Lal and Biju Patnaik were already major political players. The election result also carried signs of shifting social basis of politics: Muslims in UP and dalits and OBCs in Bihar had already begun to upset the given social equations for political parties. In that sense the 1989 election lies at the cusp of the second and the third electoral system.

The decisive stimulus for change came between the 1989 and the 1991 in what was christened as the three Ms of Indian

politics: Mandal, Mandir and Market. The almost simultaneous and sudden occurrence of these three events – the implementation of the Mandal Commission's recommendations for OBC reservations, the BJP's rathyatra that catapulted the Babari masjid dispute into national prominence and the forex crisis leading to the implementation of the first phase of IMF sponsored package of 'liberalisation' – created an extraordinary opportunity for reworking the established political alignments. All the three offered the possibility of creating a new cleavage that cut across the established cleavage structure and thus engaging in a new kind of political mobilisation. Eventually, not all the three cleavages could be activated in politics, at least not in the same degree. But the simultaneity of this change did result in a transition of the electoral system and allowed several latent forces to surface in electoral politics.

The 1991 verdict finally inaugurated the new system. The earlier logic of regime alteration and that of Congress victory in the context of divided opposition clearly indicated a massive victory for the Congress in 1991, a repetition of the 1980 wave. But it did not happen. The Congress improved only marginally, not enough to

TABLE 1. VOTE SHARE OF MAJOR FORMATIONS IN LOK SABHA ELECTIONS, 1989-1998

	1989	1991	1996	1998
Congress	39.5	36.6	28.8	25.9
Congress allies	0.3	2.1	0.9	0.3
BJP	11.5	20.0	20.3	25.5
BJP allies	–	0.8	4.6	10.6
Left Front	10.2	9.7	9.1	7.8
Janata family	18.7	15.1	11.4	11.2
BSP	2.1	1.6	3.6	4.7
Independents	5.3	3.9	6.3	2.4
Other	23.9	10.2	15.0	11.6

Notes: Congress allies: 1989 = UDF partners. 1991, 1996 = UDF partners, AIADMK. 1998 = UDF partners. BJP allies: 1991 = Shiv Sena. 1996 = Samata, HVP, Shiv Sena. 1998 = Samata, HVP, Shiv Sena, Akali Dal (Badal), Lok Shakti, AIADMK, MDMK, PMK, TDP, BJD, Trinamul Congress, Loktantrik Congress. Left Front = CPIM, CPI, FBL, RSP in 1989, 1991, 1996 and 1998. Janata family: 1989 = JD, JP. 1991 = JD, JP(S). 1996 = JD, SP. 1998 = JD, SP, RJD.

Source: CSDS Data Unit.

TABLE 2: NUMBER OF PARTIES: TOTAL AND EFFECTIVE AT NATIONAL, STATE AND CONSTITUENCY LEVEL, 1952-1998

Election year	52	57	62	67	71	77	80	84	89	91	96	98
Total no of parties in Lok Sabha	21	13	21	19	25	19	18	22	25	25	29	40
Effective No of parties [National]	4.1	3.5	4.2	4.7	4.4	3.4	4.2	3.9	4.7	5.1	6.9	6.9
Effective no of parties [average of all states]	3.1	3.4	3.4	3.6	3.0	3.5	3.2	3.0	2.5	3.0	2.7	3.0
Effective no of parties [average of all constituencies]	3.3	3.0	2.8	2.9	2.4	2.1	2.7	2.4	2.5	2.9	3.0	2.7

Note: All the calculation of the effective number of political parties in this table is based on the vote share of the parties in various Lok Sabha elections and uses the Taagepera and Shugart (1989) formula.

Source: Heath 1999: 66-71.

have a clear majority. But for the additional votes brought in by Rajiv Gandhi's assassination, it would have remained at the same level as in 1989. The BJP's success in UP, Gujarat and Karnataka defied all the established patterns of political sociology and political geography. The state parties did not look like a flash in the pan: they were here to stay. Clearly we were in a new political era. The near majority that Congress mustered allowed it to postpone the arrival of the by now familiar consequences for the new system by another five years. The full implications were to unfold in the 1996 and the 1998 Lok Sabha elections. But the outlines of the new system were clear in the series of assembly elections held between 1993 and 1995.<sup>3</sup>

Electoral outcomes in the subsequent elections have established beyond doubt that we now live in a different era. But there is no need to recount all the changes here. The rise and fall in the fortune of political parties and leaders in this period is too obvious to be missed out even by a casual spectator. What is required however is an account of what has changed, not by way of events and personalities but with reference to the processes and structures that bind the day-to-day routine of the electoral race. For an obsession with the rapidly swinging fortunes in the political games can turn our attention away from the silent yet fundamental changes in the ground rules of this game. Also, we need to ask whether these fundamental changes have resulted in a meaningful realisation of the promise of electoral democracy, the promise of self-governance.

#### POST CONGRESS POLITY

The most obvious and easily identified characteristic of the third electoral system is the change in the choice set available to the voter. Table 1 summarises the changes in the vote share for the major political formations since 1989. A continuous decline in the vote share for the Congress in every election stands out as the defining feature of this distribution of vote shares. Clearly the changes are so basic that we are justified in talking of a new party system. In the first two systems under the Congress era the voter exercised only one choice, whether to vote for or against the Congress. That is no longer the case, and not just because there are many non-Congress alternatives. Congress is no longer the pole against which every political formation is defined. In this sense we are in a post-Congress polity now. Even in those states where there is a direct race between the Congress and its rival,

the Congress is no longer the natural party of governance. In fact there is good evidence (see Heath and Yadav in this issue) that the Congress vote in the 1990s is defined by its opponent. Congress picks up residual votes after its opponents have targeted and mobilised a certain section. The vote for the Left Front in West Bengal and Kerala had long ceased to be merely an anti-Congress vote; it is more meaningful to see the Congress vote in West Bengal as anti-Left Front vote. In Delhi, Rajasthan and Gujarat the Congress has been replaced by the BJP as the natural party of governance. In Bihar, UP and Tamil Nadu any talk of Congress/anti-Congress vote is bound to invite ridicule today. Unlike the BJP, the Congress is yet to accept the imperatives of coalition politics and alliance building. The way three of its strong units (Maharashtra, West Bengal and Tamil Nadu) broke away from the parent party and does not augur well for the future of the party. The Congress is there to stay but the Congress era in politics is behind us.

The rise of the BJP to power and a consistent rise in its vote share with every election since 1984 has been accompanied by a three-dimensional expansion in the 1990s (Olliver Heath in this issue). In geographic terms it has expanded much beyond its north Indian, Hindi heartland core to include Gujarat and Maharashtra in its core areas. More importantly it has developed substantial presence in Karnataka, Andhra Pradesh, Orissa and Bihar and a foothold in West Bengal and Tamil Nadu. In social terms it is no longer an urban bania-brahmin party. It has developed a formidable rural base, extending well into the lower OBCs and

some adivasis. The BJP and its allies were the highest vote getter not only among the upper class Hindus but also among the OBCs as a bloc. In political-ideological terms, the party has expanded to win the confidence of various allies who have little patience with its Hindutva ideology. In this respect the formation of the National Democratic Alliance, the alliance with DMK and PMK in Tamil Nadu and with splinter JD in Bihar and Karnataka on the eve of 1999 elections symbolises the extent to which the BJP has been able to erase its status of a political untouchable in the aftermath of the demolition of the Babari masjid.

The third space – the alternative outside the Congress and the BJP fold – has seen major ups and downs in this period. Yet some developments are here to stay. The rise of the BSP as a recognised national party deserves more notice than it has received. After all, it is the first truly new party – whose genealogy cannot be traced back to the parties at the time of independence – that has managed to cross the high threshold of viability under our first-past-the-post system. Most other new entrants have managed to cross the threshold only at the state level. In this context the rise of state parties has changed the nature of political alternatives. Parties like the Samajwadi Party, Samata Party, Rashtriya Janata Dal, Nationalist Congress Party and arguably Mamata's Trinamool Congress or the TMC in Tamil Nadu are not cast in the same mould as the classical regional parties like the Akalis or the DMK or the TDP. Their political presence is state specific but their political vision is not. Each of these would go out of their way to claim that they are a national party.

TABLE 3: AGGREGATE VOLATILITY BETWEEN LOK SABHA ELECTIONS, 1977-1998

(Per cent)

Election years	1977-1980	1980-1984	1984-1989	1989-1991	1991-1996	1996-1998
Aggregate volatility	23.8	21.5	16.1	11.8	12.9	14.7

*Notes:* Aggregate volatility is calculated by measuring the 'swing' between a party's vote share between two elections. The value reported in the table is the sum of the swing for all the parties divided by two. Where new parties have emerged, or split, the entire vote share of the new party is taken as the swing. In this calculation only parties that gained either at least one seat or at least 1% of the national vote are included in the swing calculations. Independents have been excluded. Only parties that gained either at least one seat or at least 1 per cent of the national vote are included in the swing calculations. Independents have been excluded.

*Source:* CSDS Data Unit.

TABLE 4: TOTAL SEATS RETENTION BETWEEN LOK SABHA ELECTIONS, 1977-98

	1980	1984	1989	1991	1996	1998
Seat	154	338	200	301	264	263
Per cent	28	62	37	55	49	48

*Notes:* The table reports the number and percentage of the seats retained by all the parties in any Lok Sabha election

*Source:* CSDS Data Unit.

In some sense the Left parties belong to the same category. They are the only formation not to have undergone a basic change in its geographical or regional profile in the last decade, though have lost some votes, are more confined to their regional pockets and are a little more lower class- and caste-based than before. The third space has emerged in this decade as the spring of political alternatives. While its failure to consolidate into an all-India third formation has greatly reduced its say in national politics, this failure has also kept open a diversity of political choices within the mainstream of national politics.

#### POLITICAL FRAGMENTATION?

If the electoral choices available to the voter are to be judged by the number of political parties that seriously contest the elections and can put up viable candidates, there is some expansion of the choices available in the third electoral system. The number of political parties that have gained entry to the Lok Sabha has gone up dramatically in the last Lok Sabha. This does not indicate their real strength. There is little evidence to support the popular belief that this figure reflects a fragmentation of the party system or a mad proliferation of parties. Yet if we calculate the number of parties by their effective share of votes or seats, we find a marginal increase. But that is a function of artificial aggregation at the national level. If we look at the number of effective parties at the state level or at the constituency level, we find basically a bipolar competition. Duverger's law that postulates the emergence of two-party system in a first-past-the-post electoral procedure does work in India too, except that it works at the state level. Instead of producing a simple bipolarity at the national level, it has resulted into 'multiple bipolarities' (Sridharan *nd*). It does indicate an expansion in choice, but not of the kind suggested by the first impression of the national figure of the number of political parties.

Notwithstanding the new entrants, our system continues to maintain high barriers for newcomers, especially for those that operate at the level below that of a state. In practice all the peoples movements that stand for attempts to build political alternative operate at a local level and find it impossible to cross the minimum threshold of viability. The last decade has seen various experiments by the erstwhile non-party political formations to register their presence in the electoral arena: Chhattisgarh Mukti Morcha, Karnataka Rajya Rayyata Sangha, UTJAS in north Bengal, Samata Sangathan in Orissa and Bihar, Bahujan

Mahasangha in Maharashtra, to name a few. The eventual outcome has either been a complete failure (even in those areas where these movements and their leaders have for a long time enjoyed mass support) or a gradual absorption after initial success. Clearly the present system has little room for micro political action to translate into effective political alternative. The failure of any third force to develop downward linkages with grassroots movements and upward linkages with each other in a national framework largely accounts for the absence of genuine and effective political alternative in the Third Electoral System.

Does the voter use the vote more effectively? If electoral volatility is any measure of the effective use of vote in mass elections, a simple look at the data may suggest that the voters are less decisive now than they were before. The era of wave elections witnessed massive swings between two elections. The 1990s have not witnessed anything like that. Table 3 quantifies this impression and shows that if we sum up all the swings for various parties, there has been a decline in it in the 1990s. The last three elections have not seen anything of the kind of swing witnessed in the previous three elections. The figures for the last two elections would have been lower than the table depicts, if the artificial effect of the formation of new parties or party splits was taken out of the calculation.

But as in many other cases, the aggregate figures conceal more than they reveal. As Tables 4, 5 and 6 show quite conclusively, the elections of the 1990s have seen a very high degree of volatility. Table 4 shows that although the overall

composition of Lok Sabha has not changed very much, an extraordinary proportion of seats have changed hands between two elections. In the last two elections more than half of the seats have changed hands, a very high figure by any standard. Table 5 confirms this impression by examining the 'hard core' evidence of survey panel. It shows that all the parties, including those in ascendancy lose anything between 35 to 50 percent of their voters across two elections, another unusually high figure. A third way to examine the volatility is to look at how the incumbent governments fared in the various assembly elections since 1989. Table 6 shows that the failure rate of the incumbent governments at the hustings is as high as 77 per cent. The figure touches 82 per cent if we look exclude the small states and Uts where competitive politics is sometimes yet to take off. In other words, barring a few exceptions, all the state governments have faced defeat at the polls in this period. And those who did not were governments that did perform in one respect or the other.

Clearly, whatever the choice set available to the voters, the election outcome of the last decade indicates that they use it quite effectively and often in a very discerning manner.

The voters have also been effective in bringing about a noticeable change in the composition of the political elite. Politics of presence or representational democracy is the most immediate form of assertion by the newly enfranchised communities. To those already enfranchised, this is the time to go for the higher forms of political representation. To be sure this change is very uneven and holds mainly for numerically large and electorally

TABLE 5: VOTE RETENTION BY PARTIES/ALLIANCES BETWEEN LOK SABHA ELECTIONS, 1991-1998

	INC+	BJP+	NF/UF	LF	BSP
1991-96	53	65	53	68	56
1996-98	53	63	38	61	41

*Note:* Table entries refer to the percentage of those who voted for a party in the previous elections who continued to vote in the next one. The data includes only panel respondents. The data on 1991 is based on recall in 1996 pre-poll survey.

*Source:* NES 96, NES 98

TABLE 6: INCUMBENT PARTY'S PERFORMANCE IN ASSEMBLY ELECTIONS, 1989-1999

	Total Number States No	Information Available on No	Incumbent Won		Incumbent Defeated	
			No	Per Cent	No	Per Cent
Major states	35	33	6	18	27	82
Minor states/UTs	28	24	7	29	17	71
All states	63	57	13	23	44	77

*Note:* Major states include all the states with 10 or more Lok Sabha seats. The rest, including Uts with elected assemblies are treated here as minor states/UT. Those cases where it was difficult to determine who was the incumbent or who really won the election have been excluded as No Information.

*Source:* CSDS Data Unit

decisive communities. As such the OBCs are the biggest gainer in the race for political parties to accommodate them in their organisational and legislative wings. There is no appreciable increase in the presence of women in the legislatures, nor have the Muslims gained much from it. Yet times of political turbulence, close electoral contests and frequent elections bring numerous gains to marginal groups. A large number of lower OBC castes have had their first MLA or the first MP in this decade. It is in this decade that India had two prime ministers from the south and the first dalit woman as the chief minister.

#### DEMOCRATIC UPSURGE

If there is so much turbulence at the level of electoral outcomes, one of the fundamental reason for it is that the participatory base of electoral democracy is expanding in the 1990s. Once again, aggregate figures can be deceptive here. The upsurge does not always show up in any dramatic jump in the overall turnout figures and that is why analysts have tended not to notice it. Table 7 presents these overall turnout figures. But now there is sufficient evidence to conclude that the electoral political arena in this period has witnessed greater participation and more intense politicisation than before.<sup>4</sup> This tendency is particularly strong among the shudras, used here as a generic category for all the marginal social groups including women.<sup>5</sup> The dominant peasant proprietor OBCs were already fairly politicised in the second system, but now there is an extension of this trend to the lower OBCs as well. Table 8 presents the odds ratio for voting for different caste, community or class groups. The odds that a dalit will vote are much higher today than that of an upper caste. This has been accompanied by a significant rise in their sense of efficacy and their involvement in more active forms of political participation. This is perhaps due to the fact that it was only in this decade that a sizeable chunk of dalit electors were able to actually exercise their voting right for the first time, especially in north India. The huge turnout gap between the adivasi and the non-adivasi voter has been bridged in the last three elections, though the adivasi citizen is yet to catch up in the active forms of political participation. Table 9 looks closely at the women's turnout to show that the proportion of women among the voters has gone up after stagnating for nearly two decades. Their proportion among the politically active citizen has also registered a major leap. Table 10 looks at the turnout for different constitu-

encies grouped by their degree of urbanity. We know that in the first two decade of electoral democracy, urban areas recorded higher turnout. Now the rural constituencies have overtaken the urban constituencies in electoral turnout.

As shudra participation has increased in the last ten years, the socially and the economically privileged sections of society have recorded decreasing levels of political participation. An urban, educated, upper caste citizen is far more likely to be non-participant and cynical about matters political than his counterpart among the rural, uneducated, lower caste. Even a cursory look at the participation profile in other democracies is enough to demonstrate that this trend is very unusual. The textbook rule about political participation is that the higher you are in social hierarchy, the greater the chance of your participating in politically activity including voting. Contemporary India is perhaps the only exception to this rule among functioning democracies in the world today. The participatory upsurge of the shudras is the defining characteristic of the Third Electoral System. The continuous influx of people increasingly from the lower orders of society in the arena of democratic contestation provides the setting, the stimuli and the limits to how the election system unfolds.

#### CREOLISATION OF DEMOCRACY

The influx of lower orders into the field of democratic contestation has left its impressions on the vocabulary of this contestation, for the new entrants brought with them their beliefs as well. For the first time the neat arrangement of the borrowed high ideological spectrum was disturbed by homespun ideological fragments. The

raw narratives of social justice articulated by a Kanshi Ram or a Laloo Prasad Yadav achieved what Lohia's sophisticated philosophy of history failed to do three decades ago, namely, to make it respectable to talk about caste in the public-political domain. The emergence of 'social justice' as a rubric to talk about caste equity, political representation of castes and communities and issues of communitarian self-respect and identity is a distinct achievement of this period.

Yet the participatory upsurge has not led to anything like an effective control of the lower orders on the issues or the agenda

TABLE 8: ODDS-RATIO FOR VOTING: 1971 AND 1996 AND 1998

	1971	1996	1998
<i>Community</i>			
Hindu Upper	1.11	0.90	0.97
Hindu OBC	0.82	1.07	0.94
SC	1.04	1.22	1.21
ST	0.65	0.91	0.95
Muslim	1.59	0.92	1.12
Sikh	1.53	0.86	1.60
Christian	2.29	1.13	1.05
<i>Economic status</i>			
Very Poor	0.89	1.24	0.92
Poor	0.98	1.13	1.05
Middle	1.14	0.94	1.18
Upper middle	1.06	0.89	0.96
Upper	1.38	0.75	0.75
<i>Education</i>			
Illiterate	0.82	1.03	0.91
Up to middle	1.49	1.01	1.33
College	1.29	1.05	0.91
Graduate	1.07	0.70	0.66

Notes: The variable for constructing the economic status of the respondents was derived from their type of occupation and amount of land owned, and in 1971 and 1996, family's monthly income and in 1998 the type accommodation.

Source: National Election Study [NES] 1971 and NES 1996 and NES 1998

TABLE 7: TURNOUT IN LOK SABHA AND MAJOR ASSEMBLY ELECTIONS, 1952-1998

Lok Sabha elections		Major State Assembly Elections		
Year	Turnout (Per Cent)	Year	No of States	Turnout (Per Cent)
1952	45.7	1952	22	46
1957	47.7	1957	13	48
1962	55.4	1960-62	15	58
1967	61.3	1967	20	61
1971	55.3	1971-72	21	60
1977	60.4	1977-78	24	59
1980	57.2	1979-80	16	54
1985	64.1	1984-85	18	58
1989	61.9	1989-90	18	60
1991	55.9	1991	-	-
1996	57.9	1993-96	25	67
1998	62.1	1998	4	63

Note: A 'major' round of assembly elections is defined here as one which involved, within a year or two, elections to at least 2000 assembly constituencies. The figures for the last column do not conform to this definition. Calculations include provisional figures for state assembly elections held in 1995, the report for which has still not been released by the Election Commission.

Source: CSDS Data Unit.

of elections. The very raw narratives that ensured the presence of social justice as a theme also allowed for the marginalisation and containment of this concern. The homespun ideological fragments of this period were based on very small visions that failed to develop linkages with other larger issues. A support for caste based reservations, for instance, did not translate into any concrete stance on the Babari masjid dispute or on liberalisation and globalisation. This failure was most marked in the realm of the economic policy which was effectively withdrawn from the menu available to the voter.

This was made possible in large measure by the bifurcation of the electorate into two circles of intelligibility.<sup>6</sup> While the new entrants to democratic politics struggled to express their local concerns and interests in the alien vocabulary of liberal democracy, the elite marched further away for its rendezvous with the so called global village. This gave rise to two radically different languages of politics corresponding to the 'Bhasha'/English divide. The former, a language of democratic rights and social justice, was deployed to win elections while the latter, a language of macro-economic and bureaucratic management, guided the framing of policies. While one section had the consolation of winning the elections, the other could continue to rule. Just when the lower order had some access to political power, the most significant economic decisions were removed from the political agenda.

If one goes by the popular accounts, the rise of casteism and its grip over electoral politics is the distinctive attribute of the 1990s. But such an account suffers from serious flaws. For one thing, caste has been operating in electoral politics for as long as we know. Candidates' jati was a crucial factor in electoral success even in 1950s. Besides, the relationship between caste and politics is not just one way traffic. Politics has affected castes as much as caste affects politics. What is distinctive about the current phase is not the 'deadly' mix of these two or the vicious grip of caste over politics but rather the manner in which politics has come to shape caste identities.

In the first electoral system, the effective social bloc was a jati in its local setting. In the Second System, jati remained the primary bloc but the game of manufacturing electoral majorities led to the building of state-wide alliance of jatis. An extension of the same search for stable electoral majorities has led to the replacement of jati by state-wide jati clusters or

varna like jati groupings as the primary social bloc for political mobilisation. The emergence of upper caste or upper/lower OBC or dalit as more or less homogenous category in some north Indian states is a pointer in this direction. The same process can be seen at work in the emergence of numerically large castes by combining more than one traditional jatis: Kshatriyas in Gujarat, Maratha-Kunabi in Maharashtra, Ahirs in Bihar, Rajbanshis in Bengal or Bhandaris in Goa are but a few example of the shifting definition of the primary social unit itself. To be sure, this development cannot be dated back only to the last ten years. Many of these communities had started evolving much earlier. Nor does this new process work to the exclusion of the earlier model of jati alliances. Yet it captures something of the qualitative change in this respect.

Beyond this level of generality, there is very little that is common to all the states in terms of the patterns of social cleavages activated by politics. Not only are the specific combinations unique to each state due to its social demography, but the nature of cleavage itself varies from state to state. If Andhra and Rajasthan represent a con-

test between two catch-all parties, UP and Bihar show evidence of extreme jati/varna polarisation. If religious cleavage accounts for voting differentials in Kerala and Punjab, it is class in Delhi and Bengal. If the Congress is a party of the down-trodden when it faces the BJP in the north-west, it represents privileges where it confronts the Left Front. The BJP combines its upper caste votes with different social groups in different states. The erstwhile Janata Dal represented three radically different social groups in the three states where it mattered: cross-sectional support with accent on the upper castes in Orissa, dominant peasant proprietors in Karnataka and dalit-lower OBC in Bihar. Such a differentiation of the social cleavages is itself a new feature of the third electoral system. While it allows various marginal communities to have a say in the state politics, such a large variety has not allowed the building of a larger coalition of marginalised communities that might give them a role in the national politics.

Another common belief in this respect is that whatever the exact nature of the social cleavages, there is a tendency towards greater political polarisation along

TABLE 9: WOMEN'S TURNOUT AND WOMEN AS PROPORTION OF TOTAL VOTERS, LOK SABHA ELECTIONS, 1957-98

Year	Women (Per Cent Turnout)	Men (Per Cent Turnout)	Women (Per Cent of Total Voters)	Turnout Index	Odds Ratio
1957	38.8	55.7	38.3	0.81	0.50
1962	46.6	62.1	39.8	0.84	0.53
1967	49.0	61.0	42.0	0.88	0.62
1971	49.2	61.2	42.4	0.89	0.61
1977	54.9	65.4	43.6	0.91	0.65
1980	51.2	62.2	43.1	0.90	0.64
1984	59.3	68.4	44.5	0.93	0.67
1989	57.5	66.4	44.1	0.93	0.68
1991	50.5	60.7	42.9	0.88	0.66
1996	53.4	62.1	44.0	0.92	0.70
1998	61.0	65.9	46.9	0.98	0.81

Notes: (1) Column 4 shows the percentage of women as a proportion of the total turnout. (2) The turnout index controls for the uneven size of the male and female electorate by expressing the proportion of women in turnout relative to the proportion of women in the electorate. For example, in 1998 women accounted for 46.9 per cent of the total voters and 47.7 per cent of the total electorate. We can therefore express the proportion in turnout as a fraction of the proportion of the electorate. Thus,  $46.9 / 47.7 = 0.98$ . If women had accounted for 47.7 per cent of the total voters then their proportion in turnout would have been equivalent to their proportion amongst the electorate and the turnout index would have equalled 1. (3) The odds ratios measure the ratio between the odds of women voting and men voting.

Source: CSDS Data Unit.

TABLE 10: TURNOUT BY DEGREE OF URBANITY IN LOK SABHA ELECTIONS, 1977-1998

Locality (Per Cent Urban)	1977	1980	1984	1989	1991	1996	1998
Rural (up to 25 per cent)	60.3	56.7	64.1	62.6	56.6	58.7	63.0
Predominant Rural (26-50 per cent)	60.4	57.8	64.8	62.7	56.8	59.0	62.9
Urban (51 per cent and above)	62.1	57.9	62.9	60.0	50.4	53.4	56.7

Notes: Table entries are for average turnout (in per cent) for the three groups of Lok Sabha constituencies according to the estimated proportion of urban electorate. The estimates have been developed by comparing the 1991 Census figures for urban population with the electorate size in 1991 Lok Sabha elections.

Source: CSDS Data Unit.



those cleavages. Once again the available evidence does not support this belief.<sup>8</sup> It is true that the rise of a party like the BJP that has skewed social base did increase the overall level of ethnic/social polarisation in the early 1990s. In a state like UP where the BJP faces two other skewed parties in the BSP and the SP, there is an unusually high level of polarisation of votes along caste/community lines for the last decade. But that is not true of the rest of the country. Infact the 1998 elections revealed a decline in the overall level of polarisation. And, whatever the result of the 1999 election, the polarisation is likely to be even lower this time.

The final feature, namely the emergence of state as the effective unit of electoral choice, does not follow from any of those mentioned above; infact there is some case for arguing that the above mentioned features are a result of the last one. Electoral choice in the Lok Sabha elections in the 1950s and 1960s was hardly influenced by the boundaries of the state. Under the Second system, the state were a distant secondary consideration in the nation-wide plebiscites. Barring states like Kerala and West Bengal that had emerged as exceptions, it was the north-south distinction that made any difference to the electoral outcomes rather than state boundaries. Throughout the 1970s and 1980s people voted in the state assembly elections as if they were electing a prime minister. The 1990s have seen a radical shift in this respect. There is an unmistakable foregrounding of her state in the political horizon of an ordinary citizen. Political loyalties, opinions and even social identities are now chosen at the level of the state. Now people vote in the parliamentary elections as if they are choosing a state government. State specific electoral verdicts, the rise of state-wide parties and the emergence of state-wide jati/varna clusters as the effective categories of electoral mobilisation in the 1990s are all manifestations of this structural attribute.

The rise of state politics has been viewed with considerable suspicion by the English press as the beginning of political fragmentation if not balkanisation of India. Such a reading fails to note that this development is a function of an aggregative rather than disintegrative process at work in our polity. It is better interpreted as the first step on the Indian path towards the creation of a mass society through the mechanism of competitive politics. In a continental size polity like ours, it is precisely by articulating rather than suppressing the distinctiveness of states that

a context for massification is prepared. Far from setting the stage for further fragmentation or effective decentralization within these states, the rise of the states indicates a high degree of homogenisation within each of these states. Whatever the implications for national integration, it is fairly clear that its implications for Indian democracy are positive. The context of state politics brings political choice closer to the every-day political experience of the people and gives them an opportunity to evaluate the governance that affects them most. That still leaves out a nuanced constituency specific assessment by the voters, but arguably the micro-level anti-incumbency at work in the 90s takes care of that gap.

In the limited sense described above, the third electoral system represents a relative expansion of democratic choice for the voters as well as their efficacy. But if we raise these questions at a more fundamental level, we confront the limits of what may have been achieved. Does the increase in the number of political options represent a substantive expansion of choice? Or do we have more of the same, or perhaps more of less? This is not to reiterate the universal scepticism about the nature of choice in liberal democracies. In recent times the political space in India has shrunk markedly because the mainstream parties, mainly the Congress and the BJP, are more like each other in all the crucial policy matters. The entire political spectrum of mainstream political options offers a very small range of policy options. This problem becomes compounded if we add the difficulty of exercising whatever policy options may be available. Here again the reference is not merely to the gap between the promise and the reality of collective action in any situation. In contemporary India the chain that links peoples' needs to their felt desire to their articulated demand to its aggregation and finally to its translation into public policy is impossibly long and

notoriously weak. People often use elections effectively to choose their representative and the government but rarely can they use elections to choose policies about issues that matter most to them.

## Notes

- 1 In the context of the US political history, see Paul Kleppner, *The Third Electoral System, 1853-1892: Parties, Voters and Political Cultures* (Chapel Hill: University of North Carolina Press, 1979). The case for taking seriously the US political history of the late 19th century for understanding contemporary India has been argued persuasively by Robin Archer 'American Communalism and Indian Secularism: Religion and Politics in India and the West', *Economic and Political Weekly*, XXXIV (15), April 10, 1999.
- 2 I have narrated the story of the last fifty years at greater length in my contribution on 'Politics' to the special issue, *India Briefing: A Transformative Fifty Year* (Armonk, NY: M E Sharpe, 1999).
- 3 For an overview of that round and a first sketch of the outlines of the new system see my 'Reconfiguration in Indian Politics: State Assembly Elections, 1993-95', *Economic and Political Weekly*, XXXI (2-3), January 13-20, 1996.
- 4 I have tried to look at a wide variety of evidence in my 'Second Democratic Upsurge: Patterns of Bahujan Participation in Electoral Politics in the 1990s' in the volume edited by Francine Frankel (Delhi: Oxford University Press, in press). The conclusions offered in this and the following para are taken from that paper.
- 5 I follow here the original meaning of the term 'shudra politics' by Lohia.
- 6 This expression is borrowed from Sudipta Kaviraj's analysis of the nationalist discourse. Several Subaltern Studies historians have made a similar point about the disjunction between elite ideologies and mass beliefs. Partha Chatterjee's remarks on the parallel between the peasant insurgencies in colonial India and electoral waves in post colonial times point in the direction of a sub field of research that is waiting to be developed.
- 7 D L Sheth's paper 'Secularisation of Caste' is to my mind the most comprehensive and nuanced recent statement on the vexed relationship between caste and politics.
- 8 Preliminary conclusions based on the joint ongoing research on the changing pattern of community and vote from 1962 to 1998 by me and Anthony Heath.

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MANAGER



# In Search of a New Balance

## Caste, Region and Community in Uttar Pradesh

V K Rai

*Notwithstanding the fact that the BJP has spread into all regions of the state, there are structural limitations to its emergence as a broad-based dominant party on the lines of the Congress Party earlier. For one, the SP and the BSP which are well-established parties with strong social bases can pose an effective challenge, and for another, the rigid caste polarisation will prevent the BJP from gaining the support of the dalits and the backwards.*

SOCIAL scientists have become increasingly aware that political action does not take place in a vacuum; that geography, demography, social and economic conditions of a state profoundly influence the political attitudes of its people and its political processes. Today UP politics is a melting pot – passing through an endless period of crises, alignments and re-alignments. Yet, paradoxically, there is a kind of stability in this instability.

The historical development of the state has had a profound effect on the present political outlook of its people and largely accounts for its importance in the country's politics. A large part of its area was previously called 'Aryavarta'. According to the Hindus, this is the most sacred part of the country. It is in this state that one finds a large number of holy temples and sacred rivers mentioned in myths and legends since time immemorial. Historically, people have migrated in large numbers from other states, whose intermingling with the local populace has helped in broadening the outlook of its people. Frequent in-migrations, particularly following invasions and conquests from the north, have contributed to a high population density in the state. What is surprising is that, in spite of its density of population and relative poverty, there has not been much of an exodus from the state. This attachment to the soil has a somewhat reactionary side to it but on the whole, till very recently, it did not lead to any parochial feeling. While the people of Uttar Pradesh are extremely religious, and there is a large Muslim population here, it nevertheless remains a bastion of Hindu conservatism.

As it exists today, as a political entity, UP has no history. Till the British clubbed its various regions together, and it was reconstituted in independent India, UP was ruled in different fragments. The people of the state consider themselves as belonging to entities like Agra, Bundelkhand or Awadh; they have no history to bind them to a unit called UP. The identification with the state is practically absent. Thus, while people in the rest

of India can describe themselves as Bengalis, Punjabis, Marathis, etc, there is no provincial name for 'Up-ites' – the inhabitants of UP. The only other identity available to its people is Hindustani or Indian. Therefore, until very recently, a persons from UP either identified themselves with their narrow region or with the whole of India – not with any other intermediate provincial outlook.

Uttar Pradesh is among the largest states of the Indian Union, with an area of 2,94,411 sq km which gives it the fourth position among all the states in order of size. It has usually been divided into six geographical zones, viz, western UP, eastern UP, central UP, Rohilkhand, Bundelkhand and Uttarakhand, i.e. the hill districts. The hill districts, Bundelkhand and the eastern regions are comparatively backward and poor. The relative prosperity of the western region can be accounted for by the existence, for a long period, of a network of irrigation canals, a more invigorating climate, and of late, a faster pace of industrialisation. The regions differ from each other in their language/dialect and food habits but the difference is not abrupt or very sharp. Geo-political and cultural variations have not led to any vigorous regionalism in the politics of the state, except for an occasional feeling among political leaders of the western region, to detach their districts from the state to form a new one in the hope of securing greater power for themselves and perhaps, in anticipation of greater progress for their region. The areas of this region do not have any distinctive features from the point of view of religious or caste composition of their population.

The people of UP are largely rural, lower caste and illiterate. Out of a total population of 1,39,112,287, Hindus form 81.7 per cent (more than nine crore) and Muslims 17.3 per cent – the rest are Christians, Sikhs and other smaller communities. According to census figures, it has a proportionately smaller number of scheduled tribes (0.2 per cent) but the scheduled castes form 21 per cent of its population. Other backward castes and the

upper castes form the remainder of about 55-60 per cent, that is, the remaining non-SC Hindu and some of the Muslim population (who fall under the OBC categories). Its urban population is only 19.84 per cent, and with a density of 471 per sq km. It is the fifth most densely populated state of the country. As in the rest of India, the upper castes form a comparatively low percentage. They are concentrated mostly in the western region, which incidentally, is relatively more developed economically. For ages, the political and economic leadership was in the hands of the west, but of late lower or backward castes like the yadavas, kurmis and others, have been organising themselves, particularly in the eastern region, thus sharpening inter-caste social and political friction. This conflict between the upper and lower castes/classes not only reflects a shifting of the centre of gravity of political power to the lower classes but also implies a move from western to eastern UP. This shift introduces its own internal convulsions.

UP is a large state with at least six distinct regions, each as big as a state. Therefore its development process has been slow, much below the national growth. Due to their political and economic strength some regions of the state like west UP and Rohilkhand developed more than other regions, particularly in comparison to east UP and Uttarakhand. The condition of eastern region of UP in this regard was so bad that it could not get even the minimum of development grant since independence. It is economically backward, its per capita income of Rs 1,754 is much below the average of UP per capita income of Rs 1,899. It is industrially, much more backward in comparison to the west. Although it is known as agricultural-based region because the majority of people (84.5 per cent) depend on it, the state hardly gets electricity for more than 6-7 hours per day. The canals are in fewer in number and means of transport and communication and roads, etc, are in bad shape particularly in Ghazipur, Basti, Deoria, Azamgarh,

Jaunpur and even in Allahabad's rural areas. That's why this region shows its volatile and anti-establishment feeling during elections.

#### ELECTORAL POLITICS IN UP

Since independence, the Congress Party has been predominant in the country as well as in UP, which has always been either in power or, in later years, has been the largest opposition party in parliament. It has also always had a broader support base in most of the states of the Indian union than any other party. It was so popular that in the 1952 elections, in a house of 430, the Congress won 390 seats with a vote share of 47.9 per cent and other parties like Jan Sangh and Socialists got just 12 per cent and 6.5 per cent of the votes, respectively. In subsequent elections its popularity and the vote share graphs dipped gradually while that of the Jan Sangh increased. The socialists too improved their overall performance but soon split into two groups, i.e., the Praja Socialist Party (PSP) and the Samyukt Socialist Party (SSP) which caused them much damage. The Left movement too could not make a place for itself in UP as it did in West Bengal, Tripura, Kerala and Telengana. However, one positive impact of the Left-led peasant movements on the state was felt in the sphere of land reforms. The impact was first felt in the jaf-dominated areas of western UP and gradually, in the eastern parts of this big state. Meanwhile, after the defeat of the Congress in the 1967 elections, a non-Congress coalition formed a government, with Charan Singh as chief minister. However, two years later, in 1969 the Congress returned to power with 211 seats and 33.7 per cent votes, which was nearly 1.5 per cent more than what it had got in 1967.

In the 1969 elections, Charan Singh's Bharatiya Kranti Dal mopped up a sizeable chunk of the votes in the western region of Upper Doab, Lower Doab and Rohilkhand. In the eastern districts, the socialists seemed to have retained control over a section of the peasantry. This divide was overcome, to a certain extent, by the 1974 elections in the state when a bridge was built between the west and the east by Charan Singh with the ideological instrument of AJGAR (a political-electoral combination of ahirs, jats, gujars and rajputs). Yadavas and other backward caste leaders joined hands with jats to form a formidable alliance under a reconstituted party, which was then re-named Bharatiya Lok Dal.

After Nehru's death and in the course of the grand succession struggle which followed between 1964 and 1972, Indira Gandhi emerged as the unchallenged leader

of the dominant Congress Party, which came to be called Congress(R) (R stood initially for 'requisitioned' – referring to a party meeting requisitioned by Indira Gandhi during the split—but later came to mean 'Ruling' Congress). After a second split in 1977, following an unsuccessful challenge to her leadership from Congressmen discontented with the effects of her leadership on the party during the emergency, Indira Gandhi's Congress became known as Congress (Indira). The adoption of the designation Congress also symbolised what had happened to the Congress organisation under Indira Gandhi's leadership. It had become, in effect, her personal party, dependent upon her populist, often demagogic, leadership rather than on the local party organisation to win elections or to run governments at the state levels. Gradually, the party came to be controlled by personal retainers of the Nehru family and by members of the immediate family including Sanjay Gandhi until his death in 1981. The extent to which a great national movement had become converted into a Nehru family patrimony was indicated by the immediate and unquestioning acceptance of Rajiv Gandhi as prime minister of the country and the leader of the Congress upon his mother's assassination in November 1984. The Congress continued, under his leadership, to be highly centralised with state and local leaderships fragmented, and the absence of any organisational vitality. The Congress, therefore, despite formally remaining a mass party, has become a party of 'cadres' with no ideology but devotion to a prominent popular leader at its head. The local level organisation is dominated by notables who are entrenched within the strong local structures of power – within their caste groups, in the remnants of old landed estates, or through control of educational institutions, co-operative societies and other governmental or private organisations. In a strange way, the party's support base has been much broader than that of its leadership individually. It has been supported by the elite, the land controlling castes at the top, on the one hand, and the lower castes, the poor and disadvantaged, including many minority groups, on the other. This was its real strength. Equally important was the diversity of the opposition which could eventually lead to its displacement from power, as in 1977. Many opposition parties were quite serious about building counter movements to challenge the Congress and several of them gradually developed strong support bases in different regions of the country, including UP.

All the leading parties of the non-Communist left, centre and the right, along

with some subsequent defectors from the Congress, joined forces during the 'JP movement' in 1974 – an alliance which was nurtured during and towards the end of the emergency to form a new political formation called the Janata Party. The programme and policies of the Janata Party drew primarily from the agrarian platform and ideas of Charan Singh. It advocated the promotion of agriculture, a labour-intensive small-scale industry and protection of the interests of the peasantry, particularly those of the rich farmers. Similar ideas, along with an emphasis on decentralised planning, were contributed by the Socialist partners in the coalition. Structurally, the Janata Party never succeeded in becoming anything more than a loosely-knit coalition of ambitious political leaders and parties who attempted to retain their existing organisational and support bases and to expand them by clinging on to power. A struggle for pre-eminence developed within the central government, between Charan Singh and Morarji Desai, with the former seeking to displace the latter and become prime minister himself. In July 1979, the coalition collapsed, Charan Singh became prime minister for three weeks until his resignation following his inability to prove his majority and the subsequent declaration of fresh elections (in 1980) which led to the return of Indira Gandhi and the Congress to the power.

After the disintegration of the Janata coalition, the political parties which initially joined it either re-formed themselves with new names or disintegrated. The principal remnants of the original Janata coalition were the Lok Dal, already split into Lok Dal(A) and Lok Dal(B), the Janata Party led by a former Congressman of moderate socialist inclination Chandra-shekhar, and the Bharatiya Janata Party, which consisted primarily of former Jan Sangh leaders and members.

Therefore, if we look back at the decades of the 1970s and 1980s, we see the rise and fall of Congress, formation and disintegration of the Janata Party and the resurgence of the Hindu right whose main mobilisational plank was that the existence of the Babri masjid at Ayodhya is a monument of 'national shame'. Although it was the Congress under Vir Bahadur Singh which reopened the locks of the 'Ram temple' in the Babri masjid, it was the BJP which took political Hinduism to the streets in tandem with the Vishwa Hindu Parishad (VHP). The BJP organised several 'Ekta yatras', which helped it to broaden its base and expand from urban areas to the rural as these yatras passed through the rural areas and provided room for the symbolic politico-religious

participation of the rural folk. This mandir-masjid issue became the single-point programme for the BJP that enabled it to stir up discontent by fashioning a discourse of 'national insecurity' and 'national shame'.

During and immediately after the 1989 elections, which brought the Janata Dal government to power in UP, the BJP set up an informal alliance with Mulayam Singh Yadav's government. The Congress was the principal enemy. But when Mulayam Singh used strongarm methods to prevent the seige of Babri masjid, he himself became the focus of a BJP-directed 'Hindu discontent'. This tendency was further fuelled when V P Singh's Janata Dal government in Delhi accepted the Mandal Commission's recommendations. The BJP was quick to capitalise on upper caste Hindu feeling of outrage. So rapid were political developments in this period that in the 1991 elections the BJP, going it alone won 221 seats.

The performance of Kalyan Singh's BJP government had been marked, on the positive side, by an ordinance to disallow copying in examinations at the secondary level along with an anti-dacoity drive in western UP. Above all, it was marked by the demolition of the Babri masjid on December 6, 1992, despite assurances given by his government to the Supreme Court of India, that this would not happen. Strange as it may seem, however, popular anger seems to have been mostly directed against the Congress government at the centre for not anticipating the December 6 events and taking effective preventive measures. The dismissal of the government afterwards was seen as having come too late. The BJP, on the other hand, was able to take the credit for demolition. But in the event, it proved fruitless as the party could not even get a simple majority in the subsequent election of 1993. The story was repeated again in the Lok Sabha and assembly elections in 1996. The think-tanks and ideologues of the BJP were astonished to see the results because they were not only expecting a clear cut majority but much more. This result was considered a major setback for the party not only in terms of its inability to form the government but also because its vote bank has remained stagnant since the 1991 elections.

#### LOK SABHA AND ASSEMBLY ELECTIONS: SOME TRENDS

The 1991 Lok Sabha elections marked a watershed in Uttar Pradesh politics. For the first time since independence, the state showed a political preference that went against the party that finally came to power in New Delhi. In all preceding elections,

the prospective ruling party at the centre had led the electoral discourse and dictated the choice. These elections also marked the coming to the fore of caste and communal politics in the state. The mandir and masjid issues (or the politics of 'Mandal and kamandal', as it came to be popularly known) polarised the electorate on caste-communal lines and determined the voting pattern. More important, the non-BJP, non-Congress secular vote was divided between the SP-Janata Dal-Left and the BSP. Five years ago, the most important factor that had helped the BJP win 51 seats with 33 per cent of the popular vote, and emerge as the largest party, was the consolidation of upper caste Hindu votes belonging to the brahmin, kshatriya, bania and kayastha communities. This was supplemented by significant chunks of the backward caste votes from the kurmi and lodh rajput communities. The BJP had also attracted a section of the dalit vote. The caste configuration favouring the BJP remains largely unchanged as far as the upper castes are concerned. However, there has been a slight erosion in the kurmi as well as dalit vote, though not statistically significant. That is why the number of seats (52) remains unchanged even this time.

In 1991, on the strength of the Mandal platform, the Janata Dal gained 22 seats with 21 per cent of the vote, mainly with the help of Muslims and backward classes such as yadavas, kurmis and lohars. Additionally, due to Ajit Singh, the Janata Dal attracted a sizeable number of jat votes. Former prime minister V P Singh's charisma helped to attract a section of rajput and dalit vote. However, consequent upon its several splits caused by endless factional struggles, the Janata Dal has lost the kind of support it had among the backward classes and Muslims. As a result, it has forfeited the position of being in the vanguard of secular politics and of representing the Mandal platform.

From 1992 the role of the Janata Dal was taken over by the Samajwadi Party (SP), which as Samajwadi Janata Party in 1991 won four seats and 11 per cent of the vote, banking mainly on the support of the Muslims and yadavs. The change was much clearer in the 1993 assembly elections.

By the time of the 1996 parliamentary elections, the JD had already become the junior partner. Following several splits in its ranks, the Janata Dal reconciled itself to a secondary role in the SP-Janata Dal-Left combine and contested only 17 seats, leaving the majority - 64 seats - to the SP seats, three each being contested by the CPI and the CPM. Another party to benefit from the erosion of Janata Dal's

support has been the BSP, which won three seats in 1991 and increased its tally to 12 seats with 9 per cent votes in 1993. It improved further on its earlier performance in 1996 when it increased its share of votes to 11 per cent from the 8.7 of 1991.

The performance of the Congress was as expected. It ended with the same score as in 1991 - five seats - capturing a few fresh constituencies like Rampur and Shahjahanpur, while losing some others like Farrukhabad, Mirzikh and Ghoshi. The SP-Janata Dal-Left combine's hopes were shattered by the verdict from the eastern (Poorvanchal) and Lower Doab areas of the state. The combine, which had won 17 seats from the region in 1991, lost 16 of them this time, although it did gain one seat from the BJP. Thus, it was not the BJP leadership alone that was baffled by the outcome of 1996. Every major party in the contest was taken by surprise. There were setbacks to the BJP's calculations in the Rohilkhand and Uttarakhand regions. The party, which held 27 out of the 32 seats in the region in 1991, won only 17 seats in 1996. The major gainer of the BJP's losses was the SP, which won nine seats. The Congress, the BSP and the All India Indira Congress(T) won two seats each region.

The 1989 assembly elections brought about a radical shift in UP. It threw the Congress out of power, cut down its seats in the assembly from nearly three-fourth to less than a fourth, and brought to power a new formation called the Janata Dal, with 208 seats. Yet, it did not upset the enduring voting pattern. The apparently dramatic outcome was a result of the Janata Dal's ability to mop up the available 'opposition' votes and reduce the Congress to its minimum core - just 2 per cent less than the votes of the Janata Dal. The BJP, which did not have an alliance with the Janata Dal for the assembly elections, also retained its then stable vote share of a little over 10 per cent.

The 1991 assembly elections changed all that. Between 1989 and 1991, the hitherto familiar terrain of UP politics was transformed, stable voting patterns were upset and a large number of voters shifted loyalty. The BJP, which was till then a small and regional political force in UP, suddenly registered a rise in percentage of votes from 11.8 to 31.6 - an increase of nearly 20 per cent. While 3.6 per cent of this additional vote was because the BJP contested more seats, there was nevertheless, a genuine swing of 16.2 per cent. So strong was the BJP wave that even Rajiv Gandhi's assassination did not change the situation very much. Though a majority of constituencies went to the

polls after the assassination, the Congress could manage a marginal sympathy vote of less than 3 per cent. Overall, there was an 11.4 per cent swing against the Congress, whose minimal stable core of the last four decades was eroded, reducing it for the first time, to the status of a third party. The Janata Dal did not lose much. The combined votes of the Janata Dal and the Samajwadi Janata Party – which had by then split from the former – comprised 2 per cent more than the Janata Dal's share in 1989. But the split in its votes affected it adversely.

A combination of this swing and the split of votes brought dividends for the BJP, out of proportion to its vote share, enough to give it a clear majority of 221 seats out of 419. It retained most of its 1989 seats, but over three-fourths of its seats were wrested from others. The biggest loser was the Janata Dal. From 208 seats it came down to 92, losing an identical number of seats, to the BJP. The SJP got only 34 seats, mostly retained from its former share in Janata Dal. The Congress did not even touch 50, losing about half its 1989 seats to the BJP. The Bahujan Samaj Party (BSP) retained its small presence in the assembly, but in the process exchanged nearly all its seats with other parties.

Historical specificities – ethnic and economic – have led to distinct political trends in each of the seven regions of UP. The small, hilly region of Uttarakhand used to be a Congress bastion till the BJP stormed it with the help of a 30 per cent swing in 1991. Former chief minister N D Tiwari was also unable to maintain the old glory of the Congress and it lost supremacy. The three regions of western UP – Upper Doab, Lower Doab and Rohilkhand have been, in the last two decades, the backbone of Bhartiya Lok Dal/Bhartiya Kranti Dal/Janata Dal politics. The Jan Sangh/BJP had some presence in Rohilkhand, but was virtually non-existent in the jat belt of the Upper and Lower Doab. In 1991, it succeeded in swinging over 20 per cent of the votes to its side in Rohilkhand and Upper Doab at the expense of both, the Congress and the Janata Dal.

Lower Doab is Samajwadi Party leader Mulayam Singh Yadav's stronghold, but the Janata Dal too, has pockets of influence here. The BJP also has a presence that cannot be ignored. In the last two elections, the BSP has also emerged as a major political force in Bundelkhand, a small region bordering Madhya Pradesh. Together with the SJP it can become the dominant formation in this region, fighting it out with the BJP and to a lesser extent, the Congress.

Avadh, the heart of UP and a traditional area of Jan Sangh/BJP influence, is likely to witness, even in the near future, a high level of fragmentation of votes, for all of BJP's rivals have some influence here. The SJP-BSP alliance has emerged as its main rival in this region and, with a mild swing in its favour, it is capable of turning the election into a keen contest. Poorvanchal, the largest region of the state, has partially tilted towards the BJP only recently. The Janata Dal is still a force to reckon with in this traditional area of Socialist influence, but so is the SJP-BSP combine and to a lesser extent, the Congress. A fragmentation of votes is therefore inevitably bound to help the BJP in future too.

There is one more point here that is important and merits some discussion and that is the dalit voting pattern in the 1989 and 1991 elections. The voting pattern among the dalit or scheduled caste population in different constituencies shows that the BSP is the only party whose votes have been going up consistently along with the rise the SC population. Interestingly, a similar inclination among the SC voters in the 1989 elections was displayed vis-a-vis the Congress and its votes went up by 8 per cent in constituencies with a high SC population. But this trend could not be maintained in 1991. The BJP vote also, in these constituencies in 1991, was 7 to 8 per cent lower than in others.

The 1993 election to the UP assembly, delivered a major blow to the secular forces. The results led to a hung assembly with the BJP and the BSP-SP combine coming to a close finish at the top. Even so, these results showed that for the time being, the forces of hindutva have been effectively

checkmated. The SP-BSP surge has also led to the virtual decimation of the other major centrist secular force in the state, the Janata Dal, which had contested the polls with a similar agenda. Its strength in the assembly has come down by over 70 per cent. The party ruling at the centre, the Congress, which went to the electorate with a soft hindutva line and presenting development as its key slogan, has been pushed further down, from 46 seats in the previous assembly to 28.

The SP-BSP put up its best show in eastern and central UP. In eastern UP, which had shown a strong inclination towards the BJP in the last elections helping it to win 83 out of 159 seats, the SP-BSP combine cost the BJP at least 31 seats. The Janata Dal lost at least 28 seats in the region while the SP-BSP gained a minimum of 54 seats. This trend is most visible in Allahabad and Benares districts, which had shown a preference for the Janata Dal and the BJP respectively in the last elections. In Allahabad, the combine improved its position from one seat to 10 out of 14 seats – leaving only three for the BJP. Here the loser was the Janata Dal, which had nine seats. Its total failure is symbolised by the defeat of veteran Reoti Raman Singh at Karchana at the hands of the BSP candidate.

In Benares, out of the 14 seats, six have gone to the combine, reducing the BJP's share to seven, three less than what it got in 1991. One seat went to the CPI in this district.

Similar is the case in central UP where the BJP lost 21 seats to the combine and made a minimum gain of 45 seats. The showing in this region, considered it to be Mulayam Singh Yadav's pocket-borough, is all the more impressive because the combine had 12 seats in the last polls. The results from Faizabad district, in which Ayodhya falls, are representative of the combine's quantum jump in the region. Here the BJP has been given a severe drubbing, its dominance now confined to Ayodhya constituency alone. Of the remaining eight seats, seven went to SP-BSP and one to CPI.

Even before all the results were out, it was clear that the combine was making

TABLE 1: VOTE AND SEAT SHARE OF THREE FRONTS BY REGION 1996

Region	1996 Lok Sabha								1996 Vidhan Sabha							
	BJP		INC+BSP		UP		Others		BJP+SMT		INC+BSP		UP		Others	
	Vote	Seat	Vote	Seat	Vote	Seat	Vote	Seat	Vote	Seat	Vote	Seat	Vote	Seat	Vote	Seat
Uttarakhand	29.5	11	22.3	—	34.6	8	7.0	—	44.7	17	21.5	—	20.5	2	6.5	—
Rohilkhand	25.7	16	22.3	13	31.9	21	3.3	—	32.9	21	27.2	10	29.7	17	4.1	2
West	38.3	69	37.6	10	25.8	22	2.2	—	35.3	47	29.7	15	31.4	35	3.7	3
Bundelkhand	33.1	11	31.6	10	23.4	—	6.1	—	31.7	7	35.8	10	22.6	3	5.4	1
Central	35.4	39	35.3	23	26.9	13	5.8	—	33.4	23	33.2	29	30.2	23	1.6	—
Poorvanchal	33.4	92	29.7	22	27.7	35	9.3	10	32.4	61	27.4	36	31.1	53	5.8	9
Total	33.6	238	25.4	78	27.8	99	6.0	10	33.8	176	28.7	100	30.0	133	4.3	15

similar gains in western UP, including Rohilkhand and Uttarakhand too. Rohilkhand saw the BJP losing six seats and Uttarakhand five. In the west, the biggest loser was the Janata Dal which had to part with as many as 20 of the 31 seats it had won in the last elections. Here, apart from the SP-BSP combine, the BJP also made impressive gains and retained the position of the largest party in the area.

The factors that contributed to SP-BSP's success and stopping of the hindutva juggernaut are many. The most important factor, it seems, is the phenomenon of tactical voting by Muslims and the consolidation of the yadav-scheduled caste votes along with the Muslim vote. The reassertion of the caste factor provides an important lesson. Hindu communal consolidation cannot continue unchallenged in the Hindi heartland for a reasonably long period. At best, it can take a commanding position intermittently, only to be pushed aside by caste and other considerations, thereafter.

#### 1996: A YEAR OF ELECTIONS

Two parliamentary elections and four assembly elections have been held, four chief ministers have come and gone in seven years: a veritable proof of the endemic instability and churning going on in Uttar Pradesh. Parties and their managers have been trying their best to overcome this situation but all efforts have been fruitless. It's not as if the parties had not geared up to meet the situation. On the contrary, it can be argued that it was precisely the fact that each of them virtually treated these polls as a 'now-or-never' opportunity that reflected the pressures of the churning on them. A party like the BJP, the only one to have gained a majority in 1991 on the Ayodhya plank, was seeking in these polls a vindication of the solid mandate it had received in the Lok Sabha elections in the state, when it had led in 235 of the 425 assembly segments. After being ousted from power because of what he terms a BJP-BSP conspiracy in June 1995, Mulayam Singh, armed with the support of half-a-dozen other UF constituents, considered this his best chance to return to the chair he had occupied twice. For her part, Mayawati's 136 days in power in 1995 had made her and the BSP confident enough to think in terms of returning to power in alliance with the Congress to avenge her double humiliation – one meted out to her personally by Mulayam, and the other, when the BJP withdrew support and brought down her government.

The results of the assembly elections were not in favour of any party or alliance but they did explode the BJP myth that,

in any triangular contest, it would emerge winner. Not only did the party register a marginal decline in its share of seats and votes compared to 1993, its graph also dipped drastically even from its 1996 parliamentary performance. Apart from failing to retain the majority of its 1993 seats, the party suffered serious setbacks in different regions of the state. But for its clean sweep in the Uttarakhand region where it won 17 of the 19 seats, its performance has gone down in its strongest support base of central UP, as well as in the western and Rohilkhand region.

An important factor in the BJP's debacle, especially in connection with its significant losses in the western region, where it could win just 47 of the total 101 seats, compared to 56 in 1993, was the serious challenge it faced from the BKKP led by Ajit Singh and Mahendra Singh Tikait. Though the BKKP could win just eight seats on its own for the UF, it upset the BJP's calculations in not less than two dozen seats. Besides the contest of these two parties helped the BSP win eight seats in this region, against the lone seat it won in 1993. The BJP strategists were thus concentrating on the eastern districts, which account for 159 seats, and where the SP and BSP looked like losing ground after the Lok Sabha polls. But the party gained a mere nine seats over its 1993 tally, winning just 58 seats in this region – which is similar to its losses in western UP. Evidently the party's strategy of concentrating on this region did not pay off.

In central UP, consisting of districts like Eta, Etawah and Mainpuri which are considered Mulayam Singh's pocket-boroughs, the picture is not very clear. Although the BSP-Congress alliance was ahead by six seats over the tally of 23 seats each of both its rival alliances. In the earlier elections, the BJP-Samata had been way ahead of both the BSP-Congress and the UF—with 39 seats as opposed to 23 and 13 of the other two alliances respectively. The present elections therefore, indicated a sharp decline in the BJP's influence and the rise in that of BSP-Congress alliance. While its vote share did

not fall much, all its calculations were gravely upset.

An analysis of trends in various parts of the state shows that apart from the caste-communal polarisation, two factors have influenced the verdict. First, the emergence of local factors in a large number of constituencies, though these were always meshed with the larger, state-level dynamics. Micro-level caste, communal and other social considerations among the electorate generally benefited the non-BJP forces in seats like Shahjahanpur, Kaiserganj, Ghosi, Mirzapur and Rampur. Such local factors, for instance helped the Congress in Shahjahanpur and Rampur. In Kaiserganj and Mirzapur, it was the SP that was the main beneficiary of this dynamic. In Ghosi it went in favour of Kalpnath Rai. The Congress candidate in Shahjahanpur, Ram Murti Singh, a lodh rajput, gave the lie to the commonly held perception that his castemen were firm supporters of the BJP. He won a large proportion of his communities' votes from the constituency despite intensive campaigning by former BJP chief minister Kalyan Singh, himself a lodh rajput, in the constituency. Similarly, Begum Noor Bano of the Congress upset conventional calculations by bringing a large number of Muslim votes to the Congress from the SP-Janata Dal-Left combine. In Mirzapur, the nomination of Phoolan Devi, a dalit belonging to the mallaha community, helped the Samajvadi Party in wresting the seat from the BJP. Her candidature rallied the dalit, backward and Muslim communities behind the SP. Similarly, in Kaiserganj, Beni Prasad Verma's candidature consolidated the numerically significant kurmi community of the constituency behind the SP. This community's vote along with the SP's traditional vote bank, which consists of Muslims and yadavs, assured Verma's success.

Second, in terms of electoral arithmetic, the ascent of the BSP as a major force, especially in eastern and western Uttar Pradesh, was the main cause of the BJP's gains as that led to the division of the non-BJP non-Congress votes, benefiting it directly in not less than 37 seats. The

TABLE 2: CHANGE OF SEATS FROM ASSEMBLY ELECTION 1993-1996

Party	Seats in 1993	Seats in 1996	Seats Retained from 1993	New Seats Won in 1996
INC	28	33	9	24
BJP	176	174	83	91
SP	109	110	36	74
BSP	67	67	18	49
JD	27	7	7	-
BKKD	-	8	-	8
Left	4	5	1	4
INC(T)	-	4	-	4
Samata	-	2	-	2
Others	10	14	3	11

BSP's presence was responsible for the defeat of the SP-Janata Dal-Left combine, in at least 26 seats, including 16 sitting ones in eastern UP. Similarly, the SP-Janata Dal-Left combine affected the BSP's chances in 11 seats in eastern and western UP.

Therefore, the results of UP were generally a grim warning to the major parties. The BJP failed to achieve its targets in terms of seats and votes. The Congress and Congress(T) became inconsequential forces, confined to certain regions. However, according to many observers, the most important feature of the verdict was the message it sent to non-BJP, non-Congress secular forces of the state: stay united or forget about power.

Though the final tally of the 1996 assembly election resembles the 1993 standings of various contending parties, as far as retaining seats is concerned, this may be seen as one election where ground realities have changed drastically for each party. That almost all of them surrendered over half the constituencies they won last time is a certain pointer to an inherently unstable situation and a mood of searching among the electorate. Of its 1993 tally of 177 seats, the BJP has lost 93 seats – 41 to the SP, 20 to the BSP, 13 to the Congress, five each to the JD and the BKKP and the rest to others. Of the 91 new seats which the BJP has gained, 37 were with SP, 29 from the BSP, 12 from JD and nine from Congress. The plight of the other parties is no different. The SP could retain merely 36 of its 109 seats of 1993, the BSP only 18 of its 109 and the Congress just nine of its 28 seats. The SP lost 23 seats to the BJP whereas the BSP lost 15, and five to the SP. But the biggest and perhaps the swiftest setback has been the BJP's. Just six months after it led in 235 assembly segments, at the time of the Lok Sabha elections, it has seen its tally being limited to 174.

#### POLITICAL TRENDS IN UP

Politics in UP is still in a state of flux. The outcome of the 1998 Lok Sabha elections may be seen as pointing to the beginning of a new phase in which the BJP is trying to wash its image of a upper caste Hindu party and metamorphose into a broad based aggregative party. Other parties are also attempting to enlarge their support base and acquire a different profile by starting of intellectual cells, summer camps and training programmes for their cadre.

The 1998 parliamentary elections in UP clearly indicate a marked improvement in the seat and vote share of the BJP alongside the total collapse of the Congress, the

poor performance of the BSP and a marginal improvement in seat and vote share of the second largest party, the SP. Other small but important parties, the CPI and CPI(M), which had some strong pockets in the eastern districts and BKKP and the JD, which had strong base in western UP have not gained even a single seat, and only one independent (support by the BJP) candidate was successful. It is a clear indication of the polarisation and sharpening of competition among major parties and also an indication of the further move towards a multipolar system.

The current in favour of the BJP's prime ministerial candidate A B Vajpayee was an added factor this time. By still providing the main reason for the capturing 60 parliamentary seats (three by its allies) and a 37.9 per cent vote share, the party has indeed set a new record. Yet, it was not the only party to substantially increase its votes. While the BJP share of the popular vote went up by 5 to 6 per cent and the SP vote share increased by 6 to 7 per cent to 27.5 per cent while the BSP, which won only four seats (as against six in 1996) improved its vote share by 1.96 per cent (Table 1). Of course, the party suffered a significant defeat as its supremo Kanshi Ram lost in Saharanpur.

The results seem to indicate that the electorate in UP was not swayed over much by the BJP's stability slogan or the Sonia effect or the secular rhetoric of the SP or the BSP's theme of dalit assertiveness. Caste communal considerations and the anti-incumbency mood concentrated at the constituency level, and the parties' abilities to mobilise votes appear to have winners and losers.

Overall, however, the BJP gained from a division of the 'secular votes'. In 41 of 60 seats won by the BJP and its allies, the cumulative vote of the SP and the BSP was higher than that of the BJP or its ally. In seven more seats, the cumulative vote of the SP, BSP and Congress was higher than the votes secured by the BJP. In other words, if the proposed pre-poll alliance among the SP, BSP and the Congress had taken shape, the BJP might have won only 12 seats, if the voting pattern had been same. The Congress and the BKKP failed to retain even a single seat. As a result of such constituency-level anti-incumbency sentiment, the SP made same gain in some BJP strongholds, for instance in Bijnor in western UP, Faizabad and Hardoi in central UP likewise the BSP made gains in Anola, Kairana and Amroha in Rohilkhand and Rampur, Saharanpur, Meerut, Farrukhabad, Khurja and Muzaffarnagar in western UP which are considered Muslim dominated, and therefore SP bastions.

As Table 2 shows BJP performed well in all region – in none of which, apart from Bundelkhand, it had a base earlier and successfully mobilised a large chunk of the upper caste Hindu vote across the state on the basis of regional issues. An analysis of its pattern of regional support points to this: it was able to win every constituency in only 7 districts, but it was able to capture at least half of the total constituencies in 26 districts, pushing back the Congress and the JD in the hill region in 1991, it had gained the votes of the upper caste and thereby wrested all the four seats mainly from the Congress which had been dominant here from a long time. The story is almost same in this election too. Other regions where it made a clean sweep are Bundelkhand and central UP.

The success of the BJP was most marked in the western region which has traditionally been the area where new social forces made their presence felt and has experienced sharp electoral swings. In the early 1990s, the hindutva ideology appealed not only to the upper castes but also to the dominant agricultural castes in the region, such as jats, rajputs and gujars (Table 5G). This region was no longer attracted by the agrarianism of the JD which also had the informal support of the BKU, or by the reservation issue which had significant appeal among the BCs/OBCs and no appeal for the jats. By the late 1980s, surpluses from agriculture were declining compared to the earlier support under the green revolution while industry had also made inroads into these areas. The massive mobilisation of the OBCs under JD/SP and the dalits under the BSP was perceived by them as threatening their dominant positions in the countryside. It is this surplus producing peasant class which was attracted by the BJP in 1991 and they shifted from the JD which they had supported in the 1989 elections. They found, in the hindutva ideology, a useful counterpoint to the Mandal issue, and agrarian issue took a back seat.

The BJP improved its Lok Sabha election performance in UP as a whole but faced problems and reverses in the biggest region of the state, namely the Purvanchal.

TABLE 3. CASTE GROUP AND VOTE PREFERENCE, ASSEMBLY ELECTION 1996

	BJP+ Samata	INC+ BSP	UF	Others
Forward caste	76.8	6.7	8.6	7.9
Land-d backward	26.4	12.2	51.8	9.6
Most backward	53.1	19.2	19.9	7.8
Scheduled caste	8.3	73.0	14.0	4.7
Scheduled tribe	58.3	16.7	25.0	0.0
Muslim	2.3	24.9	67.6	5.2
Others	40.9	24.2	26.8	8.1



It covers 33 parliamentary seats and has always proved to be a stumbling block for the BJP. Whereas the BJP once again appeared to be caught in the social equations of the regions, the SP and the BSP strengthened their position (Table 1). In the process, the BJP lost one seat but its ally Samata Party gained one neutralising the loss. The SP gained three seats and the BSP got one more seat. For the BJP it was puzzling that its arch rival the SP wrested from it seven seats.

A striking fact emerging in these elections is that backwards (mainly yadav)-Muslim polarisation and dalit upsurge not only remain intact but appears to have further sharpened. The BSP apart from having a monopolistic hold over dalit votes had also been able to attract the backwards among backwards (Table 5).

In recent years, polarisation is also being witnessed among the forward castes but it is not as sharp as the backward-Muslim polarisation and the dalit upsurge. Precisely because of this the SP could get the support of a section of the forward castes, mainly rajputs in a few constituencies by just putting up a caste candidate. It is not that the BJP has the support of only the upper castes. In recent years the party has been able to win the support of the economically better off backwards (Table 5). However, it is the polarisation of votes along caste lines which dominated politics in the region. In 1996 Lok Sabha elections the party success rate in Poorvanchal was 8 per cent less than that in the rest of the state. The region comprises 39 per cent Lok Sabha seats and 41 per cent assembly seats of the state and is therefore of crucial importance for any party.

After the destruction of Babri mosque, the BJP leadership began to realise the limitations to religious mobilisation. It found that the crowds in election meetings did not respond to the virulent anti-Muslim speech and did not approve of the actual destruction of the mosque or the 'Ekamata Yatra' (march for unity) of the VHP. Advani's Su-raj yatra too met with an embarrassingly low response. Therefore the party decided to project itself as a responsible national party. It decided to broaden the party's appeal to all sections of society, taking up also their issues – especially, those of the dalits – alongside its other issues like Article 370, infiltration of the foreigners, uniform civil code, Ayodhya temple issue and particularly, economic nationalism and swadeshi. The increase in the seat and vote share by a few points in the 1998 elections is hence an important breakthrough for the BJP, as it intends to present itself as moderate party under the leadership of Atal Behari Vajpayee and thereby gain the support of

a broad cross-section of the electorate. Certain features of the BJP's pattern of support are indicative of this change (Table 3).

#### POLITICAL TRIANGLE

The party system in UP today has three poles, the BJP, the SP and the BSP, and the challenge to the BJP is from the latter two parties. Hence analysis of this triangular relationship will throw light on future electoral trends. The SP which has improved its seats and specially its vote share by 6.7 per cent over the 1996 elections could form the second pole of emerging party system. The SP arising out of the JD has been successful in UP unlike in other parts of the country due to the two-pronged strategy pursued by Mulayam Singh since 1989: Firstly, by taking advantage of the increasing caste-based consciousness and agrarian prosperity in the state following from the second spurt of the green revolution, it carved out a backward caste base initially based upon the AJGAR strategy which has been broadened to include more groups. Secondly, it distanced itself from the BJP by promising protection to the Muslims and gaining their support. The alliance between the SP/BSP was also beneficial to both as they managed to consolidate and expand the backward caste – the scheduled caste and the Muslim base, in the many key constituencies. While earlier the base of these parties was largely confined to the yadavs and jatavs, it expanded later to include a large section of the kurmies and the lodhs (Table 5).

The SP is the only party which has consistently and successfully opposed the BJP since 1980s. In both the eastern and the western plains the major interchange of seats over the last two elections in the rapidly changing and fluid situation has been between these two parties. This points to the keen competition among them. In the 1998 elections Mulayam Singh Yadav

charted an independent path for his party, keeping distance from both from the Congress and the JD. During the election campaign, the SP, in order to gain the support of the Muslims, stressed that the BJP remained a Hindu upper caste party, and tried to cut into the backward and dalit support base of the BSP. The base of the SP has been the plains of west UP and to a larger extent the eastern plains. As Table 2 shows, in spite of the BJP performing well, the SP managed to retain certain core areas. Without the benefit of an alliance with its earlier partner the BSP, the SP could gain 20 seats and 27.5 per cent of the votes and contain the BJP pockets specially in western districts and it was able to take back from the BJP Bijnor, Hardoi, Kannauj, Kheri and Gonda, Balrampur, Deoria, Gazipur and Faizabad in eastern UP. The Muslim community has supported the SP notwithstanding the BJP's much publicised victory in places such as Rampur (Table 5). However, the SP could not gain the support of a section of the upper castes – the rajputs – and obtained the support of only a section of the backwards.

The performance of the BSP – perceived in the early 1990s as a party poised to emerge as a strong state level dalit-based party – has been disappointing in the 1998 elections. In the 1989 Lok Sabha elections it gained only two seats but 9.9 per cent votes and made impressive inroads into the Congress Party's SC and minority vote bank. In the 1991 and 1993 assembly there was a marked improvement in the performance of the party from 12 to 66 seats though in terms of votes the increase was only about 1 per cent. It moved closer to the SP on the common platform of establishing a Bahujan Samaj. However, due to the failure of this experiment and its alliances with the BJP in 1995 and 1997 and the Congress prior to the 1996 assembly elections, the party has entered a regressive phase. These opportunistic alliances also led to its isolation from other

TABLE 4: CASTE AND VOTE PREFERENCE, ASSEMBLY ELECTION 1996

	BJP+Samata	INC+BSP	UF	Others
Brahmin	74.4	6.7	8.9	10.0
Kshatriya	77.5	8.2	8.6	5.7
Kayastha	83.7	2.2	9.8	4.3
Varshya	83.2	7.1	4.3	5.4
Jat	32.8	6.7	36.1	24.4
Other upper caste	78.0	4.0	13.0	5.0
Yadav	6.7	10.5	73.8	9.0
Kurmi	44.9	10.2	41.5	3.4
Lodh	78.2	5.0	11.9	4.9
Koeli	49.1	20.8	25.4	4.7
Pal	28.7	22.1	34.4	14.8
Other OBC Group I	51.8	19.0	24.1	5.1
Other OBC most backward	52.2	26.1	21.7	0.0
Scheduled caste	6.3	77.3	11.6	4.8



mainstream parties and prior to the 1996 Lok Sabha elections, many parties in the National Front were opposed to its inclusion, viewing it as an unprincipled party. In the resulting division of votes the BSP gained only 59 seats but managed to gain 20 percent of the votes. A moderate section consisting of dalits and backwards within the party advocates a closer relationship with other parties, while the hard-core dalit members feel it will lose its distinct identity and social constituency as a dalit party if that happens. This has led to factionalism and splits. An authoritarian style of leadership is also resented within, and therefore, there has been further division within this group, weakening the party on the eve of elections. This may be one reason for its decline.

Another significant reason for the decline of the party is that during both the short periods when it was in power in 1995 and 1997, the BSP introduced a number of exclusively dalit-oriented policies in the field of education, social welfare, employment generation, and channelled a large proportion of state funds in to the Ambedkar village programmes. This has created considerable anguish among the MBCs, particularly those who feel that in spite of being backward and in many cases poorer than the dalits, the BSP government has neglected them. Even among the dalits, it is the jatavs who have benefited, the balmikis and pasis have not – and this led both these groups to vote for the BJP in the 1996 elections. As a result, the BSP prior to the 1998 elections was faced with alienation of the BCs, slow growth of its social base and the lack of alliance partners which led to a division of votes favouring the BJP. The party, however, retains the potential to challenge to SP.

The base of BSP since its inception has remained confined to eastern UP and Bundelkhand and parts of central UP. It has been trying to enter western UP and has pockets of support in regions of chamar jatav concentration. Its failure to do so has been due to the success of the BJP and, to a lesser extent the SP. It did gain a seat in western UP in both 1991 and 1996; Etawah and Sambhal, respectively; but has lost both in 1998. However the party succeeded in its attempt to make inroads into west UP; polling a good percentage of dalit votes which should allow it to expand beyond its strongholds in the eastern UP and Bundelkhand. In the 1998 elections, the BSP has been pushed back to the eastern UP and has not won a single seat elsewhere (Table 2). However, it has been able to improve its vote share by 1.96 per cent particularly in the eastern districts like Akbarpur, Azamgarh, Bahraich and

Mishrikh where it had put up Muslim candidates and gained their support.

Despite the changes visible in this election, the BJP has not emerged as a broad based dominant party in UP on the lines of the Congress Party earlier. There are in fact important structural limitations to the continued expansion of the BJP in UP, unlike in states such as Gujarat and Rajasthan, where it has become a well established party. The SP and particularly the BSP, in spite of its poor election performance are well established parties with strong social and regional bases in UP built over a considerable period of time. If they were to join hands as in the past of which, lately, there have been indications, they are capable of posing a strong challenge to the BJP. Moreover,

due to rigid caste polarisation, the BJP would find it difficult to gain the support of either the dalits or the backwards who have in the recent past shown a preference for the BSP and the SP whenever these parties have formed a winning coalition. In contrast, although the BJP has managed to spread into all regions of the state, the constant shifts in the social and regional base over the election base indicate that it has yet to strike firm roots. Moreover, for important historical reasons, the chances of the party like the BJP gaining the support of the Muslim community are low since the community view the party with suspicion, believing that after achieving power it might return to its ideology of hindutva. The compulsions of coalition politics dictate the need to moderate its

TABLE 5: WHO VOTED WHOM

	INC	BJP	JD	BSP	SP	Others
<b>A: Sex</b>						
Male	6.8	39.6	0.3	14.7	24.8	13.7
Female	7.9	31.0	0.2	16.1	22.4	22.0
<b>B: Locality</b>						
Rural	6.8	34.7	–	17.5	22	19.1
Urban	8.9	39.8	1.1	8.9	29	12.3
<b>C: Age</b>						
Up to 25 years	4.9	38.1	0.4	17.7	23.8	15.1
26-35 years	7.8	34.7	0.3	13.9	29.3	13.9
36-45 years	5.0	33.3	–	16.7	27.0	18.0
46-55 years	10.6	38.0	–	13.4	18.3	19.7
Above 56 years	10.7	36.1	0.6	13.8	13.8	24.5
<b>D: Education</b>						
Illiterate	6.7	27.2	0.2	20.2	23.1	22.5
Up to Middle	7.6	39.8	0.7	15.2	23.2	13.5
College no degrees	8.3	45.4	–	7.3	25.2	13.8
Graduate and above	7.1	51.3	–	7.7	23.1	10.5
NA	–	15.0	–	12.5	50.8	12.5
<b>E: Occupation</b>						
Unskilled workers	7.4	11.6	2.1	27.4	33.7	17.9
Agriculture and allied workers	3.0	15.0	–	39.8	21.1	21.1
Artisans and skills	12.7	33.3	–	12.7	30.9	10.3
Cultivators with 5 acres and below	4.6	39.5	–	12.5	18.8	24.7
Cultivators above 5 acres	1.0	44.8	–	8.3	29.2	16.7
Business	6.1	53.8	0.8	5.3	24.2	9.8
White Collar and professors	11.8	45.5	–	5.9	10.4	16.7
Others	10.6	46.5	–	16.3	14.0	4.7
NA	33.3	25	–	–	16.7	25
<b>F: Caste Group</b>						
SC	8	18.4		50.5	9.0	14.2
ST		30.0		10.0	40.0	20.0
OBC	6.8	30.6	0.7	9.2	30.4	22.3
Upper caste	7.7	50.7		4.1	23.8	13.7
<b>G: Religion</b>						
Hindu	6.6	42.3	–	7.5	15.0	18.6
Muslim	9.8	6.7	1.6	5.7	64.8	11.4
Christian	–	25.0	–	25.0	–	50.0
Sikh	20.0	60.0	–	–	–	20.0
Others	50.0	50.0	–	–	–	0.5
<b>H: Economic Class</b>						
Very poor	3.0	25.0		19.4	28.9	22.9
Poor	9.3	33.5	0.3	19.4	20.8	16.6
Middle	8.4	39.1	0.6	10.7	25.7	15.5
Upper	6.2	49.2		8.5	22.3	13.8

Source: CSDS Data Unit Bank – Post Poll Data Analysis 1998 (UP).

ideology and make it more accommodative towards the aspirations of the backwards and the dalits. Whether the BJP actually manages to change remains to be seen.

Instability, it would appear, is a continuing feature of UP politics. Since 1989, UP has had close to half-a-dozen governments run by as many political parties and combinations. The uncertain verdict of the 1996 assembly polls has only added to the confusion rather than offering any hope of a solution. If we see elections simply as means to the formation of governments, these have certainly not been able to produce any definite results. But if we try to understand their deep-rooted lessons and outcomes, we will be able to appreciate their import as instruments of social change. Responding to the deep processes of churning among various strata, every political party was forced to change both its strategy and programmes as well as its composition, through the induction of a larger number of scheduled caste, OBC, women and Muslim candidates. This era may also be seen as one of resurgence of dalits under the dual leadership of Kanshi Ram and Mayawati, who were emerging as unquestioned 'masihas' of the lower castes. On the other hand, the backward

castes and the Muslims are attracted towards Mulayam Singh's Samajvadi Party or its alliance with the JD and the Left.

The first indication from these election of 1996 and 1998 is that the electorate is treating politics as something regional, even local – rather than national. In the absence of someone who can capture their imagination with an ideology that cuts across caste and communal lines, the voters have opted for whoever spoke for their interests, aspirations and needs. That local issues are more important was evident even in past elections, as the poll surveys conducted by the CSDS confirmed. Recent electoral mandates and the overall turbulence of the times, suggest that the anger of the electorate against most political parties or alliances is quite pervasive as is the impression that they do not fulfil peoples' day-to-day needs such as water, housing and sanitation, etc.

The strategy of Samajvadi Party to expand its support bases among the upper castes worked well in these elections. The party has eaten into a sizeable number of upper caste votes of the BJP. Out of the 110 seats won by it, the SP has wrested 39 seats from the BJP. The SP has gained

a total of 72 new seats. The SP fielded about 30 rajputs out of which 11 have won, eight of these it wrested from the BJP, though it too had to lose 10 of these 30 seats. The SP has been successful in getting the support of other high caste votes through the Congress and by using the services of a rajput industrialist Amar Singh, who was made general secretary of SP.

Notwithstanding its image of representing the scheduled castes, the BSP fielded 57 upper caste candidates this time. Out of them, nine were winners in their respective constituencies. Among them are two brahmins, four thakurs, and the rest belong to other upper castes. Most of these seats are in the Poorvanchal region. The BSP also tried to get Muslim support and ended up with 17 per cent of its MLAs being Muslim this time. The BSP fielded 54 Muslim candidates; out of these 12 were winners in their respective constituencies such as Bijnor, Kundaki, Bisalpur, Lahapur, Tulsipur, Salempur, Mau and Jehanabad assembly seats. The BSP had fielded as many as 102 candidates from other backward classes, 26 of whom won. The BSP has only 20 scheduled caste MLAs in the new assembly out of 86 candidates.

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# Electoral Competition and Structures of Domination in Maharashtra

Suhas Palshikar  
Rajeshwari Deshpande

*The pre-eminence of the Congress in Maharashtra politics was based on two disjunctions. One, while it claimed to represent the oppressed caste it was a maratha-kunbi supported and dominated party. Two, while it drew support from rural agrarian voters it served urban industrial interests. Emergence of the BJP-Shiv Sena alliance marks an end to the disjunction between material and political domination. The alliance is supported by urban, educated voters in the younger age groups and serves their interests.*

AFTER a long period of resilience the Congress in Maharashtra finally faced electoral humiliation in the 1990s. This turn in the electoral politics of the state poses two questions: (a) what movement of popular vote made this change possible? and (b) how is the Congress defeat related to a restructuring of dominant interests? The following paper attempts to answer these questions and link the electoral process in the state to a more general dynamics of political economy of Maharashtra.

Electoral process is usually associated with 'politicking', infighting within the party, the excitement of selecting candidates and campaigning – all these factors are exacerbated by the media-hype accompanying elections. But over and above this excitement, electoral politics is firmly rooted in the interplay of social forces. Two types of confrontations constitute politics. In the first place, confrontation takes place between dominant interests and the dominated masses. This relationship is often shaped by material factors, social status and identity question. The second confrontation takes place among the dominant interests for a better share in dominance. In case of both these confrontations, elections provide a crucial opportunity for contending sections to assert themselves. The dominant interests seek continuation of their dominant position through elections while the people look upon elections as an opportunity to intervene in the process of domination. In this sense, electoral politics constitutes popular perception of and response to the prevalent pattern of domination. Therefore, electoral politics cannot be understood in isolation from the politics of domination. Our analysis, then, is informed by this understanding that elections combine democratic expression and expression of domination.

## I

### Pre-eminence of Congress

Caste composition of Maharashtra's politics and the pre-eminence of Congress party stand out as the most significant

features of politics in Maharashtra. Both appear to have come under serious challenge during the 1990s. Brahmins account for less than 4 per cent in Maharashtra's population; while the maratha-kunbi caste cluster accounts for over 31 per cent [Lele 1990: 116-17]. maratha-kunbis are traditionally engaged in agriculture and related occupations and are spread almost all over the present state of Maharashtra. There are internal differences among the maratha-kunbis on the basis of caste status as well as economic stratification. However, through a historical consciousness of 'kshatriyahood', a common battle with brahmins, a common material experience as peasantry and a process of adroit political integration the maratha-kunbi group has emerged as a political force in the state, [Lele 1990: 124-35, 162-697]. It may be noted here that the Mandal commission has included the 'kunbis' in its list of other backward classes (for Maharashtra). However, in many parts of the state, distinction between marathas and kunbis is often blurred particularly with the rise in the incidence of marital alliances between the two. Thus, internal stratification notwithstanding, maratha-kunbi caste cluster has existed as a single political entity for the most part since independence. Its formidable share in population ensured the domination of this community over electoral politics and made Maharashtra famous for 'maratha domination' during the decades following the formation of the state in 1960.

The pre-eminence of Congress was, in a sense, an all-India phenomenon in the post-independence period. But two features of Congress domination in Maharashtra distinguish the state's politics from that of other states. During the 50 years since independence, Congress enjoyed power in Maharashtra for over 46 years (1947 to 1978 and 1980 to 1995); and when the first non-Congress government came to power (1978) it was led by a Congress faction. This non-Congress government could come to

power because of a split in the Congress. Secondly, and more importantly, the pre-eminence of Congress was deep-rooted and based on a combination of political majority and ascendant material interests. The structure of dominant material interests is sketched below. Congress in the post-1960 period successfully attempted to accommodate entrenched interests. At the same time, political legitimization of Congress power derived from the fact that at the social level, Congress claimed to represent the ordinary masses – the 'bahujan samaj' (an euphemism for non-brahmin and usually non-dalit castes). The Congress could sustain this claim to being a party of the bahujan samaj because both at the level of leadership and following it had undergone a transformation from an upper caste character to a middle peasant (maratha-kunbi) base, since late 1930s onwards.

Congress presided over a complex set of entrenched interests competing with each other. The maratha leadership, which exercised political control over material resources, always accommodated the interests of brahmins and while the latter lost political initiative there is nothing to show that material interests of brahmins were jeopardised in any way. Lele (1990:67-72) and Vora and Palshikar (1990:238-40) have separately argued that there has generally been a sharing of interests between brahmins and marathas and that the cultural pre-eminence of brahmins has generally been a result of this collusion. Also, industrial interests have generally benefited under maratha political dispensation [Kamat 1983:80, 87-90]. Vora has discussed at length the limitations of 'maratha dominance thesis' in the context of political economy of Maharashtra [Vora 1994:1-3, 32-33]. Thus, Congress rule could protect agrarian interests only by accommodating brahmin interests and 'bending backwards' [Kamat 1983:87] in pursuing capitalist interests. In this sense, material resources were jointly controlled by agrarian and capitalist interests.

This complex arrangement of entrenched interests was obviously not without tensions. In fact, internal competition marked the relations among the entrenched interests. Relations between Brahmins and marathas are marked by competition as well as by sharing of interests. Marathas have also found it difficult to placate the emergence of political ambitions among vocal sections of scheduled castes. And while the Congress always claimed that its rule was representative of 'bahujan samaj' the maratha leadership always avoided mobilising the non-maratha, ie, OBC castes. All this goes to suggest that although marathas gained access to political power and material resources, they were far from enjoying substantive hegemony vis-a-vis the caste society.

In the early 1970s Indira Gandhi attempted to undermine the hold of maratha leadership over Congress [Lele 1990:177-85]. The peculiar social composition of Maharashtra did not allow her to prop up a social force against the marathas but she could shake the confidence and complacency of state leadership. Her challenge widened the cracks among the many factions of maratha leadership [Palshikar 1994:273-74]. Around the same time, industrial interests began asserting themselves. The state had already adopted policies favourable to industry. A number of institutions had been floated to finance and provide infrastructure to industries. During the 1970s, the state government almost totally abdicated its regulatory role as far as industrial expansion in the Mumbai-Thane belt was concerned. The plan of backbay reclamation was pushed ahead and a twin city of New Mumbai was planned. Under onslaught from capitalist interests, political leadership failed on two counts. Firstly, it failed to check unplanned growth of Mumbai-Thane-Pune belt. It yielded to demands made by capitalist interests [Kamat 1983:79-81, 86-88]. Secondly, state-level political leadership failed to protect the interests of agriculture – a sector to which it belonged.

Between 1960-61 and 1970-71, area under production of cereals and pulses remained stagnant and yield per hectare actually declined [GOM 1996:141]. Similarly, between 1960-61 and 1975-76 percentage of gross irrigated area to gross cropped area improved by 3 per cent [GOM 1996:143].

Not surprisingly, share of primary sector in state income went down by over 10.5 per cent (from 41.9 per cent to 31.6 per cent) between 1960-61 and 1975-76. During the same time both secondary and

tertiary sectors registered a growth of 5 per cent each in the state's income [Kamat 1983:82].

Economic development of Maharashtra has not been without its own problems and imbalances. The period between 1976-77 and 1986-87 shows that its economy had a stunted growth. It also shows a lack of ability on the part of politicians to protect agrarian interests. As a result, the trend of declining share of primary sector continued. Between 75-76 and 86-87 primary sector shows a downfall in its share of state income by 10 per cent from 31.6 per cent to 21.4 per cent [Kamat 1988:82; GOM 1996:116]. On the other hand, the secondary and tertiary sectors grew but did not grow sufficiently for the state to record a fair economic development. In 1976-77 Maharashtra's net domestic product accounted for 12.6 per cent of national income [Kamat 1983:81]. This share went down to 11.7 per cent in 1986-87 [GOM 1991:5]. Trends in state income and national income at constant prices (80-81) show that while state income increased by 14.4 per cent between 1980-81 and 1984-85, national income increased by 20.9 per cent for the same period. In 1985-86, state income increased by 9 per cent [GOM 1996: 12-13].

Even this moderate development of secondary and tertiary sectors had some problems. Firstly, it did not keep pace with rising levels of education and expectations.<sup>1</sup> As a result, number of persons on the live registers of the employment exchange increased by three times between 1975-76 and 1985-86 [GOM 1996:187]. The number of factories increased from 11,923 in December 1976 to 19,966 in December 1986, but employment rose only by a 10 lakh and actually declined between 1981 and 1986 [GOM 1996:132]. While, growth showed signs of a slump, the state continued to pump its resources generously into capitalist development. Financial assistance disbursed by financial institutions rose from Rs 372 crore in 1980-81 to Rs 7,871 crore in 1995-96 [GOM 1997:160]. Thus, state-sponsored capitalist growth failed to spread across sections of population. Besides, industrial growth occurred at a dismally slow pace in most parts of the state. Mumbai-Thane and Pune continued to be the major sites of growth. Of the total factory workers in 1986-87, 66 per cent were employed, in these three districts [GOM 1991:38-39]. This suggests that while industrial growth in other districts was very slow, they experienced growth in tertiary sectors mainly through petty businesses. This created not only an

economic imbalance but social distortions too state-level political leadership continued to derive political support from rural agrarian masses and to cater to the material interests of urban-industrial and service sectors. Thus, agrarian interests became less effective than earlier vis-a-vis capitalist interests based in urban centres. Another development that firmly emerged during this period was the increasing role of tertiary sector. It ensured the change in the economic complexion of the state. While industry recorded a steady pace of growth, the service sector was constantly on the ascendant. In concrete terms, petty contractors, hoteliers, speculators and traders became increasingly important in the state's economy.

In a sense, 1977-78 marked the beginning of a phase which finally culminated in the defeat of the Congress. The period between 1978 and 1995 was characterised by disintegration of maratha leadership and changing complexion of the alliance of material interests. Congress performance in Maharashtra in the 1977 lok sabha election was poor. It won 20 out of 48 seats. This poor performance of the Congress was partly due to the emergency and to post-emergency unity of non-Congress parties. But in 1977, Congress in Maharashtra was already a divided house. Since 1972, state Congress had three groups. One was loyal to Y B Chavan while another group derived its power from sugar co-operatives and maintained a distance from Y B Chavan. This latter group was informally led by the maratha leader Vasantdada Patil. Both these factions had their social base among the maratha-kunbi community. The third faction, mainly opposed to the sugar co-operatives, was led by the Marathwada-based S B Chavan. S B Chavan, himself a maratha, had little support from the maratha-kunbi community. After the 1972, Indira Gandhi sought to destabilise the maratha leadership with the help of S B Chavan. He replaced V P Naik as chief minister in 1975. This led to intense factionalism during the 1977 lok sabha election where interests of Y B Chavan and Vasantdada coincided. The results of 1977 elections were, therefore, in no small measure, an outcome of factionalism within Congress [Vora et al 1988:71-72]. After Congress split at the national level in 1978, the two factions – Indira loyalists and maratha leaders – fought the 1978 assembly elections separately but joined hands to form a coalition ministry. Soon, Sharad Pawar went on to form his separate faction breaking away from the loose alliance of maratha leaders. Pawar's

parallel Congress formed a coalition ministry along with Janata party and PWP (July 1978).<sup>2</sup> This dealt a blow to the already fragile unity among maratha leaders and since then the maratha leadership has not been able to put its act together. When Indira Gandhi returned to power in 1980 she swiftly dismissed the Pawar government. Between 1980 and 1984, the maratha leadership faced humiliation at the hands of Indira Gandhi. Although Vasantdada Patil and some other leaders went back to Indira's Congress, a string of chief ministers not belonging to maratha leadership was imposed on the state with the maratha leadership standing by as mute witness. This scenario continued even after Indira Gandhi's assassination. Between 1978 and 1988, the maratha leadership was in a state of disarray. It lost initiative along with loss of unity.

These developments facilitated the growth of the Shetkari Sanghatana and neo-Hinduist forces. Farmers' movement under the leadership of Sharad Joshi took shape after 1978. Joshi took up agitational forms and mobilised the rural masses. The agitations of Shetkari Sanghatana were the first statewide mobilisation on mass scale since the formation of Maharashtra. However, after an initial success, the Shetkari Sanghatana lost initiative [for details see Doshi 1990: 215-30; Lenneberg 1988: 446-64]. For about six years the Sanghatana successfully mobilised the maratha-kunbis as well as OBC groups, particularly mali and vanjari in parts of western Maharashtra (Nasik, Ahmednagar) but more notably in Marathwada and Vidarbha regions.

Since the rise of the Janata party small activist groups claiming allegiance to militant Hinduist ideology were active in parts of Maharashtra. They were different from RSS in that they were active in rural areas, small towns and attracted youths from the non-brahmin castes. After 1984 Shiv Sena too, entered rural Maharashtra. It took up an explicitly Hinduist position and started wooing OBC youth in Marathwada. Youth from different castes seized this opportunity since the Congress was a dilapidated force and also because of the ideological appeal of Sena's militant Hinduism. The Shiv Sena skillfully exploited the anger and frustration among both rural marathas and OBCs on the issue of change of name of the Marathwada university. The caste sensibilities of caste Hindus (savarna) were combined with their religious sensibilities. The latter were being shaped in the course of the 'Ram Janmabhoomi' agitation. The tempestuous Hindutva brigade soon sidelined the

Shetkari Sanghatana. Thus, new political forces emerged while the Congress witnessed an internecine struggle among warring factions of maratha leadership.

Sharad Pawar became Congress chief minister in 1988. He vigorously pursued the economic policy of liberalisation. He made an attempt to situate further industrial expansion outside of Mumbai, Thane and Pune. Nasik, Jalgaon, Aurangabad, Kolhapur and Ratnagiri districts became the sites for rapid industrial development. State support to industry continued. Assistance from financial institutions increased ninefold between 1985-86 and 1995-96 [GOM 1997: 160]. Over 8,000 new factories were set up during this period. In 1991-92, the tertiary sector recorded its highest share in SDP when it reached 46.5 per cent and remained around 44 to 45 per cent in the later period. While many of these trends had existed earlier also, during Pawar's second (and third) stint as chief minister, these trends became stronger. Besides, unlike in the earlier period, there was very little mention of agriculture. Pawar enthusiastically took up the theme of industrial development and made it a major plank of election campaign later in 1995. Not surprisingly, his tenure was marked by acrimonious charges of corruption and the same were exploited by his opponents in course of the campaign. Pawar came to be identified with modern capitalist development and with shady deals and fast track of corruption.<sup>3</sup>

Two other features of Congress rule in the 1990s were manipulative politics based on ad hocism and inability to handle the communal situation. It was evident since 1989 that Congress' control over politics in the state was weakening. Pawar sought to remedy this situation by employing a series of manipulative strategies. Mandal recommendations were accepted by allotting separate reservations to various caste groups from among the OBCs. A few non-maratha leaders were projected to assuage the politically strong castes such as dhanagars and malis. Development boards were planned and eventually formed for the backward regions of Vidarbha and Marathwada (along with one for the rest of Maharashtra). Alliance with one faction of RPI was formed; Marathwada university was finally named after Ambedkar. A split in the Shiv Sena legislature party was engineered and one in the Janata Dal was also effected. (The growth of Shiv Sena in Marathwada and Vidarbha regions was mainly due to the emergence of Bhujbal, a leader belonging to the OBC 'mali' community. Dissension between him and Manohar Joshi, a brahmin leader of Shiv

Sena was the factor ultimately leading to split among Shiv Sena MLAs. The ostensible reason was Shiv Sena leadership's anti-OBC stance. In the case of Janata Dal, the split was an easy matter since the state unit of party lacked in leadership, cohesion and direction.) A policy document on women's issues was brought out. But all these strategies lacked any long-term planning or deep-rooted commitment. Issues were handled, more or less, in isolation. An attempt to create a support base was not made.

The communal situation worsened in the aftermath of the demolition of Babri masjid. The government led by Sudhakar Naik could not handle the riots of December 1992 effectively. Mumbai witnessed the worst riots in January 1993 during which the communal bias of the police force became an issue. The Congress could not satisfactorily rebut charges of a nexus between the underworld and the politicians. Ignoring these problems, Pawar seized this opportunity to settle scores with Naik and subsequently returned as chief minister. The bomb blasts in March 1993 further strengthened popular perception that Mumbai was ruled by the underworld. These events were to play a key role later during assembly elections of 1995.

From 1978 onwards and particularly in the 1990s, the Congress remained in a disarray. Organisational activity came to a standstill. The party lost all ability to mobilise the masses. At the state level, Congress could retain power because of the limited strength of non-Congress parties in rural areas. But the Congress had lost initiative right since the disintegration of the maratha leadership in 1978. Between 1978 and 1990, the state witnessed an acute disjunction between political-electoral domination and the ascendancy of new forces in the material realm. As we noted above, industry and service sector became increasingly dominant. With this development, the role of urban centres became more significant. The gulf between urban sensibilities and rural sensibilities further increased. A new section of upstart capitalists and the urban rich started making its presence felt. These developments meant that control over rural resources alone was not sufficient to enjoy material domination. The Congress Party in Maharashtra did not realise this problem and continued to exercise control over co-operatives, zilla parishads, etc. Pawar attempted to rejuvenate the earlier alliance between rural rich and the urban material interests.

He sought to combine political domination with material domination. In the arrangement which Pawar was seeking,

urban material interests were to have a free hand not only in urban development, but in the field of rural development also. Export oriented agriculture, horticulture, tourism, new agro-based industry were some of the areas hotly pursued by the Pawar government. This arrangement implied that material relations will be evolved on the terms of urban interests. The rural rich could participate in implementing but not in framing these relations. In exchange, Pawar sought continuation of political domination on existing lines, in which marathas would be allowed to formally preside over the state apparatus. The political leadership was, however, not supposed to pursue its own material interests. In other words, Pawar, like the central leadership of the Congress, sought to convert the party into a political vehicle of the newly ascendant and aggressive material interests.

## II Downfall of Congress

This strategy did not succeed. It hurt rural interests and failed to attract urban voters. The inevitable result was that Congress was unsettled from power and had to give way to a new political combination more acceptable to the alliance of material interests [Vora and Palshikar 1996:122-24]. How did this story of Congress decline unfold electorally? We discuss this question below.

The lok sabha elections of 1989 witnessed triangular contests in most constituencies. The BJP had entered into alliance with Shiv Sena for the first time during these elections, both for reasons of ideological proximity, as well as because the Sena was fast emerging as an aggressive oppositional force. Although BJP is a national party, it had no option but to continue its alliance with Shiv Sena. While the BJP traditionally enjoyed the support of brahmins, banias and the middle class, the Shiv Sena was able to attract OBC youth in urban as well as rural areas. This forced the BJP to ally with Shiv Sena in spite of differences (e.g., the two parties had different stands on the 'namantar' issue, on the issue of OBC reservations and later, on the issue of revival of the Enron project) and accept its domination. Although Janata Dal and its allies did not have a formal alliance with the BJP-Shiv Sena combine, they had an electoral understanding in a number of places. This avoided division of non-Congress votes to some extent. The overall atmosphere in the country was also not favorable to Congress. These factors together resulted in a setback to Congress. It secured 28 seats

but its vote share remained more or less intact (45.3 per cent). The real gainers were the BJP and Shiv Sena, with 10 and four seats respectively. It may be noted that both BJP and Shiv Sena won most of their seats from urban constituencies which were more receptive to the issue of corruption raised during the campaign. The alliance benefited from the appeal of hindutva generated through Ramshila-poojan programmes during the campaign. Urban support to politics of hindutva thus became evident for the first time through these elections.

The non-Congress parties could not follow up this success in the 1991 lok sabha elections mainly because of the changed atmosphere due to the assassination of Rajiv Gandhi in the middle of campaigning. Although both the issues of Mandal and Mandir played an important role in campaigning, they had no effect on the outcome of elections. Even in this adverse condition the BJP managed to win five seats and the Shiv Sena retained its four (it actually retained two seats and won two new seats). The BJP projected its leaders from OBC castes such as Gopinath Munde (vanjari), N S Pharande (mali) and Anna Dange (dhangar). The real loser was the Janata Dal which failed to win any seats and lost its image as an opposition party, losing all initiative to BJP-Shiv Sena alliance.

Between these two lok sabha elections the crucial assembly elections had taken place in 1990. These witnessed a major setback to the Congress. The Congress lost clear majority and its share in popular vote went below the 40 per cent mark. The BJP and Shiv Sena posed a direct challenge to Congress dominance by winning 94 seats. More importantly, these elections helped in consolidating their support base in most of the urban centres in the state.

As in 1989, there were triangular contests in most constituencies. While BJP-Sena alliance continued, Congress entered into an alliance with one faction of Republican Party (led by Ramdas Athawale) with a view to gaining some additional dalit votes. This move resulted in the split in the United Republican Party which was created in December 1989 by bringing together many Republican factions [Morkhandikar 1990:588]. A third alliance consisted of Janata Dal, PWP, both the Communist parties, Shetkari Sanghatana, Kamgar Aghadi (led by Datta Samant) and factions of Republican Party. This alliance was known as Progressive Democratic Front (PDF). The PDF accommodated some Congress rebels also. Campaign in 1990 was marked by Sena's aggressive hindutva propaganda and weak attempts by PDF to win the OBC constituency. Pawar led the campaign on behalf of the Congress. Regionwise analysis of the 1990 results shows that the BJP-Sena alliance consolidated its base in the Mumbai-Konkan region. Although the two regions are separate, Konkan vote is usually influenced by voting in Mumbai. This is due to strong economic links between the two regions and influence of the metropolis on adjoining areas. Apart from Mumbai and Konkan the alliance made inroads in Vidarbha and Marathwada regions. Western Maharashtra continued to remain a strong base for Congress (Table 1). These trends indicated decline of support to Congress in as many as four regions. Two of these regions are dominated by urban constituencies or effects of urbanisation (Mumbai and Konkan). The other two regions are marked by backwardness and a none too impressive co-operative network (Vidarbha and Marathwada). In particular, decline of support in Vidarbha and Marathwada meant disintegration of

TABLE 1: ASSEMBLY ELECTIONS RESULTS - 1990 AND 1995

Party	Mumbai		Konkan		North Maharashtra		Vidarbha		Marathwada		Western Maharashtra		Total	
	1990	1995	1990	1995	1990	1995	1990	1995	1990	1995	1990	1995	1990	1995
Congress	9	1	9	3	21	10	25	17	23	12	54	37	141	80
BJP	9	12	5	6	8	10	13	22	5	9	2	6	42	65
Shiv Sena	15	18	11	15	2	5	9	11	11	15	4	9	52	73
JD	-	1	2	-	3	3	10	2	2	2	7	3	24	11
PWP	-	-	3	3	-	-	-	-	3	2	2	1	8	6
CPI	-	-	-	-	-	-	1	-	-	-	-	-	2	-
CPI(M)	-	-	1	1	1	-	-	-	1	1	1	1	3	3
RPI	-	-	-	-	-	-	2	-	-	-	-	-	-	-
Muslim League	1	-	-	-	-	-	-	-	-	-	-	-	1	-
Cong Rebel	-	-	-	-	1	5	6	9	1	3	5	18	13	35
Others*	-	2	-	3	-	3	-	5	-	2	-	-	-	15
Total	34		31		36		66	46		75		288		

Notes: \* Others include independents, Maharashtra Vikas Congress, Nagvidarbha Andolan Samiti, Samajwadi Paksha Swatantra Bharat Paksha, Nagari Vikas Aghadi and Sena/BJP rebels.

Source: Vora and Palshikar (1996: 38, 65).



Congress base among rural voters and among maratha-kunbi and OBC voters. This shrinking base of Congress was to prove critical in the elections of 1995-96.

Assembly elections in 1995 brought about transfer of power in the state in more than one sense [Vora 1996:171-73]. Sena-BJP alliance won 138 seats and formed government with support from independents, most of whom were rebel Congressmen. The lok sabha elections in 1996 witnessed continuation of the trends which emerged in 1995. These elections confirmed the decline of Congress in the state.

The assembly elections had a background of Congress rule between 1991 and 1995. Campaigning was dominated by anti-Pawar propaganda. Corruption and the alleged nexus between politicians (of ruling party) and criminals became the main issues. Some bureaucrats also supported the anti-Pawar campaign. BJP and Shiv Sena could not oppose Pawar's economic policies since they too believed in liberalisation. Therefore, they focused on mismanagement and corruption. Pawar was made the target for another reason. He was the only leader in the Congress with mass base and the alliance hoped to penetrate rural electorate by discrediting Pawar. This strategy worked successfully for the alliance so much so that later, in the lok sabha election of 1996, acrimonious campaigning was not required. As a result there was no strong campaign in 1996. In both the elections non-Congress, non-BJP parties did not play a crucial role during the campaigns. Thus, these elections were triangular in terms of candidates and alliances but there was a direct confrontation between Congress and Sena-BJP alliance. In 1995, the Janata Dal formed the PDF along with PWP, two factions of Republican party. Samata Party and Samajwadi Janata Paksha. The Bahujan Mahasangha, Bharatiya Republican Party (led by Prakash Ambedkar), both Communist parties, Kamgar Aghadi formed the Bahujan Shramik Samiti and formed a second front. These two fronts mostly fought each other ultimately benefiting the Sena-BJP alliance. In 1996, both came together to form a 'third front', but this effort proved futile.

Results of 1995 and 1996 elections manifest identical patterns. In 1995, the Congress could win only 80 seats with its lowest even percentage of votes (30.7 per cent). The legislative strength of Sena-BJP rose by 44 seats with a marginal rise in votes of less than 3 per cent compared to 1990. More significantly, vote share of the alliance was actually less than that of

Congress in the 1995 election. This could happen because of multi-cornered contests in most constituencies and division of non-BJP, non-Sena votes. Another outstanding feature of election results in 1995 was the election of as many as 50 independent and other candidates, 35 of whom were Congress rebels. This phenomenon clearly expresses the bane of factionalism and lack of party organisation. But more importantly, it confirms the breakdown of Congress in the state.

In the lok sabha elections that followed, the Congress was in no better shape. In its one year in power, the Sena-BJP government had attempted to consolidate its electoral gains and further weaken the Congress. On the one hand the two parties engaged in symbolic actions like changing the names of cities, campaigning against immigrants from Bangladesh, abolishing the state minorities commission, scrapping the commission enquiring into the Mumbai riots of 1992-93 and bringing a bill seeking to ban slaughter of cows. These actions were undertaken to consolidate the 'Hindu' support base. Secondly, the government withdrew cases against caste Hindus from Marathwada – mostly marathas – filed under atrocities act during the anti-namantar riots directed against dalits. This step was clearly aimed at wooing the maratha community which has been disappointed with Congress. The government also took disciplinary action against many sugar co-operatives and co-operative banks; both bastions of Congress. It sought to destabilise Congress hold over local bodies by modifying the relevant act.<sup>4</sup> In other words, BJP and Shiv Sena tried to strengthen their already secure urban constituency and attempted to penetrate rural areas. By contrast, the Congress remained on the defensive and organisationally very weak after its defeat in 1995. It could win only 15 seats in lok sabha elections – the alliance sharing the remaining 33 (18 to BJP and 15 to Shiv Sena). Compared to 1995, both Congress and the alliance registered an increase in their respective vote shares because the number of rebel candidates was negligible in 1996 and also because the formation of the 'third front' meant less division of votes. Thus, Congress polled 34.7 per cent votes, BJP got 21.1 and Shiv Sena 17.6 per cent votes. In addition, candidates supported by the alliance polled 1.7 per cent votes. The third front received 13.3 per cent votes.

The nature of Congress defeat can be better understood if we undertake regionwise analysis because there are region-specific reasons behind Congress

defeat. In Mumbai and Konkan regions the BJP and Shiv Sena have established almost total domination. Of the 11 lok sabha seats from this region, Sena won six, and BJP four, with the lone seat of Raigad going to Congress (where Antulay won). As mentioned earlier, although Konkan is predominantly rural in nature, it is influenced by politics in Mumbai. Thus, the two regions form a single political unit. The alliance has an incontrovertible grip over Mumbai. Since Mumbai is the most important urban centre, control over this city conveys total hold of the alliance over urban centres all over the state. Several reasons may be cited for the support enjoyed by the alliance in Mumbai. Since its formation in 1966, the Shiv Sena has been strong in the city. During the last decade it attempted to consolidate this base through the hindutva appeal, especially against the backdrop of the Ayodhya controversy. The Sena successfully capitalised the communal polarisation that took place in the city. On the other hand, Muslims held the Congress responsible both for demolition of the Babri masjid and for the inept and allegedly biased handling of the riots. In addition to this communal situation, the BJP's campaign against corruption also drew a favourable response from the urban voter. At a more general level, these factors are applicable to other urban centres, too.

North Maharashtra consists of three districts: Nasik, Dhule and Jalgaon. The former two have a large tribal population with nine assembly constituencies reserved for scheduled tribes. Three lok sabha seats from this region are also reserved for STs. The BJP won three of the reserved assembly seats and three reserved parliamentary seats. Even otherwise, Sena-BJP performance in this region shows that they have made deep inroads in the region. In the lok sabha elections, the BJP won four seats and the Sena secured one from this region. This may be attributed to newly emerging urban centres such as Nasik and Jalgaon and support of major caste groups such as marathas and lewa patils. Consistent efforts of Sangh parivar in tribal areas, too, cannot be ignored in this context.

The BJP consolidated its strength in the Vidarbha region also. In the assembly election, the alliance secured half of the seats from this region. In 1996, the BJP won six out of 11 seats and Sena three, leaving only two seats to the Congress. Right since Vidarbha merged with the rest of the Marathi speaking areas, politics in this region has always been marked by separatist sentiments. The BJP exploited these by demanding statehood for



Vidarbha. Besides, the social composition of Vidarbha is marked by a strong presence of scheduled castes, scheduled tribes and OBCs. This feature gives a prominent role to the kunbi and OBC vote. BJP carefully chose kunbi candidates and projected OBC leaders from the region. On the other hand, tribal, dalit and Muslim vote from the region was divided – the first between BJP and Congress and the latter two between Congress and the other non-Sena-BJP parties resulting in electoral gains for the alliance, particularly the BJP.

Since 1990, the BJP and Shiv Sena have been creating a base in Marathwada region, which is more backward than Vidarbha. This region is dominated by the maratha community. Although there are a number of sugar co-operatives in this region they are not managed efficiently. Maratha leaders of the Congress ran the co-operatives more or less as their feudal possessions. The region witnessed atrocities against dalits by caste Hindus in opposition to the demand and later the decision to name the Marathwada university after Ambedkar. On this background, Sena-BJP alliance has been successful in displacing the Congress by combining popular dissatisfaction and caste/communal polarisation. In the 1995 assembly elections, the Congress vote declined by over 9 per cent and went down to 27.3. The Shiv Sena was the main beneficiary of the Congress debacle; it won 15 seats against 12 of the Congress. The lok sabha elections saw the BJP making further gains by winning four seats – Sena and Congress winning two seats each. Apart from factionalism, Congress defeat has been due to a split in maratha vote and division of dalit and Muslim vote between Congress and non-Sena/BJP parties as in the case of Vidarbha.

It was only in western Maharashtra that Congress could retain some foothold in both 1995 and 1996. In the assembly election, this region witnessed large scale rebellion by Congressmen but the Sena-BJP alliance was so weak in the region at that time that it could not gain from the rebellion. Also, Congress rebels in this region were strong enough to get themselves elected. Thus, in 1995, 18 rebel congressmen won from western Maharashtra. In the lok sabha election, there were less rebellions but the Sena-BJP combine had already managed to create a place for themselves. The BJP won two seats and the Sena bagged one from this region. This suggests that even in this sugar belt, the alliance is making its presence felt. However, maratha support to Congress is more or less secure in this

region probably because even under changing economic conditions dominant agricultural interests have not been hurt. In fact they have benefited from the policies of commercialisation of agriculture. Throughout the period when the Congress faced electoral reverses, western Maharashtra remained behind Congress.

The comprehensive defeat of the Congress can be seen in the light of many factors. The most obvious factor was factionalism within Congress. Factionalism has been a constant feature of Congress organisation not only in Maharashtra but throughout the country. However, during 1995-96, factionalism affected the fate of Congress candidates on a very large scale. There were around 200 rebel Congress candidates in 1995. While 35 of these won, in another 24 constituencies Congress candidates were defeated because of division of votes between rebel and official candidates. In the lok sabha election, factionalism operated on a low key and rather indirectly. In Vidarbha for instance factionalism between Pawar and Naik followers cost the party most of the seats. Infighting affected the prospects of Congress candidates in Jalana, Beed, Nasik, Kopergaon and Satara lok sabha constituencies also. But at a deeper level, this defeat can be understood as having occurred due to the changing basis of state politics in caste terms as well as in terms of material interests.

Another factor contributing to the Congress defeat can be located in the withdrawal of support by the Muslim community. Muslims constitute 9.3 per cent in the state's population. There are around 34 constituencies where Muslim vote is significant in shaping the verdict. Eight Muslim candidates won in 1995. Among these two were from Congress, two from the Janata Dal and one belonged to Shiv Sena. Three candidates won on the ticket of Samajwadi Party. As noted earlier, Muslim vote was divided among the Congress, the Janata Dal and Samajwadi Party. This affected the Congress adversely.

Congress also failed to muster the support of dalit voters. In this case, Sena-BJP alliance was also a claimant for dalit votes. The Republican Party in Maharashtra has always been ridden with factions. Since the rise of Sena-BJP, these factions confronted a new issue: the stand to be taken in order to fight communalism. Unity efforts failed in 1990 because one faction allied with the Congress for fighting communal forces. In 1996, unity among Republican factions was forged by keeping distance both from Congress and BJP-Sena. This confused the traditional

Congress voter among dalits. Besides, there have always been some tensions between Buddhist dalits and Hindu dalits. Sena and BJP exploited this fact and tried to attract the matangs and chambhars in particular. When the alliance came to power, the Sena recruited one minister belonging to chambhar caste and BJP recruited another from matang caste. In 1995 the alliance won 12 out of the 18 seats reserved for SCs in the assembly. There are three lok sabha seats reserved for the SCs. Sena secured two of them in 1996 (one each from Marathwada and Vidarbha).

This development is in a way related to a more general process of shifting political loyalties of major caste groups. As we saw earlier, in Vidarbha and Marathwada, the BJP and Shiv Sena have been successful because they were able to win over sections of important caste groups: kunbis and marathas respectively. Division in maratha vote is by far the most significant development. One analysis suggests that poor marathas deserted Congress because of the latter's inclination to favour only a few rich maratha families [Guru 1995:734]. We discuss this issue in the concluding section. But it is undeniable that marathas of Marathwada, kunbis of Vidarbha and Konkans and large sections of OBCs from Vidarbha chose to vote for Sena-BJP as is evident from voter surveys discussed in the following section.

Another important factor in explaining defeat of Congress is the divide between urban and rural voters. Urban voter has always been less enthusiastic in supporting Congress. Even before Sena-BJP became a force, non-Congress parties fared well in urban areas [Phadke 1982:13-17]. The alliance took advantage of this tendency. It won 63 assembly seats in 1995 from constituencies with an urban or semi-urban character.<sup>5</sup> With rapid urbanisation – the state has 39 per cent urban population as of 1991 – more and more constituencies are likely to become urban and this promises to be a source of strength for Sena-BJP.

### III Resurrection of Congress

In this background the results of 1998 elections to lok sabha came as a surprise. These results seemed to have completely reversed the trends of electoral politics in the state. Apparently, they went against the earlier scenario of decline of the Congress and consolidation of the support base of the BJP-Shiv Sena alliance. However the 1998 election results need not be hastily related to resurrection of the Congress; without taking into consideration the entire dynamics of interplay of interests.

Continuing its efforts to consolidate the support bases in urban centres, the BJP-SS government adopted a package of economic and social policies between 1995 and 1998. Among these the economic policies initiated a positive response to trends of liberalisation. Private sector participation was encouraged in infrastructural development projects. Most significant among these is constructing Mumbai-Pune expressway involving an investment of Rs 1,500 crore. In February 1997 the state government organised a megaconference—Advantage Maharashtra—in order to boost private sector investments and especially to attract multinationals. During the conference, 55 infrastructural development projects estimated to cost around Rs 17,000 crore were invited. The state government asked permission of the centre to set up five export promotion industrial parks. Nine five-star industrial estates were also to be set up in the state.

These policies were mainly to benefit those regions which are considered as traditional support bases of the BJP and Shiv Sena. For example, 33 per cent of the investments in Maharashtra in post-1991 period were in the Konkan region while Vidarbha and Marathwada, which are considered as industrially backward regions, together accounted for only 27 per cent of the investments. Industrial development seemed to be concentrating only in some centres as six districts accounted for 60 per cent of the outstanding investments in the state as of July 1998. Among these, four belonged to the Mumbai-Konkan region. Thus regional disparities continued despite the government's political announcements to end them.

Policies aimed at wooing capitalist interests were balanced by making populist slogans for the urban poor. These included the scheme of providing meals to the poor for minimum charges (Zhunka-Bhakar Yojana), free housing scheme for the slum dwellers of Mumbai, etc. However the government failed to fulfil its promises with respect to these schemes. Charges of corruption in implementation of these schemes were frequently made against the political office bearers, not only by opposition parties but by factions within the ruling combine. The internal relationship between the Sena and the BJP worsened because of these allegations.

The BJP and the Sena also continued their efforts to take over the rural support bases, traditionally belonging to the Congress. They could electorally succeed in their efforts, at least partially, as is evident from the results of the elections

to rural and urban local bodies held in 1997. The Congress had won 1,202 seats of the total elected seats in district councils (zilla parishads) in the 1992 elections. In 1997 it could manage to win only 807. In the block development councils alone the Congress had earlier held 2,158 seats while in 1997 it could win only 1,204. In municipal council elections (mainly the semi-urban centres) the BJP-SS combine had a vote share of 22 per cent.

The combine worked desperately to destabilise the Congress support base in rural Maharashtra. Strict disciplinary actions against the sugar co-operatives, which are mainly managed by Congress leaders, prompted some of the influential sugar barons to cross over to the BJP-Shiv Sena for political benefits. On the other hand the state government totally neglected the demands of farmers growing cash crops like cotton and sugarcane. Thus in rural parts also the rich seemed to be aligning with the combine while the poor sections experienced total dissatisfaction. In addition to this, practices of corruption increased significantly at all levels of the government machinery during this period. The anti-corruption campaign initiated by Anna Hazare, a social worker, in December 1997 received tremendous response in rural areas.

The political process during 1996-98 was complex. Conditions led to increasing popular dissent against the state government in both urban and rural areas. However popular dissent always remained fragmented, unorganised in nature. The fragmentation arose mainly because of the nature of political economy during the post-liberalisation period. The BJP-SS combine responded to the situation in a very aggressive manner and shaped capitalist development in a very crude way. These strategies brought forth the malignant face of the ruling alliance in terms of explicit material domination. Both urban and rural interests were affected by these strategies.

The electoral process for the 1998 lok sabha elections took place on this background. It was obvious that the electoral contestations would mainly take place between the BJP-SS combine and the Congress as the third force had become almost non-existent.

The first positive sign for the Congress appeared when Sharad Pawar successfully managed to enter into an alliance with a united RPI and the Samajwadi Party. It was mainly because of this alliance that the Congress could register an impressive victory in the elections. Congress leaders were busy making these alliances till the

last moment. Thus there was no issue-based campaign against the ruling parties. It mainly relied on Sonia Gandhi's public meetings for effective campaigning. Thackeray's speeches also mainly targeted Sonia Gandhi. The BJP relied largely on Vajpayee's image. Both the parties were unable to lead any issue-based campaign as most of their populist strategies had failed. The Congress organisation had become so weak that it could not take advantage of this situation on its own.

The Congress, along with its allies, could still manage to reverse the trends of electoral politics during these elections. The Congress and its allies won 37 out of 48 seats. Among these, 33 seats were managed by the Congress itself, while four seats were won by the RPI. (It is important to note that none of these four constituencies were reserved for the SC.) The BJP-Shiv Sena combine could win only 10 seats (four to BJP and six to Shiv Sena), while the remaining seat (Alibaug from Konkan) was won by the PWP. The percentage of votes rose from 34.2 to 43.085 for the Congress. Though the BJP-SS lost in the seat tally they could slightly improve their vote percentage (42.4). In 1996, these two parties had received 40.4 per cent votes. It was the electoral alliance with the RPI and the SP which helped the Congress. It helped mainly in avoiding the division of anti-BJP-SS vote.

Regionwise analysis of the election results shows that the BJP and the Shiv Sena could win seats mainly from the Mumbai-Konkan region. Out of 11 seats from the region, Congress gained three; Shiv Sena gained five and one went to the BJP. This region had traditionally supported the BJP-SS because of its dependence on the Mumbai metropolitan region. However, the most surprising results came from Mumbai; where one of the RPI candidates defeated a Shiv Sena candidate from an unreserved constituency which is considered to be Sena's stronghold. In two other constituencies of Mumbai, the Samajwadi Party candidates lost by a slender margin to Shiv Sena; mainly due to presence of a Janata Dal candidate. These results in Mumbai might be related to growing popular dissatisfaction with the government, though this explanation might not be sufficient for other parts of the state.

During both the 1995 and 1996 elections the Shiv Sena and the BJP had been able to draw large support from Vidarbha and Marathwada regions. However, in 1998, the Congress swept these two regions. It won six out of eight seats in Marathwada while the remaining two went in favour

of the BJP. In Vidarbha the BJP-SS could not get a single seat. Among the 11 seats in Vidarbha, the Congress won eight while the RPI won three. It proved to be the most significant aspect of the elections in Vidarbha. Dalits have a sizeable numerical and political presence in Vidarbha. However dalit candidates cannot win assembly or lok sabha elections without the active support of the upper castes especially the kunbis. As stated earlier, kunbis and marathas in general and specifically in Vidarbha have always had antagonistic relations with dalits.

Given this election results in Vidarbha need to be analysed very carefully. It is a fact that the marathas and kunbis did vote for RPI candidates. However it would be risky to relate their act to a progressive change in their political attitudes in order to consolidate forces against the BJP-SS combine. A more plausible explanation of their act can be related to the forthcoming assembly elections in 2000, in which these social sections need the support of dalits to get elected. Congress strategy to avoid division of votes also helped the RPI candidates. A similar situation was witnessed in north Maharashtra region, where earlier the BJP had quickly entered the traditionally Congress support base. In 1998 elections, however, the Congress restricted the BJP to only one seat among the six from the region. Sonia Gandhi's public meetings received tremendous response in the tribal belt of this region.

The BJP and the Sena engaged themselves in desperate attempts to make a dent in western Maharashtra. In response to their efforts, some of the influential Congress leaders from the region had crossed over to the BJP-Sena fold. Still, the Shiv Sena could win only one seat out of 12 from the region. All remaining seats were won by the Congress.

The most significant factor contributing to the Congress victory was its alliance with the RPI and the Samajwadi Party which helped in bringing together dalits, Muslims and to some extent the OBCs. In the 1995-96 elections, Muslims had distanced themselves from the Congress (mainly because of the events of 1992) and chosen to vote for a Muslim candidate belonging to any party. In the 1998 elections, the Muslims rallied behind the Congress mainly because of the anti-Muslim policies adopted by the state government. This convergence of interests of three crucial social sections helped Congress victory.

These explanations, however, do not prove sufficient to label the 1998 election results as expressions of popular dis-

satisfaction, diminishing support for the BJP-Sena or resurrection of the Congress. Cracks started appearing between the RPI and the Congress immediately after the elections. As stated earlier, the OBC and the maratha sections voted for the RPI candidates keeping an eye on the assembly elections rather than to support the weaker sections in the realm of material interests.

#### IV Voting Patterns

In the 1990s, the Shiv Sena and BJP emerged as the main electoral forces. This remains true in spite of the Congress victory in 1998 elections. Growing influence of the BJP-SS is evident not only through election results; it is evident from political preferences of voters expressed in the course of voter surveys in 1995-96 and in 1998. It appears that defeat of the Congress in 1995-96 was not a temporary phenomenon. On the other hand the Congress victory in 1998 elections did not show decline of the support base of the BJP-SS. Sections of voters have steadily moved away from the Congress. It is possible to identify these sections with the help of survey data. It seems that while Congress is losing its traditional support base, Sena-BJP have created a specific constituency for themselves. The Congress could not win back this constituency even during the 1998 elections.

The Congress could win a large number of seats in 1998 elections. However the seat-gain was not exactly congruent with the support extended by various social groups. It was claimed that the Congress could win these elections mainly because of the shifting loyalties of the maratha and OBC groups. But the 1998 survey data clearly shows that these social sections still largely support the BJP-Shiv Sena combine in the state, as we shall see below.

Thirty-five per cent respondents reported to have voted for Congress in the 1996 lok sabha election. Almost an equal numbers reported that they voted for BJP-Sena alliance (13 per cent for BJP, 22.5 per cent for Shiv Sena). Although both the political forces enjoy equal support it needs to be kept in mind that Congress support is declining and support to the latter is growing. In comparison to 1995, Congress support in 1996 has gone down by about three per cent while support to the alliance increased by almost 10 per cent [Palshikar 1996a: 174-78]. Besides, the Congress base is shallow as compared to Sena-BJP in more than one senses. Only 18 per cent respondents identified Congress as a party likely to solve their problems as against 26 per cent who identified either Sena or

BJP or both in this regard (6 per cent-Sena, 17 per cent BJP and 3 per cent both). Eighteen per cent respondents said they felt close to Congress while 22 per cent felt close to the alliance (11 per cent to BJP, 9 per cent to Shiv Sena and 1.5 per cent to both). These findings confirm the trend noted in the 1995 survey that much of Congress support is unreliable while support to alliance seems more conscious [Palshikar 1996a: 175]. The findings also suggest that BJP and Shiv Sena have no option but to continue the alliance because they share the newly formed anti-Congress constituency. In terms of numbers, BJP is ahead of Shiv Sena but it is as yet in no position to challenge the Congress on its own. In fact both BJP and Shiv Sena would be insignificant in the absence of an alliance. But the data and election results also show the ability of these two parties to transfer their respective votes to each other, without which their electoral victories would have been impossible. More importantly, success in transferring their voters implies the existence of a common constituency. Therefore, the real finding of surveys in 1995 and 1996 is that in Maharashtra there has emerged a constituency favourably disposed to politics of hindutva and to an urban oriented politics. This disposition gets combined with anti-Congress sentiments producing electoral reverses for the Congress.

Support base of the alliance can be identified in terms of young age, school/college education, urban residence and a split in certain caste groups. As shown in Table 2 the age factor is not very strongly associated to party support if considered in isolation. But as we shall see below, the age factor becomes relevant when considered along with caste. In overall terms, support for Congress and Shiv Sena is more evenly distributed among different age groups than is the case for BJP. It has weak support among the age group of 46 to 55 years. But this is compensated by slightly stronger support to Shiv Sena in the same age group. Support to BJP and Shiv Sena is higher among young voters. More than half of the supporters of both parties are below 35 years of age while more than half of Congress supporters are above 35

TABLE 2: AGE AND PARTY PREFERENCE BY AGE  
(Per Cent)

Age (Year)	Congress	BJP	Shiv Sena
Up to 25	31.4	15.5	21.6
26-35	34.9	12.1	25.0
36-45	39.8	15.2	18.7
46-55	33.3	8.5	25.6
> 56	36.7	11.6	21.8

years of age. In this sense, BJP-Sena draw their support mainly from the young.

Party preference is more strongly associated with education. Support to Congress and Shiv Sena among different educational groups shows a secular trend which is not so clear in case of BJP voters. On the whole, BJP has more support among the 'well educated' – those who attained higher secondary or college education or above. In case of both Congress and Shiv Sena, number of supporters goes down among voters with higher education (Table 3). Thus, only one-fourth of BJP voters are educated up to middle school while 38 per cent of Sena voters belong to this group. Among those who identified BJP as a party likely to solve problems 51 per cent have studied up to college level and among those who thus identify Shiv Sena almost 50 per cent are college educated. These findings can be further appreciated in the light of occupation and residence. Almost half of BJP supporters come from middle occupational groups and another 21 per cent belong to high occupations making the BJP a party of the middle class. For the Shiv Sena 38 per cent of its supporters come from middle occupation groups and 26.3 per cent from high occupations. But in addition to this 19 per cent Sena followers belong to low occupations, thus making Sena following more complex than the BJP's. Support among well educated and middle occupation groups implies urban nature of the support base. This is borne out by survey data. While less than one-fourth of Congress votes are from urban areas, BJP and Shiv Sena have one-third of their supporters from urban areas and two-thirds from rural areas. The Congress has never been very popular in urban areas. As such, lack of support for Congress among urban voters is not very surprising. However, Sharad Pawar was assiduously cultivating urban-based material interests since 1988-89. In the light of these efforts, his failure to garner support from urban voters becomes noteworthy. This failure might be attributed to two factors. Firstly, as mentioned earlier, the strategies adopted by Pawar since 1989-90 smacked of obvious manipulation and as such did not cut ice with any segment of the voters. Secondly, the Congress has traditionally been seen by urban voters as a party of rural interests, therefore urban voters preferred to stay with BJP-Shiv Sena alliance which has an urban identity.

While BJP and Shiv Sena thus retained their urban constituency, election results and survey data indicate that the alliance

is all set to make a dent in the rural areas as well (Table 3).

Survey data show that support to Congress is slightly higher among women than among men: almost 38 per cent women and 32.4 per cent men support Congress. Similarly, Shiv Sena support too, is evenly distributed across gender: 22.5 per cent men and 22.6 per cent women. But BJP support has a gender imbalance. While only 10 per cent women support BJP, 15.8 per cent men support it. As a result, men-women ratio of BJP supporters is 60:40 and for Sena it is 49:51. The same is 45:55 for Congress supporters.

We have already mentioned the alienation of Muslim voters from the Congress. In 1995, 50 per cent Muslim voters expressed inclination towards the Congress and 5.7 per cent to the BJP. In the 1996 survey 56 per cent Muslim voters favoured Congress and 12.8 per cent sided with Samajwadi Party, while BJP and Shiv Sena together received support from just 2.7 per cent Muslims. This means that the alliance was not able to win confidence of the Muslims after it came to power. Data suggest that Samajwadi Party in Maharashtra has become almost exclusively a Muslim party (70 per cent of its voters are Muslims). What does this mean for the political effectivity of Muslim community in the state? Strength of the Muslim community in the state being modest, the community is not likely to be effective on its own – even if all Muslims were to vote for the same party – unless they ally with some other forces. The Samajwadi Party not only alienated sections of the community from the Congress but also marginalised it in state politics [Palshikar 1996a: 178], the ultimate advantage going to Sena-BJP alliance. Although the Congress continues to win support from over 50 per cent Muslim voters, there is reason to believe that the support enjoyed by Samajwadi Party is of strategic importance although numerically small (12.8 per cent) Constituencies having sizeable Muslim vote have returned non-Congress MPs. This could happen only because in these constituencies Muslims did not vote for Congress but preferred the Samajwadi Party (or in some cases Janata Dal). This factor was responsible for Congress defeat in four constituencies (south Mumbai, south-central Mumbai, north-western Mumbai, Dahanu). Besides, Congress also lost in Aurangabad and Malegaon due to division of Muslim vote. Our survey clearly shows that the alliance has been successful in winning over support of major caste groups who earlier supported the Congress. Thus, Congress

gets support from around 38 per cent marathas while the alliance is supported by over 40 per cent maratha voters. A similar pattern can be observed in case of Kunbi and other OBC voters. Table 5 shows that major caste groups share loyalties more strongly with Sena-BJP than with Congress. Among those respondents who feel that Shiv Sena cares for their interests, 55 per cent are marathas and 22 per cent are OBCs. Similarly, among those who believe that Shiv Sena will solve the problems 36 per cent are marathas and 40 per cent are OBCs. Interestingly, 29 per cent marathas, 32 per cent kunbis and 27 per cent OBCs support the demolition of Babri masjid. Castewise distribution of party supporters further confirms the trend towards split in different caste groups (Table 5).

Both BJP and Shiv Sena have claimed large share of rural OBC and maratha

TABLE 3: PARTY PREFERENCE BY EDUCATION AND RESIDENCE

	(Per Cent)		
	Congress	BJP	Shiv Sena
Level of Education			
Illiterate	37.5	11.3	26.8
Up to middle school	36.3	9.0	24.3
Higher secondary/college	34.3	17.6	25.8
Graduate and above	22.4	24.5	14.3
Residence			
Urban	27.3	14.2	22.0
Rural	38.6	12.4	23.8

Note: (i) Figures indicate percentages. Row percentages do not add to 100 because support to other parties is not shown.  
(ii) n = 861.

TABLE 4: PARTY PREFERENCE BY CASTE (Per Cent)

Caste Group	Congress	BJP	Shiv Sena
SC	27.7	8.33	8.33
ST	37.2	18.5	3.7
maratha	37.8	4.3	36.0
Kunbi	26.0	13.8	34.1
OBC (excluding kunbi)	37.2	15.6	25.5
Other	38.2	16.1	12.0

Note: Row percentages do not tally up to 100 since other parties are not included in the table.

TABLE 5: CASTE COMPOSITION OF PARTY SUPPORTERS

	(Per Cent)			
Caste Group	Congress	BJP	Shiv Sena	Share in Sample
SC	6.6	5.4	3.0	8.4 (n=72)
ST	6.6	9.0	1.0	6.3 (n=54)
Maratha	20.5	6.3	30.4	19.0 (n=164)
Kunbi	10.6	15.3	21.6	14.3 (n=123)
OBCs (non-kunbi)	28.4	32.4	30.4	26.8 (n=213)
Other	27.4	31.5	13.4	25.2 (n=217)

votes. Among rural OBCs 42 per cent voted for Congress and 20 and 22 per cent for BJP and Shiv Sena respectively. Among rural marathas 42 per cent supported the Congress and over 38 per cent supported the alliance (BJP sharing only 1.6 per cent). Congress received support from a little over 26 per cent rural kunbis, BJP was supported by 14 per cent and Sena 34 per cent. Thus 35 per cent of Sena's rural votes come from marathas while 38 per cent of BJP's rural votes come from OBCs. In addition to this, the Congress loses significant sections of maratha and OBC votes in urban areas. Less than one-fourth urban maratha voters support the Congress while over 46 per cent support the alliance (34 per cent Sena and 12 per cent BJP). Twenty-nine per cent urban OBCs vote for Congress and 42 per cent vote for the alliance (9.3 for BJP and 32.6 for Sena). These details suggest, among other things, that the BJP has a stronger support among OBCs in rural areas while Sena enjoys the support of OBCs in urban areas. Problems for the Congress are further confounded by the fact that younger elements from different castes are not supporting it. In concrete terms, only one-fourth maratha voters below 25 years of age support Congress (40 per cent support the alliance); and 35 per cent voters below the age of 25 support Congress (15.5 per cent and 31 per cent support BJP and Sena respectively).

Results of survey help in characterising the emerging support base for the BJP-Sena alliance in the state. It emerges mainly from the educated, urban voters of young age. Apart from the upper caste support to BJP, kunbis and OBCs are also supporting the party. Shiv Sena, on the other hand, is gaining support of the marathas and OBCs. The alliance has successfully intervened in the maratha and OBC constituencies. The data poses a question regarding the interaction of caste and urban location. From the declining support to Congress among urban marathas and OBCs, we can surmise that urban location proves to be crucial in formation of political preferences. Another crucial fact that the survey results highlight concerns OBC politics in the state. With emergence of OBCs as a sizeable support group for Sena-BJP, prospects of 'OBC' - Bahujanwadi politics are likely to be jeopardised.

The voter survey data for 1998 elections does not contradict the above mentioned trends. The earlier surveys had identified the support base of the alliance as mainly coming from urban, middle class, male youth engaged in middle and high occupations. During 1998 elections also,

these groups seemed to be largely supporting the alliance. More than half Shiv Sena supporters are below the age of 35 years. In fact voters below 35 years of age seemed to equally supporting both the Congress (43.3) and the BJP-SS (46.4). Genderwise Congress seemed to be in a somewhat better position as 51 per cent of the women have supported it; while in the case of the combine the percentage is only 37.5. More than half of the Congress voters are women while among BJP voters only 37 per cent are women.

Among the voters educated up to college level, 58.2 per cent support the BJP-SS alliance while 32.7 per cent have voted for the Congress. Among those who have studied up to graduation 47.8 per cent voted for the Congress while 50 per cent voted for the BJP-SS. Among the BJP voters more than half are educated above the middle school level while in case of the Congress the percentage is only 33. Among the occupational categories also, the Congress and the BJP-SS seemed to enjoy equal support. Among those engaged in white collar jobs and professions 51 per cent supported the Congress and 45.8 per cent supported the BJP-SS. Almost similar are the percentages for those engaged in business (51.6 for Congress and 43.0 for BJP-SS).

As stated earlier, during the 1998 elections Congress could gain support of a large number of Muslims. The survey data shows a clear shift of Muslim votes in favour of the Congress. Among the total number of Muslim voters surveyed 78.4 per cent claimed that they have voted for the Congress. This is the only social group which clearly shifted its loyalties towards Congress. Otherwise the BJP-Shiv Sena seemed to have kept their support base intact.

Voting behaviour of the caste groups can be considered as a very significant case in point to support our earlier argument regarding alliance of the social sections. Of the OBC voters, 48.8 per cent have supported the BJP-SS (19.2 per cent for

the BJP and 29.6 per cent for Shiv Sena) while only 34 per cent have voted for the Congress. Among the upper castes also 57 per cent seemed to be supporting the Congress while 49 per cent supported the BJP-SS combine. Among the total member of voters for the BJP-SS more than half belonged to the OBC castes. On the other hand only 32.4 per cent of the total Congress voters were from these sections.

How does this changing scenario of politics affect caste composition of MLAs and MPs? A split in maratha vote and strong OBC support to Sena-BJP alliance suggest the possibility of changes in numerical equations. We review the nature of changes below.

Marathas as members of a numerically and politically dominant caste group, have always been elected in large numbers to the legislature. It is often argued that marathas enjoy disproportionately large share in power. Power is shared to some extent by upper and intermediate castes as well as non-Maharashtrians who are usually from influential groups in their own states. Although some OBC castes such as mali, dhanagar, vanjari and teli are influential in parts of the state, Maharashtra cannot have strong OBC politics because these castes are dispersed in different regions of the state. After 1990, as an effect of 'Mandalisation' of politics, every party attempted to win over OBC support by organising the OBCs and giving more tickets to OBC candidates [Kulkarni 1991: 126-30]. While Shiv Sena was successful in mobilising urban OBCs, the Bahujan Mahasangha was established in early 1993. As mentioned earlier, the BJP, too, was not lagging in this attempt to build an OBC constituency.

Tables 6 and 7 show the caste composition of MLAs (1995) and MPs (1996 and 1998) respectively. It may seem that no significant change in caste composition of representatives has taken place. Traditionally, marathas get around 40 per cent seats in the assembly and OBCs are elected to about 5 to 6 per cent seats [Thite 1996].

TABLE 6: MLAs BY PARTY AND CASTE, 1995

	Congress	Rebel	BJP	SS	JD	PWP	Others	Total
Upper	2	-	5	5	-	-	-	12
Middle*	5	2	6	3	2	-	1	19
Maratha	41	22	11	33	5	3	-	115
Kunbi	5	1	7	7	-	-	3	23
OBC	12	3	9	11	2	3	5	45
SC	3	2	8	5	-	-	1	19
ST	7	4	6	3	-	-	3	23
Muslim	2	-	-	1	2	-	3	8
Non-Marathi	3	1	13	2	-	-	2	21
Not known	-	-	-	3	-	-	-	3

Note: \*includes intermediate castes like gujar, lingayat, komti, etc.

In this background, in 1995 maratha-kunbi group accounted for 138 seats and 45 seats went to OBCs. In the lok sabha election of 1996 (the maratha-kunbi MPs account for 22 seats with just three OBC MPs. Thus the numerical strength of respective caste groups has remained the same but their party affiliation changed. In 1990, Sena had 24 maratha MLAs. This number rose to 33 in 1995. For the assembly election in 1995, the Shiv Sena nominated 91 maratha-kunbi candidates. The BJP, on the other hand, attempted to gain advantage by fielding OBC candidates. Among its 117 candidates in 1995, 34 were marathas and 44 were OBCs. The number of OBC representatives did not rise but the Sena-BJP alliance emerged with 20 OBC MLAs out of a total of 45. In the 1996 lok sabha elections, 16 candidates of the alliance were marathas, eight were kunbis and five were OBCs. Among the Congress candidates, 16 were marathas; while three were kunbis and six OBCs. For the 1998 election, Congress fielded 18 maratha candidates and two kunbi and 14 OBC candidates. The BJP-Sena alliance, too, fielded 16 maratha candidates, seven kunbi and six OBC candidates. We have excluded the scheduled castes and scheduled tribes from this discussion because they hardly get representation except from reserved constituencies. The 1998 elections proved to be exceptional in this respect. The RPI could manage to win four seats with Congress support. One more SC candidate, from the Congress, won from the Solapur unreserved seat.

It can be argued that the share of different caste groups in political representation remains unaffected even after the emergence of the Sena-BJP alliance. However, some change has occurred as far as composition of the state ministry is concerned. In the late 1970s, maratha-kunbi ministers accounted for over 60 per cent of the council of ministers. In the 1980s, the share of maratha-kunbi ministers reached an all-time low of 42 per cent. This benefited the non-Marathi and SC, ST sections. When Pawar returned as chief minister in 1988, he increased the share of OBC ministers keeping in mind the awakening among these sections. Yet, maratha-kunbi ministers retained a share of over 52 per cent in the ministry. In Pawar's ministry in 1993, seven members were OBCs out of a total of 42. Two things become clear from this. Firstly, except in 1980-81, share of marathas never went below 52 per cent. Secondly, share of OBCs rose in the late 1980s, reaching the highest in 1993. Against this background, the Sena-BJP ministry strikes a contrast

because it reduced the maratha-kunbi component without increasing the share of OBCs in the ministry. In the Manohar Joshi ministry, maratha-Kunbis account for only 41.5 per cent and OBCs account for a little over 12 per cent. The real benefit goes to the upper castes since after 1995, the share of upper-literary castes went up to almost 15 per cent: as many as six ministers in a total of 41. This implies a change in the internal relationship between maratha-kunbis and upper castes, without benefiting the OBCs. We shall discuss the political significance of this development in the concluding section.

## V

### Conclusion

The foregoing discussion highlights two significant trends regarding electoral politics in the state. One is that the caste basis of politics is changing and the other is the emergence of urban centres as the new focus of electoral politics.

Traditionally the maratha-kunbi caste group constituted the bulwark of support for Congress. Other backward castes, too, extended support to Congress. Election results in the 1990s as well as our surveys show that both these caste groups now stand divided. Large sections of marathas and kunbis now identify themselves either with Shiv Sena or the BJP. This is particularly true of marathas from Marathwada and kunbis of Vidarbha. OBCs are also divided among different parties and support for BJP or Shiv Sena is significantly high among them. A section of marathas had been opposed to the Mandal recommendations and to the 'namantar' (renaming) of Marathwada University. Maratha Mahasangh had publicly held this position.<sup>6</sup> The pro-OBC, pro-dalit stance advertised during Pawar's tenure hurt the caste pride of conservative sections among the marathas. These same sections were also doubtful about the policy of liberalisation and industrial penetration in rural areas. While maratha leaders were engaged in retaining their hold over power

structure, ordinary maratha peasantry never benefited much in terms of material advancement. These developments contributed to a split in the maratha-kunbi electorate. BJP and Sena could appropriate support from maratha-kunbis both because politics of hindutva gave a message of assurance to the conservatively inclined sections and the oppositional location of these parties attracted those who did not benefit under Congress rule.<sup>7</sup>

Dispersal of OBC vote was much more easy. In the absence of a separate political consciousness as OBCs, and in the absence of an alternative political vehicle, they traditionally voted for Congress. But the Congress failed to accommodate political aspirations of the new generation of activists from these castes. Thus, OBCs, who were peripheral in the Congress scheme were not likely to lose much if they deserted the Congress. Since neither Shiv Sena nor the BJP had maratha leadership, the OBCs were easily attracted to these parties.

The 1990s witnessed emergence of urban sector as the new focus of political power. This trend has earlier been noted by Vora (1996). Till 1990, political power in the state was controlled by politicians coming from a rural background. Since 1995-96, role of urban and semi-urban constituencies has become crucial. As noted by Vora (1996: 172), the BJP-Shiv Sena alliance won 63 of the urban/semi-urban constituencies. In this way these constituencies have played an important role in displacing the Congress. The influence of urban areas extends to adjoining rural areas also. We have already mentioned how Mumbai influences Konkan. A similar process is at work in the case of areas adjoining Pune, Nasik, Aurangabad and many other district headquarters. As many as 33 seats won by Sena-BJP in 1995 fall under such influence of urban centres. Besides, there is a strong unity of urban vote. BJP and Shiv Sena appear to be virtually monopolising urban political space. While politics is becoming more competitive in rural areas, it is marked by low levels

TABLE 7: MPs BY PARTY AND CASTE, 1996 AND 1998

	Congress	BJP	Shiv Sena	Other	Total
Upper	-(1)	2(1)	5(3)	-	7(5)
Intermediate	2(3)	-(0)	1(-)	-	3(3)
maratha	7(14)	4(3)	3(1)	-	14(18)
Kunbi	1(2)	4(-)	3(2)	-	8(4)
OBC	-(2)	3(-)	1(-)	(1)	4(3)
SC	1(4)	-(0)	2(-)	(4)	3(8)
ST	1(4)	3(-)	(-)	-(0)	4(4)
Muslim	1(-)	-(0)	-(0)	-(0)	1(-)
Non-Mah	2(3)	2(-)	-(0)	-(0)	4(3)
Total	15(33)	18(4)	15(6)	(5)	48(48)

Note: Figures in parentheses refer to 1998 lok sabha elections.



competitiveness in urban area. Defeat of the Congress, thus, results from a combination of fragmentation of rural vote and consolidation of urban vote. This peculiar combination gives the urban areas more leverage vis-a-vis the rural areas; politics becomes more focused on urban interests.

Urban interests, however, continue to be internally contradictory. The ideology of hindutva plays a significant role in bringing the disparate and often conflicting urban interests together to manufacture a political victory. At the same time, the ideology of hindutva created its own constituency in the rural areas by capitalising on the anti-dalit sentiments among sections of maratha and OBC voters. The new political setup that has emerged consists of a rearrangement of dominant interests. This rearrangement requires a common meeting ground for urban and rural electorates. It is also necessary that this new politics evinces an ideological purpose. The ideology of hindutva seeks to bridge the gap between the urban voter and rural voter. Hindutva is appropriated both as homogenising and hegemonising strategy.

Let us summarise the broad characteristics emerging from the electoral process during the 1990s. Decline of Congress has been evident throughout this period. Apart from electoral reverses, this decline is characterised more by the inability to hold a broad social coalition together and the inability to allow even a symbolic representation of popular wishes. In this regard developments in Maharashtra are not very different from the all-India scene [Palshikar 1996b]. Electorally, the Congress in Maharashtra has been unable to mobilise new sections of voters (youth, tribals, etc). It has also been unable to curb factionalism. Voter loyalty to the party is weak and uncertain, [Palshikar 1996a: 174-75]. This aspect of Congress decline, too, is comparable to its plight elsewhere [Yadav 1996: 100-01]. What distinguishes the political future of the Congress in Maharashtra from that in other states is that no other party is singly capable of competing with the Congress. The BJP and Shiv Sena could displace Congress only by forming an alliance. Should the alliance split, there is no serious contender to the Congress.

On the contrary, as the results of 1998 elections suggest, if the Congress consolidates its position only marginally, the political advantage gained by BJP and Shiv Sena will be easily lost. In this respect it may also be noted that even after losing the assembly elections in 1995, the local level networks and control of sugar co-

operatives were retained by the Congress. The large number of Congress 'rebels' have generally desisted from joining either BJP or Shiv Sena. Their 'independent' existence speaks volumes for the potential of the Congress.

However, the Congress now finds it difficult to identify with either the maratha-kunbi caste group or with agrarian interests. Both its national leadership and Sharad Pawar at the state level have allied very strongly with capitalist interests. This creates a double handicap. On the one hand, this identification alienates the party from rural (both maratha and OBC) population. On the other hand, the present ideological positioning of the party restricts its mobilisational ability. As a party wedded to capitalist development, the Congress cannot effectively mobilise popular dissent. Since 1995, the Congress in Maharashtra could not effectively organise any oppositional movement because of this ideological handicap.

The second characteristic emerging from contemporary electoral politics is the restructuring of the caste alliance in the state. We have already noted that there has been a split in the votes of maratha-kunbi as well as OBCs. Apart from this division of votes, internal relationship among various caste groups has been changing. The success of Congress stemmed from its ability to retain a complex alliance of castes. In this arrangement, political initiative and formal power were vested with the maratha-kunbi caste group. While this excluded the brahmins from formal power, material interests of the brahmins were not hurt. In this sense, they continued to enjoy a secondary share in power. Political power of the marathas gained legitimacy in the name of 'bahujan samaj', which extended political support to the existing power structure without much share in it. While the role of OBCs has not altered during the 1990s, the internal relationship between marathas and brahmins has changed. In the new arrangement upper castes, which are also urban castes, have emerged as politically powerful castes. Brahmins and prabhus along with trading castes, have earned a decisive role in the formal power of the state, displacing the marathas [Vora 1996: 172-73]. The marathas now provide numerical strength required by the dominant but numerically weak powerholders. On account of its brahmin supremacy, the present caste alliance may be appropriately designated as the 'Hindu' alliance.

This trend is in contrast to the 'most significant trend of rise of OBCs to political power in north India' [Yadav 1996: 102].

The OBCs in Maharashtra still find themselves in a politically weak situation. The Bahujan Mahasangha, formed in 1993, sought to alter the terms of political contest by forging an alliance of OBCs and dalits. It could not rise to a commanding position electorally. But more than the failure of Bahujan Mahasangha, the real setback consists of emergence of 'Hindu' alliance resembling the varnic hierarchy. Interestingly, this change in the caste alliance has taken place without altering the traditional caste composition of the state legislature. As noted earlier, the maratha-kunbi caste group still commands a majority in the legislature. The number of brahmin-prabhu MLAs has not increased radically and yet they have been placed in a commanding position. An explanation of this peculiar situation takes us to the third and probably the most important characteristic of state politics emerging during the 1990s.

We have already mentioned earlier that since the 1980s, the relationship among sections of entrenched interests was undergoing a change. This change has crystallised during the 1990s. The arrangement visualised by Y B Chavan consisted of a sharing of material domination by landed interests and industrial interests. Within this framework of sharing, competition took place between the two. During the 1980s, the terms of competition were sought to be redefined. The emergence of the service sector as the major sector played a major role in this context. Even in the rural economy service sector made a dent. This trend became visible in the 1990s – the emergence of transport, trading, tourism, hotel industry and contract labour marked this trend. This development expanded the numerical base of non-agrarian interests. Once the terms of competition among entrenched interests went beyond sharing of domination, the utility of Congress as mediator of political legitimation eroded. The new formation of urban-centred industry-service alliance sought a new political framework. In this new political framework, the numerical role of rural representatives could not be avoided but decisive control over the political apparatus was entrusted to urban, upper caste sections of the political leadership. This is evident from composition of the ministry as well as distribution of portfolios and priorities in policy-making.

This is not to suggest that policies of a Congress government would have been radically different. In fact, Pawar was enthusiastically pursuing most of the policies taken up by the BJP-Sena govern-



ment. But in his case, there was a major political constraint in that his constituency was essentially rural. From 1960 onwards, a disjunction was growing under Congress rule between political domination and material domination. It became acute after the growth of the service sector and the onset of new economic policies. Emergence of the BJP and Shiv Sena indicates that this disjunction has been overcome at least temporarily. Both BJP and Sena are essentially urban parties. Although both are now expanding to rural areas, their leadership continues to be urban. Both parties enjoy the support of urban, educated persons and those belonging to moderate occupations. Both parties rely on emotional appeals and flash mobilisation rather than sustained mass agitations. This phenomenon is in consonance with the nature of urban politics. With strong support of an urban constituency, BJP and Sena are not constrained by rural concerns. On the other hand, disintegration of Congress and non-existence of 'third' alternative mean that the alliance can dictate its own political terms. Thus, emergence of BJP-Sena alliance marks an end to the disjunction between political and material domination. The present dispensation symbolises unity of these two modes of domination.

Because of this development, politics in the state fails to take a radical direction in spite of the fact that the earlier dominant alliance has been upset by the electoral process. This situation raises an interesting point. On the face of it, there appears to have emerged a competitive party system in Maharashtra. But while the arena of politics becomes more 'competitive' in electoral terms, absorption/moderation of popular dissatisfaction is also ensured in this situation. Does this mean that in a competitive party system, ruling classes are capable of routinising the energies generated by popular dissatisfaction? On the one hand, absence of competitive political arena implies a very narrow space for popular resistance; while competitive politics as has emerged in Maharashtra, is likely to produce only illusory space since it does not allow popular dissatisfaction to take a radical shape.

This means a more aggressive role of urban interests. It also implies that the space for radical political exercise will shrink further. In the absence of such space electoral politics loses its democratising content. In this sense, Maharashtra is witnessing the misappropriation of democratic expression by the expression of domination.

**Postscript:** With the move by Sharad Pawar to search for a new script of politics, it is only natural that his politics should force a postscript to the foregoing analysis of Maharashtra politics. Following his departure from the Congress, 45 of the 77 Congress MLAs have declared their support to the Nationalist Congress Party (NCP). Also, five independent ministers have resigned and joined the NCP. Pawar has received support from a majority of sugar co-operatives in the state. Except Vidarbha region, district and local level Congress units have split vertically. With this Pawar has achieved three things: (i) He is in command of resource-rich sugar co-operatives; (ii) He has received considerable support from Congress rank and file; and (iii) He has the support of majority of Congress leaders from Maharashtra. Thus, the NCP has quickly acquired centre stage in the state politics and 'Third Force' parties have shown willingness to enter into electoral alliance with Pawar. The Ramdas Athavale faction of the RPI has declared its intention to ally with Pawar.

The appeal that Pawar uses is a complex one. He is adroitly mixing the issue of regional pride with that of maratha pride. It is hoped that this will bring together the faction-ridden maratha caste. At the same time, Pawar is also trying to project an OBC friendly image. Thirdly, Pawar aims to receive the support of dalits and Muslims. However, this can be achieved only through electoral alliances with the RPI and the Samajwadi Party. One thing that appears to be near certain is that the NCP will cut at the root of Shiv Sena's support outside Mumbai. In terms of electoral competition, the rise of the NCP has introduced a more competitive element into state politics. Elections all over the state will now be more keenly fought. The near extinct 'Third Force' will gain temporary respite. This additional competitiveness would mean that the OBCs, the dalits and Muslims can now enhance their bargaining power. These sections can ask for a greater share in power. However, the NCP seems to be very cautious and hesitant in identifying itself with the OBCs, the dalits and Muslims. Its overdependence on the maratha caste group and the semi-feudal sugar bosses will not allow the NCP to substantially change the dominant equation in Maharashtra. In this sense, Pawar's NCP promises to make the state politics more competitive, complex and interesting. To 'Third Force', on the other hand, the NCP does not appear to be providing greater space for an alternative script of politics in the state.

## Notes

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- 1 Between 1975-76 and 1985-86, enrolment in primary schools rose by 42 per cent, in secondary and higher secondary schools by almost 84 per cent and for higher education the rise was 37 per cent [GoM 1996:160]
- 2 Pawar must have felt that Indira Gandhi's control would be detrimental to maratha domination [Vora and Palshikar 1996:1-7].
- 3 Since 1978 Congress politics in the state has been revolving around Sharad Pawar. He has many friends in non-Congress parties and many rivals in his own party. Since 1989, Pawar has been very actively and vigorously pursuing liberalisation-privatisation. This has led to an inconsistency between his present stand and earlier 'socialist' pronouncements. Also, Pawar's pro-privatisation policies led to another inconsistency, one with his rural following. Not surprisingly, Pawar has been in the eye of one storm or the other. For a summary of Pawar's new policies and his manipulative ad hocism, see, Phadnis (1995)
- 4 State government issued an ordinance to remove the condition of two-thirds majority for passing no-confidence motion against zilla parishad office holders [see also, Vora and Palshikar, 1996:115-21]
- 5 The data refer to three surveys conducted in 1995, 1996 and 1998. The first was conducted by Rajendra Vora and Suhas Palshikar after assembly elections in 1995. It was partly funded by the ICSSR. The second and the third survey conducted after lok sabha elections was part of the NES 1996 and NES 1998 organised by CSIDS, Delhi, partly funded by ICSSR. Suhas Palshikar was state co-ordinator
- 6 Maratha Mahasangha is an organisation active since the 1980s. One faction of this organisation allied with Shiv Sena during the lok sabha elections of 1996. For details, see, Vora and Palshikar, (1990:220-22), and Pawar (1996). Obsession with kshatriya status and urge to dominate lower castes led one section of marathas to adopt the ideology of hindutva. For a discussion of this point, see Vora and Palshikar (1996:124-26)
- 7 For a discussion of how Shiv Sena's hindutva spread to Marathwada, see Hansen (1996:178-214).

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# Sectarian Mobilisation, Factionalism and Voting in Gujarat

Priyavadan Patel

*After decades of painstaking work the BJP built itself electorally in Gujarat. The state now has a two-party system, mainly at the cost of the Congress. The traditional social support bases of the Congress have been either won over or neutralised by the BJP. Gujarat's electoral experience shows the gradual and then sudden rise of the BJP, its split and decline in 1997 and re-emergence in 1998. While both the major parties are ridden by factional fighting, the lesson the voters appear to have drawn is that even a disciplined and committed party like the BJP goes the Congress way when in power.*

THIS article argues that the voting pattern in various elections in Gujarat, especially since the 1980s reflect the strategic and skilful use of caste and religious idioms for electoral mobilisation by various major and minor political parties, coupled with the failure of the hitherto dominant Congress party to perform electorally and politically. The significance of most of the electoral encounters lies in the fact that a two-party system has emerged, though mainly at the cost of the Congress Party. A major political reconfiguration has occurred whereby the traditional social support bases of the Congress have been either won over or neutralised by the Bhartiya Janata Party (BJP). The previous two state assembly (SA) elections of 1995 and 1998 and the three Lok Sabha (LS) elections of 1991, 1996 and 1998 in Gujarat reveal a major rupture and shift in the pattern of political dominance. Recent BJP rule in the state has been quite chequered and has remained a mixed bag in terms of the broad parameters of political and democratic governance. While its electoral performances have been quite remarkable, its track record in the field of developmental and administrative governance is not so distinctive. We shall see how its two spells of rule in the state, first from March 1995 to September 1996 which caused a great deal of disillusionment and disappointment among the people, and second from February 1998 till February 1999, which opened up the floodgates of fascist campaigns against the minorities, were marked by lacklustre performance, misrule and misgovernance in Gujarat.

The BJP had emerged in Gujarat with a claim of making it a state with a model rule and of itself as being a party with a difference, which also promised good governance to the entire country. Ever since its coming to power in the state in March 1995, the factional infighting and mismanagement of affairs within the party, mainly over the issue of sharing the power and spoils of office, led to heightened and

widespread discontent among its rank and file on the one hand and frustration among the voters on the other hand (within less than one year of its rule on both occasions). The former spell was far more serious and consequential so far as the internal and organisational aspects of the party were concerned. But the second and current spell of its rule has proved to be far more lethal to democratic and secular governance in Gujarat as Muslim and Christian minorities were targeted for fascist hounding, besides registering other failures in law and order and developmental spheres of administration and governance.

In the last one year, two bye-elections were held in the state. One was held for Bharuch Lok Sabha constituency in November 1998 as a sitting BJP MP, Chandubhai Deshmukh had passed away. The second bye-election for two legislative assembly constituencies was held in February 1999 for Jodia and Jetpur seats in Rajkot district of Saurashtra region. Both the seats had fallen vacant by the deaths of sitting BJP MLAs. The outcome of these bye-elections provide interesting opportunities for interpreting the popular verdict on BJP rule in Gujarat which is discussed in greater detail later in this article.

It must be stated that the voting behaviour in the 1990s, in terms of voter turnout, has fluctuated considerably from one election to another and it warrants an exclusive interpretative exercise. This will enable us to obtain insights into popular perception on the working of the BJP government and likely clues to the unfolding of future political scenario in the state. As is known, there was a very good voter turnout during the SA elections of March 1995 but the LS elections of April-May 1996 recorded very low level of poll campaigning and registered the lowest ever voting turnout. This was chiefly on account of development of sharp divide within the ruling BJP which was vertically split into two parts, leading to the birth and formation of the

Rashtriya Janata Party (RJP). BJP lost power to the Congress-supported RJP for about one year.

The Gujarat electoral scene of the 1990s has shown the high as well as low levels of political mobilisation and has witnessed the frittering away of a precious mandate built by years of laborious, patient and gradual organisational efforts by the BJP. The stubborn, uncompromising and unrealistic politico-ideological positions and hardened attitudes of the Rashtriya Swayamsevak Sangh (RSS), Vishwa Hindu Parishad (VHP) and the Bajrang Dal (BD) – dominated sections of leadership led to the costly course of 'draining the bad blood out' to the extent of risking the very life of the BJP itself. As an aftermath of this, the wounded BJP leadership and frustrated RSS-VHP-BD cadres went on a rampage, hunting and harassing members of the separated rebel faction led by Shankarsinh Vaghela, the BJP's chief architect and builder in Gujarat. The entire outfit turned fascist against its own self, i.e. against all its rebelling or dissenting cadres, workers or office-bearers.

There is somewhat of a parallel to this development insofar as it revealed its external fascist face after November 1998. It was manifested in attacks on and terrorising of Muslim and Christian minority communities over the social issues of intercommunity marriages between Hindu-Muslim boys and girls and over the issue of religious conversions of tribals by Christian missionaries in the tribal dominated areas of eastern Gujarat. The RSS-VHP-BD continue to operate in a fascist style under the protection of the state and central governments, and their terrorising the minority communities is an unexpected, unprecedented and unforeseen development in Gujarat. These developments are sure to leave their mark on the forthcoming elections. The licentious operating of Sangh parivar in Gujarat is quite likely to cost the BJP politically. The indication of such a trend is already becoming mani-

festly visible on the national scene. The gameplan of hindutva politics by the Sangh parivar has been sufficiently exposed in the violent attacks on minorities in Gujarat, Orissa, Madhya Pradesh and on the scheduled castes in UP and Bihar. It seems that if the BJP has to survive politically in a democratically organised political arrangement and order, not only in Gujarat but in the entire country, then it has to learn to maintain a proper distance from its Sangh parivar constituents of RSS-VHP-BD. The political experience of 1990s in Gujarat points towards such a conclusion. The two spells of BJP rule in Gujarat in the 1990s, thus show that its inept governance has deeply wounded democratic institutions and processes on two counts. Firstly, to reiterate, its organisational structure that has increasingly become intolerant of internal dissent and has thereby damaged the practice of internal democracy and secondly, its anti-minorities fascistic campaigns have damaged the process of democratisation of Gujarat society and politics. The forthcoming 1999 LS polls are all set to become the litmus test for secular forces in weaning away the BJP voters in the interest of secular and social democracy in Gujarat. The onus of achieving such a reversal is clearly on Congress and RJP shoulders and it remains to be seen how they go about it.

#### NATURE OF POLITICAL COMPETITION

In this section, we shall examine the basic determinants of political and electoral competition in the state. We will take a brief historical view of its present socio-logical and demographic composition. Various ethnic, communal and caste cleavages will be focused upon along with regional and socio-political differences. An attempt is made to explain the influence of these socio-regional and economic determinants of political and electoral competition in the state. This is proposed to be done against the overall background of electoral outcomes in the Lok Sabha (1952-85) and state assembly (1960-95) elections held in the state.

Since the state's birth in May 1960, electoral politics in Gujarat has witnessed numerous ups and downs. In the first decade of its birth, the Congress party enjoyed a good deal of popular support, although it was caught in a sharp and intense clash between its elected wing, led by the first chief minister, Jivraj Mehta, and the organisation wing dominated by Morarji Desai. During this period, a strange rightist political configuration of feudal, ex-princely elements, rich farmers, industrialists and conservative bureaucrats

emerged in the form of the Swatantra party. It succeeded in posing a major electoral challenge to the Congress, as it successfully penetrated the Congress' kshatriya votebank. As can be seen from Table 1 the Congress got 50.8 per cent votes and 113 out of 154 seats in the 1962 state assembly election, while the BJP (then BJS), at present its adversary, then got 1.4 per cent of votes and no seat. The BJS lost deposits on 23 of the 26 seats it had contested. This indicates how difficult it was for the BJS to create a foothold in the political society of Gujarat. Its presence was negligible to the point of non-existence. In 1967, the Congress suffered a loss of 20 seats and 4.8 per cent votes. The Swatantra party won 66 seats and 38 per cent votes. The Jan Sangh (BJS) contested 16 SA seats and for the first time won one seat out of the nine it contested in Saurashtra region, gaining an overall vote share of 1.9 per cent. This analysis also indicates an early registration of the bipolar nature of this state's politics. It must be noted that the BJS registered a very gradual growth during 1960-75. After 1967, it began contesting elections to municipalities and municipal corporations in Gujarat.

Table 1 shows that Congress dominance was absolute. However, the three general elections of 1967, 1971 and 1977 reduced its vote share and seats too. In 1967, the Swatantra party made a major dent in Congress dominance. The Congress split of 1969 affected its performance in 1971, while the emergency brought it down to the worst ever. Interestingly, the BJS/BJP did not yet figure much on the electoral map of the state. In the 1984 LS poll too, the BJP won one seat in north Gujarat and got a vote share of 18.6 per cent.

In the 1972 assembly elections, while Congress dominance continued and in-

creased, the BJS also improved its performance, albeit marginally. It contested 99 seats, lost deposits in 68 and won only three seats with a relative increase in its vote share of 9.3 per cent. The BJS retained its earlier sitting seat in Saurashtra and won two in north Gujarat. Its contesting of 99 seats does speak of its increased organisational strength and horizontal spread, which however could not result in its winning more seats. In 1975, its vote share declined to 8.8 per cent but the seat tally went up appreciably. In all, it contested 40 seats. In terms of regional break-up, the BJS made from modest to major dents in all five regions of Gujarat. In Kutch, out of a total of six seats, it contested two and won one. In Saurashtra, out of a total of 52 seats, it contested 19, won five and lost deposits in five seats. In north Gujarat, it contested seven out of 32 seats and won five. For the first time it won two seats in south Gujarat. It contested three out of a total of 29 seats. In central Gujarat, out of a total of 63 seats, it contested nine and won five. Its base expanded in the urban middle classes who were desirous of clean, committed and principled politics as against the unprincipled politics of the Congress. In 1980, the former BJS got transformed to its new 'avataar' and contested elections as the Bharatiya Janata Party. In a poll for a total of 182 assembly seats, the BJP contested 127, winning only nine and losing deposits in 66. However, its vote share increased considerably to 14 per cent. During this period, the social profile of the state was getting recast. Increased industrialisation and urbanisation was leading to a gradual expansion of its middle class base. Softer versions of hindutva and anti-Muslim propaganda had begun to appeal to new upcoming middle classes. In south Gujarat, its vote share increased from 4 per cent

TABLE 1: RESULTS OF GUJARAT STATE ASSEMBLY ELECTIONS, 1990

Region	INC	BJP	JD	Other Parties	Minor Parties	IND	Total
Kutch (6)	6-2-0 (38.4)	5-4-0 (45.3)	1-0-0 (4.3)	7-0-7 (1.4)	2-0-2 (0.1)	29-0-28 (10.6)	50-6-37
Saurashtra (52)	52-7-8 (27.0)	34-16-7 (24.0)	42-23-8 (30.7)	103-0-103 (3.1)	32-1-31 (1.6)	349-5-330 (13.6)	611-52-482
North Gujarat (32)	32-3-5 (30.4)	31-14-6 (27.2)	23-14-1 (31.0)	46-0-46 (0.8)	12-0-12 (0.8)	151-1-148 (9.8)	299-32-219
Central Gujarat (63)	63-15-9 (32.4)	50-20-28 (24.2)	61-26-7 (33.5)	129-0-127 (1.7)	50-0-44 (0.5)	337-2-330 (7.7)	690-63-545
South Gujarat (29)	29-6-4 (32.4)	23-13-5 (32.8)	21-7-6 (21.3)	46-1-44 (4.1)	14-0-13 (1.1)	106-2-103 (8.2)	239-29-175
Total (182)	182-33-26 (30.9)	143-67-46 (26.7)	148-70-22 (29.5)	331-1-325 (2.2)	110-1-102 (0.9)	977-10-939 (9.8)	1889-182-1458

Notes: The three figures in each column denote number of (i) contestants, (ii) elected, and (iii) forfeited deposits.

Figures in parentheses denote percentage of vote polled by the party.

Source: Nagindas Sanghavi, *Gujarat: A Political Analysis*, Centre for Social Studies, Surat, 1996, pp 268-69.

in 1975 to 12 per cent in 1980. In the same period, its base doubled in north Gujarat from 10.49 per cent to 21 per cent. These were the times of emergence of the KHAM formation and of the implementation of pro-poor policies by the Congress, and consequent frustration among the middle class urban youths who were unhappy about the reservation policy, communal tensions and riots. The BJP took advantage of these developments and continued to build its base.

In 1985, the BJP's performance remained the same. Its vote share increased by 1 per cent and seat tally by two, bringing it to 15 per cent and 11 seats respectively. The KHAM strategy paid the highest electoral dividends to the Congress in the state, more than it had ever received so far, both in terms of number of seats and percentage of votes. Out of a total 182 seats, it won 149 seats and 55.55 per cent votes. During this long phase of electoral competition between 1960-85, the caste conflict between the patidars and kshatriyas dominated the scene. The patidars emerged as a new elite and took control over the state's political and economic resources. The kshatriyas suffered a decline on both counts. The patidars, thereafter, began to shift to non-Congress political parties, namely the Janata Dal and the BJP, as the Congress was increasingly turning pro-poor under Jhambhai Darji's KHAM grouping. The dominance of higher castes like the banias and brahmins declined with the emergence of Chimanbhai Patel. After a while the kshatriyas and KHAM constituent castes regrouped to challenge patidar dominance from within the Congress. Pushed out from the political arena, the patidars found the BJP's hindutva plank quite handy. This entire period can be characterised as that of a step-by-step build up of the BJP even as the virtual and absolute dominance of the Congress continued. Pro-poor policies under the KHAM strategy and the anti-higher caste rhetoric of the Congress under the national leadership of the Gandhis put it on the high road of electoral success in the state. However, fierce communal and caste riots, along with intense factional infighting within the Congress in its 1980s, began to weaken it irreparably within less than a year of such a massive mandate. The KHAM constituents created a creamy elitist layer within each of them and gradually got divorced from their mass bases. Caste and communal riots gradually dismantled the KHAM alliance.

The coming years marked the historic decline of Congress and the quick emergence of the BJP. After a year of peace in 1985, caste and communal riots erupted

again. By 1986-87, conditions in Gujarat deteriorated so much, lawlessness and instability increased so much that the union government and Congress high command openly lamented the fact and declared Gujarat a 'problem' state. None in the Congress knew how to restore normalcy, order, peace and caste-communal harmony in Gujarat. The rot of Congress factionalism had spread to district and taluka levels by 1987. Between 1986 and 1988, there were more than 110 bombings. In Saurashtra, several MLAs like Sorathia, Thakrar, Bhimji Patel and Bharat Kambalia were murdered. In July 1988, the 60,000-strong state police force revolted against the Chaudhari government. The 1990 state elections paid the proper electoral wages to the political parties in Gujarat. As can be seen in the Summary Tables, the Congress reaped a well-deserved harvest of only 33 out of the 182 seats it contested. Its vote share fell from a hefty 55.55 per cent in 1985 to the lowest ever of 31 per cent. This was the reward of absolute political and organisational bankruptcy which had infected it since the early 1980s. The BJP, all along, was gaining mileage from this situation and expanding its base by continuously resorting to agitational politics. The state and national leadership of the BJP saw great possibilities opening and they systematically worked towards their goal of pushing the Congress out of power.

The BJP first captured urban local governments in towns and cities. Thereafter, it targeted the major traditional support groups of the Congress, such as the kshatriyas, OBCs, SCs and STs in rural-tribal areas. The politics of religious mobilisation proved quite effective and rewarding for it. The BJP contested 143 seats and won 67, even though, on 46 seats, it lost its deposits. Its vote share increased to 26.69 per cent. The Janata Dal of Chimanbhai Patel won 70 seats and got 29 per cent votes. In all regions of Gujarat, its performance was remarkable. The BJP shared power with the Janata Dal, although subsequently, experiencing 'suffocation', it decided to pull down the Patel government. In the 1991 Lok Sabha poll, it emerged a clear winner. It captured 20 of the total 26 seats it had contested. It led in 119 assembly segments whereas the Congress could lead only in 45 assembly segments. Its vote share shot up to 50.4 per cent. It, however, failed to win any seat in tribal areas, losing all the four ST seats. Everybody knew that if assembly elections were held, the BJP would make a clean sweep. Patel stood between the two, i.e. elections and a BJP victory. He mustered Congress support and continued to rule.

The BJP's sweep was so complete that the chief minister's wife Urmilaben Patel, despite being a public figure in her own right, was defeated from Saurashtra. Despite such disasters, the Congress continued to support the JD(G) ministry. In order to stall occasional opposition to his government, Patel decided to merge his JD(G) into the Congress. The Congress was badly mauled by the BJP in the 1991 Lok Sabha elections. It got more and more alienated from its conventional support bases. The 'rathayatras' and Ram mandir yatras in the tribal belt proved highly rewarding. The BJP sold a brick for the Ram mandir in Ayodhya at Rs 1.25 each, to all those tribals who wanted to join the Hindu fold. The Congress did nothing to intervene and prevent the BJP's expanding base. The Congress leadership failed to rise above factional squabbles and had no courage to go to the voters and face them. After the Lok Sabha elections of 1991, the writing on wall was so clear that it went on postponing the local body elections under one excuse or the other. Only a high court order forced it to conduct elections. As a result, local body elections were held in 54 municipalities in January 1994. The BJP left the Congress far behind, giving clear signal that it had arrived in the state. Out of a total of 1,803 municipality seats, the Congress could win only 311 seats and 16 per cent vote, whereas the BJP won 625 seats and 30 per cent vote. The independents too won a large number of seats.

This performance proved that the merger of JD(G) into Congress was only a mechanical one and it did not jell into an organic whole. In 1994, during the Rajya Sabha elections, the chief minister, Chimanbhai Patel, died and this cleared the way for the BJP. At the time of nomination of candidates for the 1995 assembly election, factional warfare in the Congress resurfaced with hitherto unseen fury. The BJP too, was not free of the malaise of factionalism and rebellions. It was amply clear to everyone in the state that now it was the BJP which would capture power and that, therefore, there was an unmanageable scramble for its nominations. The JD(G) faction in Congress, despite having merged, maintained an independent existence and succeeded in getting a larger share of nominations and those who could not get them, contested as independents. BJP rebels also contested as independents but the important difference was that none of them won as none from within the BJP gave any overt or covert support to them, while Congress rebel candidates enjoyed secret support from inside and as a result, a few of them won.

Voter turnout in different regions of Gujarat amply indicates that the BJP's politico-religious mobilisation in the form of agitational and yatra politics indeed had a telling impact on the voters. Table 2 compares the 1995 regionwise voting turnout with the 1990 data and it is clear that politics of religious mobilisation has paid hefty political dividends to the BJP. This election recorded the hitherto highest turnout of 64.36 per cent as against the earlier highest of 63.7 per cent in 1967. The northern region registered the highest turnout of around 70 per cent. What surpassed all expectations was the turnout of tribal voters. So far it had hovered at around 49 per cent. The lowest ever tribal voter turnout of 45 per cent was registered in 1985 and the highest of 55 per cent in 1967 elections. In the 1995 elections it surpassed the state average and recorded 70 per cent. The tribal votes had come to BJP almost in the weight of the Ram mandir bricks it had successfully sold during its yatra earlier. The usual link that is supposed to exist between anti-ruling party sentiments and high turnout does not seem to hold for the 1995 polls. The BJP and Congress both won in constituencies where the highest as well as lowest turnouts were recorded. As Yogendra Yadav ('Gujarat: BJP Arrives: A Neat Two Party Structure Emerges', *Frontline*, May 5, 1995) has observed, the BJP's arrival heralded the emergence of 'a neat two-party structure'. The BJP's promises during this long decade of politics of agitational and religious mobilisation raised peoples' expectations to the skies. It promised a political order without fear, hunger, crime and corruption. Unfortunately these heightened expectations were left unfulfilled and a fierce power game erupted in the BJP, shattering its dream of making Gujarat a model state for the entire country to emulate.

#### CONTEXT OF 1996 ELECTION

As we have noted, in March 1995, the people of Gujarat had voted the BJP to power with a clear-cut majority and with high hopes that it would remove the reign of fear, crime, violence, hunger and corruption from public life in the state.

The same mandate was repeated in the district and taluka panchayat elections. For the first time in the history of the state, the BJP came to rule the panchayats. It won 18 out of 19 zilla (district) panchayats and 154 of the 183 taluka (sub-divisional) panchayats. In all, it won 624 out of 767 district panchayat seats, amounting to 82 per cent, while the Congress managed to win only 166 seats, that is, a mere 15 per cent. Independents won the remaining 21

seats. In the taluka elections too, the BJP managed to repeat the performance. Out of 3,785 seats, it won 2,567 seats, comprising 68 per cent, whereas the Congress won only 902 seats, constituting only 24 per cent of the total seats. The independents won 315 seats. The rural vote had gone to the BJP in the hope that it would provide drinking water to 'no-source' and water-scarce villages as also for agricultural purposes and provide electric power for irrigation. This hope was shattered within less than a year partly because the BJP had not learnt the plain lesson of politics properly: that it is simpler to get power and much more difficult to share it judiciously with other partners, contenders and claimants. This cardinal principle of democratic politics escaped the local as well as national level leadership of the party as it was engrossed in celebrating its victory and tasting the first spoils of power. The BJP soon found the task of finalising the list of heads of various boards and corporations very difficult. The chief minister consulted Narendra Modi, the general secretary of the state unit of the BJP more frequently than he did its president Kashiram Rana. The organisation man Shankersinh Vaghela, who built the BJP in Gujarat, brick by brick over long years, was sidelined. The chief minister released the list of heads of boards and corporations just before he went abroad to invite foreign investments to the state. The list was like dropping a bombshell on the BJP and its supporters – aspirants to the spoils. Before this, it could barely manage constituting a cabinet, as it had not been able to strike a balance between the various claimants and ended up generating great discontent.

The sub-regional petty rivalries soon came to the fore. In north Gujarat, there were cut-throat political rivalries between Atmaram Patel, a seasoned, crafty and well-rooted leader and A K Patel, party MP of long standing. A K Patel being closer to the chief minister-Modi faction, prevailed in keeping Atmaram Patel out of the cabinet and also out of the list of heads of boards and corporations. This angered Atmaram Patel and he joined hands with Vaghela and began the process of forming and consolidating a powerful faction to first check the excesses of the chief minister-Modi faction, and later revolt if need be. Many of Vaghela's supporters were also left out of the list by the chief minister. The seeds of internal discontent and factional warfare had thus been sown as a result of extremely lop-sided and politically unwise sharing of positions of power. The third major blow to its image of a 'disciplined' and 'committed' party

came while it began to govern and function. A coterie of a few men close and related to the chief minister and led by Modi, became the de facto centre of power. Major policy decisions and administrative instructions began to flow from this unconstitutional centre of authority. The ruling party's own MLAs could not get appointments to see the chief minister. The coterie gave sufficient and loud hints that it was they who mattered and ruled the state.

In the realm of policy-making, its execution and general governance, the inexperienced but ambitious BJP government burnt its fingers again and again by raking up controversial and sensitive issues. In order to quickly create an image of a 'model ruler', the party went on a blunder-spree. All the while it had the Congress as its target. It wanted to destroy it along with its 'minority-appeasing policies'. It launched an anti-Congress drive to demolish all centres of Congress support and dominance. It attacked the most powerful and deeply entrenched builder's lobby whom it saw as the backbone of the Congress in Gujarat. Many builders ran away from the state as their construction projects came to a standstill and as they were afraid of more harassment. Some were arrested under PASA or TADA. The next target was chairman of National Dairy Development Board, V Kurien, the architect and engineer of white revolution in India through his now famous Anand Pattern. The minister of civil supplies, Jaspal Singh, a former populist IPS officer-turned-politician, brimming with frenzied enthusiasm began raiding the godowns of NDDB. He also raided various hoarders and adulterators and sent out shockwaves among the traders in general. Kurien, unlike the builder's lobby, stood his ground and even counterattacked. The BJP government beat a hasty retreat and closed the chapter in favour of NDDB. Then came the turn of the union government. Jaspal Singh accused Buta Singh, a union minister, of being corrupt and sheltering anti-national

TABLE 2: VOTING TURNOUT BY REGIONS IN 1990 AND 1995 ASSEMBLY ELECTIONS

Region	1990	1995
Gujarat	52.2	64.4
Tribal	46.4	69.9
Rural	55.2	67.7
Semi-urban	55.1	63.5
Urban	46.4	55.4
Saurashtra (includes Kutchha)	49.1	61.8
North Gujarat	57.1	67.7
Central Gujarat	54.1	67.7
South Gujarat	48.9	67.6

Source: G Shah, 'BJP's Rise to Power', *FPW* January 13-20, 1996, p 165.



clements. The health minister was almost caught red-handed in instigating and inflicting caste violence on dalits of Kadi town in north Gujarat. Education minister Nalin Bhatt, in a hurry to clear the mess in this field, launched a crusade against private tuition classes. He began to arrest teachers and video-shoot the running of tuition classes. The private tuition classes closed and many urban middle class parents lost the fees they had paid without receiving the service, as tuition fees are always collected in advance. According to one estimate, the private tuition classes in Ahmedabad city alone do a business of Rs 3 crore per annum.

In the realm of governance, the government's scheme of subsidised foodgrains at Rs 2 per kilogram ran into rough weather. As against the allocation of Rs 124 crore in the first year, the next year's budget provided for only Rs 77 crore. This reduction affected 8 lakh beneficiaries. As per its electoral promise, it slashed state transport bus fares by 20 per cent. This resulted in revamping transport coverage which deprived several remote rural and tribal areas of bus services. It launched several populist schemes to win over the beneficiaries as permanent vote banks. A populist scheme called 'Kuverbai nu mameru' (wedding dols for the daughters of the poor) was launched with an allocation of Rs 5 crore. The Saraswati Sadhana scheme was launched for school-going tribal girls who were given bicycles. The Gokul Gram Yojana (village uplift scheme) was launched with big publicity but an allocation of a mere Rs 72 crore proved to be inadequate to meet real needs in villages.

On the political front, the BJP soon began to be equated with the Congress. The feeling that the BJP was simply replicating Congress culture and not providing an alternative, began to develop and spread right from the beginning. The open rebellion by Vaghela in October 1995 did serious damage to the party's image as a disciplined outfit. Vaghela is credited with having played a very crucial role in expanding the BJP's base in rural Gujarat by garnering up the support of the kshatriyas and OBCs for the BJP. Vaghela had all along been nursing his wounds, having been denied chief minister's post and his men kept out of office. This generated deep discontent. The national and state leadership failed to handle Vaghela's dissidence skillfully and imaginatively. The whole episode exposed the BJP's immaturity and inexperience. The struggle for power and domination within the party had all the elements of a suspense thriller – of hijack, violence, acrimony,

tragedy. It was also a comedy which the people of the state and outside watched with amusement and some shame. Vaghela and his 49 dissident MLAs were hounded and harassed so much that he had to take them away to Khajuraho, Madhya Pradesh in a private plane for their safety and security. After this episode, the party came to be popularly known as a party of 'Hazoorias' (pro-chief minister-Modi group, literally, yes-men) and 'Khajoorias' (Vaghela's MLAs who flew to Khajuraho). After this episode, initially a latent, and then open, fight broke out between the two groups. The ousted chief minister and his Hazooria faction, mainly cadres belonging to the RSS, Bajrang Dal and VHP, began to fight it out in streets, unmindful of party image or interest. In mid-December 1995, even the presence of Atal Behari Vajpayee could not deter the Hazoorias from disrupting a public function at Surat during which chairs were tossed at the dias. In January 1996, the former chief minister was presented with a sword at a public function at Dehgam near Ahmedabad ostensibly 'to kill Vaghela's Khazoorias' at the next opportunity. Again on January 20, 1996, in a big meeting of party workers at Ahmedabad, the party president, L K Advani could not stop the continuous shouting of anti-Khazooria slogans and heating up of the city's former mayor Mukul Shah by the Hazoorias. The party somehow managed to prevent cross-voting in the Rajya Sabha election. Just before the April-May 1996 Lok Sabha poll, the party was going through a phase of intense factional fights and a vertical split was almost on the cards. A fragile rapprochement was being worked out by a few politicised heads of temples but the former (ousted) chief minister was unwilling to call a truce with the Vaghela faction.

From the above account, it is clear that the BJP's popularity was likely to suffer heavily. Its losses could have been much greater had the Congress been in some shape. The Congress lost one golden opportunity after another to work as an opposition party and embarrass the BJP. The BJP went on offering issue after issue to it, but it failed to capitalise on them. It existed as a motley combination of various factions led by five or six top leaders, all pulling it in opposite directions for trivial gains and losses. The Congress literally sealed its own fate in the state, having suffered from massive internal squabbles, personality clashes, lack of a visionary and committed leadership, mutual suspicions and narrow partisan loyalties among its members. All in all, BJP's misrule is not likely to change electoral outcomes in the state in a sub-

stantial way. A few seats here or there may change hands. Only if the Congress resurrects itself or a third force rises, can a serious threat be posed to the BJP.

The 1996 polls in Gujarat were held in two phases – for 12 seats in the first round on May 2 and for the remaining 14 seats on May 7. There were two major parties in the contest. There were other smaller parties like Congress (Tiwari), Janata Dal, Gujarat Adivasi Vikas Paksh (GAVP), BSP, CPI, CPM, Samta Party, Akhil Bharatiya Jan Sangh, RPI, etc., which also jumped into the fray. There was very little scope of alliance formation or seat adjustments as the main battlelines were strictly drawn between the BJP and the Congress. As a prelude to the Lok Sabha polls, the BJP supremo Advani had launched another rath yatra from Ernakulam in Kerala which would cover 13 states and 8,849 kms and end in Delhi on April 14, 1996. It was called suraj yatra or a march for 'good governance'. It was declared that while the BJP's rath yatra in 1990 had been for the Ayodhya temple, the 1992 ekta yatra for the Kashmir issue, the suraj yatra was for entering into the parliament. On March 18, the suraj yatra entered Gujarat. It was reported that hardly 500 people went to receive it in Bhilad. Vaghela and his supporters abstained. The yatra did not receive the expected response. Its meetings at Pardi, Navasari, Valsad, and Surat were ill-attended. These meetings laid bare the internal conflicts within the party. In Baroda, MLA Karan Singh Raj, belonging to the kshatriya faction remained absent while the newly appointed state secretary, Chumbhai Baraiya, a tribal, was serving water to the dignitaries on the dias during the Baroda public meeting. Along with Vaghela, chief minister Mehta also remained absent. An undeclared strategy in the BJP was gradually unfolding to eliminate Vaghela and his Khazooria supporters from the state's politics by denying them nominations or if nominated, by defeating them by sabotaging their poll campaign from within the party. Such factionalism also determined poll nominations in the Congress.

The Kutch-Saurashtra region, for example, has nine Lok Sabha seats. In the 1991 Lok Sabha poll, the Congress was able to win only one seat in Kutch. The remaining eight seats were won by the BJP. In 1996, the Congress did not renominate its sitting MP, Haribhai Patel in Kutch. Instead it brought in an outsider Dinesh Trivedi, a Calcutta-based businessman, backed by prime minister Rao but unwanted by local Congressmen. Trivedi had left the Janata Dal and joined the Congress just before filing of nomi-



nations. Haribhai Patel, sitting MP, resented this. He protested and decided to work for Trivedi's defeat.

The BJP leadership decided to allocate four Lok Sabha seats out of 26 to the RSS. Of these, three RSS candidates were to be absorbed in Saurashtra. As a result, the BJP denied re-nomination to three of its sitting MPs – in Bhavnagar, Porbandar and Rajkot. The sitting Rajkot MP (he had been winning this seat for two terms), Venkaria revolted against the party's decision and joined the Congress and secured its nomination. It was reported that Venkaria had joined the Congress for protection of his life and family. He developed differences with Vaghela sympathiser Chiman Shukla, a staunch RSS leader in Saurashtra. However, the local congressmen did not receive Venkaria's nomination cordially. As a result, it was quite a puzzle to find out who worked for whom in Rajkot.

The Congress was beset with similar problems. In Baroda, there was strong opposition by a group of congressmen to any gaekwad member being nominated for the city Lok Sabha seat. The Muslims had, though, suggested Ranjit Singh Gaekwad's name. His wife was initially keen on a Congress nomination despite stiff opposition from within but later opted out. The BJP's state general secretary and education minister, Nalin Bhatt was keen on her nomination from BJP whereas the BJP city unit president opposed it. The BJP decided to retain six sitting MPs. For the remaining 20 seats, the lists were sent to Delhi. The BJP faced a tough time deciding its nominee for the Baroda seat. The Hazooria and Khazooria factions fought it out fiercely. The nomination for the Anand seat was claimed by nine BJP contenders. The patidar and kshatriya candidates were posing problems of selection. The nominations for Kapadvanj in Kheda and Godhra in Panchmahal posed major problem. The Congress faced opposition from the erstwhile JD(G) faction, even though it stood merged with it, thanks to Chimanbhai Patel.

The campaign issues too kept changing tune and colours. The BJP launched its campaign on the hindutva card. The Congress raised economic issues. It condemned the BJP's in-fighting and communalism. The BJP was more effective in raising vote-catching slogans. Its campaigning was more organised than that of the Congress. The BJP's Hazooria faction joined hands with RSS-VHP to defeat their own Khazooria candidates. Shankersinh Vaghela was facing very difficult times in Godhra. Hindutva organisations worked for his defeat. Sadhu-sants

held dharma sabhas in Godhra and openly appealed to the people to defeat the 'Hindu-traitor' Vaghela. In other places, issues of corruption, criminalisation of politics, security, anti-national activities were raised by the BJP.

#### ELECTIONAL TURNOUT OUTCOME

The voters' disinterest and apathy towards the waveless, issueless and lacklustre 1996 general elections stood out as its most characteristic feature. Voting was the lowest in the state's history. The voters' apathy has baffled one and all. Vacations, heat, wedding season or migratory labour are inadequate to explain such exceptionally low turnout as these factors applied to other elections too. Widespread corruption in high places and the dishonest, double-faced conduct of politicians is also not a satisfactory explanation as Gujarat is not the only state affected by or sensitive to this phenomenon. What was specific to the state was the fierce factional infighting between two continuously warring groups of Hazoorias and Khazoorias in the BJP on the one hand and the lack of a united, competently managed and directed campaign by Congress on the other. This could certainly have dampened voter's enthusiasm but even this cannot by itself explain the phenomenon. With the election commission enforcing a strict code of conduct, the parties kept a sharp eye on campaign expenses. The candidates did not print and distribute the usual voter's slips, indicating all details of which booth to go to cast their votes. Many voters remained confused. This too could have contributed in some measure but does not provide a sufficient explanation as the EC's norms operated in the entire country.

Low voter turnout can be understood better by looking into the workings of the two major parties in the state, the BJP and the Congress. The BJP's storming to power in state in 1995 with the promise of a crime-free, clean politics for people's welfare, instead of the Congress brand politics of power and partisan interest, had heightened people's expectations a great deal. As we saw, the BJP's failure to share power wisely resulted in endless internal squabbles. The Congress too continued to remain divided. The people hardly had an incentive or choice to vote. If we compare the sexwise voting figures for 1996 with those of 1991, we can see the sharp drop among both. The male and female voting percentages decreased from 50.55 and 37.07 per cent in 1991 to 42.02 and 29.56 per cent respectively in 1996. Urban female voting declined noticeably. In Rajkot and Ahmedabad, it fell to as low as 24.41 and 21.29 per cent in 1996 from 41.92 and

31.35 per cent in 1991 respectively. Similarly, in Baroda and Surat, the same decreased to 24.81 and 28.59 per cent in 1996 from 41.54 and 37.12 per cent in 1991. This is an alarming development for democratic polity. It indicates the failure of canvassing and campaigning machineries of contesting candidates of both the major parties. More importantly, it shows that the credibility of the state regime and its popular legitimacy stand woefully eroded.

As Table 1 shows the results have sprung quite a few surprises. The BJP suffered losses and the Congress made gains. The BJP's vote share declined marginally from 50.4 per cent in 1991 to 48.4 per cent in 1996, while the Congress vote share went up sharply from 29 per cent in 1991 to 38.1 per cent in 1996. From a tally of 20 seats in 1991, the BJP could win only 16 out of 26 Lok Sabha seats. The hindutva forces, led by the RSS and VHP, manifested in the form of Hazoorias in the BJP, had decided to decimate the Khazoorias politically. As election day neared, they openly targeted Vaghela, the leader of the 'October rebellion', who was contesting from Godhra. Despite the BJP having big support in six of the seven assembly segments, Vaghela lost by a margin of 3,228 votes. The sadhu-sants made the Sarsa temple in Kheda their base to fight Vaghela. They took out a procession from Sarsa to Godhra. They moved through the entire town and declared that "by not voting for Vaghela, every pious, religious Hindu voter can earn the blessings (punya) of chardham yatra". The other slogan was: 'Santoni Chhe ekaj vaat, Khazooriaone maro laat' ('One and only message from saints is to kick the Khazoorias out'). Three of Vaghela's staunch supporters also lost in Surendranagar, Banaskantha and Baroda. Vaghela blamed these losses on a plot masterminded by the Hazooria leaders Keshubhai Patel and Narendra Modi. The Summary Table also indicates that in Gujarat the contest was essentially between two national parties as all the 26 seats were won between the two. No other party could come anywhere near posing a challenge to these two main rivals except in some places like Baroda where the two independent candidates captured 1,51,632 votes and the winning Congress candidate got 1,31,248 votes. It is interesting to note that 522 out of 577 candidates lost deposits. All parties other than the Congress and the BJP and the independents put together could muster only 12.79 per cent votes, fielding 555 candidates.

The tribal and Muslim vote became decisive. The Congress had so far been continuously losing its prime support base

of Muslims, ST and SCs to the BJP. A decisive halt was visible in this process in the outcome of these elections. In the entire tribal strip of the state, the BJP could put up a good performance only in the Valsad seat where union minister of state for rural development, Uttambhai Patel was defeated by the BJP's Manibhai Chaudhari by a narrow margin of 368 votes. Three factors seem to be responsible for Congress defeat in Valsad. The first was that a very huge number of disputed 10,008 votes were declared as invalid; second, that some Muslims in this constituency having historically and comparatively better communal harmony, voted for the BJP and the third, most decisive factor was the contest by Tiwari Congress, led by the old horse of the Congress (I) Zinabhai Darji. His goal was to ruin the prospects of the Congress (I) candidates in Gujarat and prevent them from winning. He succeeded in Valsad. The deposit-losing Darji nominee Naginbhai Patel, a relative of Uttambhai Patel, ruined the latter's prospects with his meagre 1,308 votes, and this seat was lost to the BJP by a narrow margin of 368 votes. Everywhere else, Darji failed miserably as all the 19 of his tribal and other nominees lost deposits. These elections, thus saw Darji, the disillusioned Congress veteran of many electoral battles who had failed to rectify or reform the party from within, breaking away from it and jumping onto the Congress (T) bandwagon to damage Congress prospects.

As is evident from Table 3, a good deal of Muslim vote went to Congress but many also voted for the BJP. But on the whole, the Muslim voters had kept one and all guessing. There was no unanimous communal/collective statewide decision or strategy among the Muslims regarding whom to vote for. For instance, in Baroda it was left to the Muslim voters' own judgment, although they were advised to vote for a secular candidate. In Ahmedabad, the only Muslim candidate of the Congress was defeated because of two reasons. One, as Vaghela also conceded, his Khazooria candidate won because the opponent candidate was a Muslim. In the BJP's scheme of things, a Hindu Khazooria is better than a secular Muslim. Secondly, there was the apathy of the Muslim voters in Ahmedabad. Despite Muslims having 20 per cent of the total vote, the seat was lost. The voting was lowest at only 27 per cent in Ahmedabad. The Ahmedabad Muslims did not approve of the Congress and therefore, kept away from voting despite the Congress nominee being a Muslim. In Godhra, Muslims voted for Congress as Shantibhai Patel enjoyed

enough trust among them. In Valsad, Muslim voting showed a mixed trend of voting for both the parties. In Baroda too, the Congress candidate got Muslim votes. In the reserved SC Lok Sabha seats in Dhandhuka and Patan, the dalits favoured the BJP. Despite a division of dalit votes into chamars and vankars, the BJP won both the seats. The chamars voted en bloc for the BJP, whereas the vankar votes were split between the Congress and Congress (T). On both the seats, the voting was about 32 per cent. Besides, Table 3 also shows, across various variables, that Congress losses were BJP's gains. For instance, 60.9 per cent SCs voted for the BJP as against 34.8 per cent for the Congress. Similarly, two categories of educated voters cast 76 and 80 per cent of their vote to the BJP. Some 70 per cent of the new voters in the age group of 25 years and below favoured the BJP. In none of the age groups could the Congress rank higher than the BJP. The Congress could beat the BJP only on the economic and religio-social parameters. For instance, 65.9 per cent of the very poor and 55 per cent of the tribals voted for the Congress. So did the Muslims, 66.7 per cent voting for the Congress. Young, urban, educated and upper class groups voted for the BJP in the percentage band of 70 to 80 per cent as shown in Table 3.

Table 4 offers a regionwise picture and shows that the Hazooria faction, led by the ousted chief minister won eight of the nine seats in Kutch-Saurashtra region. The only seat lost in Saurashtra by the BJP was contested by Vaghela's Khazooria nominee Koli Patel Sonabhai against a very formidable Congress heavyweight Sanat Mehta in Surendranagar. This seat is rated as one of the best nursed constituency in the state like that of Dinsha Patel's Kheda Lok Sabha seat. The credit for victory in both the cases goes to individual image, profile, commitment and constant contact with the voters rather than to the organisational inputs of the party or to any wave-like phenomenon. In north Gujarat, the Mehsana seat was retained by A K Patel of the BJP by a margin of 1,25,151 votes. A K Patel had wanted to contest from Gandhinagar as he was afraid of Atmaram Patel, a prominent Khazooria rebel leader's potential of defeating him. This seat is a well-nursed hindutva constituency thanks to the well-oiled RSS machinery. A K Patel's somewhat clean image, acquired years ago as a serving doctor in government hospital and then as founder trustee of a well-managed TB hospital in Vijapur, his home town and round-the-clock working of a band of dedicated and trusted RSS cadres and party workers

TABLE 3: WHO VOTED FOR WHOM IN GUJARAT  
(Per cent)

Characteristics	INC	BJP	Others
<b>Age (years)</b>			
25 and below	25.0	70.0	5.0
26-35	33.3	57.3	9.4
36-45	36.4	57.6	6.1
46-55	43.9	51.2	4.9
56 and above	30.8	4.9	7.7
<b>Sex</b>			
Male	28.8	66.7	4.6
Female	37.2	53.8	9.0
<b>Education</b>			
Illiterate	60.0	30.0	10.0
Primary and middle	37.7	58.5	3.8
Intermediate	17.2	76.3	6.5
Graduate and above	3.8	80.0	15.4
<b>Religion</b>			
Hindu	31.9	61.2	7.0
Muslim	66.7	33.3	-
Sikh	-	-	-
Others	-	-	-
<b>Caste</b>			
Scheduled caste	34.8	60.9	4.3
Scheduled tribe	54.9	33.8	11.3
OBC	29.7	64.9	5.4
Others	17.9	75.8	6.3
<b>Locality</b>			
Rural	37.5	55.2	7.3
Urban	19.5	75.3	5.2
<b>Class</b>			
Very poor	65.9	27.3	6.8
Poor	38.1	54.8	7.1
Middle	25.0	70.0	5.0
Upper	24.1	72.4	3.4

TABLE 4: VOTES POLLED BY REGION IN LOK SABHA ELECTIONS, 1996

Region/Constituency	INC	BJP
<b>Kutchha</b>		
Kutchha	25	54
<b>Saurashtra</b>		
Surendranagar	50	34
Jamnagar	34	39
Rajkot	32	39
Porbandar	33	57
Junagadh	27	60
Amreli	31	61
Bhavnagar	27	33
Dhandhuka	33	40
Region Average	36	52
<b>North Gujarat</b>		
Patan	23	46
Mehsana	29	56
Banaskantha	43	41
Sabarkantha	51	41
Gandhinagar	21	51
Region Average	33	55
<b>Central Gujarat</b>		
Ahmedabad	28	52
Kapadvanj	26	50
Dahod	59	36
Godhra	46	45
Kheda	47	34
Anand	49	40
Chhotaudepur	49	32
Baroda	30	30
Region Average	43	37
<b>South Gujarat</b>		
Bharuch	23	35
Surat	31	59
Mandvi	44	38
Valsad	46	46
Region Average	41	50

helped A K Patel win the seat with such a huge margin. The BJP lost two previously held seats of Sabarkantha and Banaskantha to Congress in north Gujarat. The Kutch and Surat seats were lost by the Congress due to unimaginative nominations as outsiders were fielded to face formidable BJP nominees. If a good local candidate were to contest in Surat, the BJP supremo from south Gujarat Kashiram Rana, would have found the going quite tough. Instead, he was given a cake-walk by the Congress. In central Gujarat, the Congress retained Anand and snatched Kheda from the BJP.

#### SOME FEATURES OF THE 1996 VERDICT

The results of NES 1996 survey show why the BJP remains popular in Gujarat despite an image tarnished by internal crises. Right from the beginning the voters remained lukewarm to the poll process. The survey (n=484) showed that 97 per cent respondents did not participate in any campaign, about 80 per cent of them did not attend any election meeting and 60 per cent did not show any interest in the campaign. This speaks of the voters' apathy and disinterest in the election process in Gujarat. Door-to-door canvassing by candidates and party workers also remained slack and low-key as 80 per cent respondents reported that none came to canvass at home. As many as 304 out of 484 (63 per cent) respondents stated that except for the election campaign period, they do not take any interest in politics. More than 83 per cent respondents do not feel close to any particular party. At the same time, 94 per cent of the respondents were politically open to favour any party as they have not closed their mind to any particular party. All these probably indicate a correlation between this apathy/cynicism and the BJP's victory. Less than half the respondents (48.3 per cent) felt that their vote had an effect in running the affairs of the country. Does this show that people, despite high levels of apathy, are not averse to democratic politics. Could the low turnout also have worked in favour of the BJP, which despite everything, remains a cadre-based party?

Let us relate this situation to another indicator to see why the BJP benefits. Despite this ambiguous response, 78 per cent of the respondents (378 out of 484) had heard about the demolition of the Babri masjid at Ayodhya which shows that the event had been continuously hammered as a Hindu triumph by the BJP. This was intended to keep it fresh in people's minds and to keep the ground fertile enough to cash on it politically as and when necessary in future. The hopeful

sign, of course, is that only 17 per cent openly and in an outright manner, justified the demolition and 28 per cent favoured building of a temple at the site as the survey showed.

People in Gujarat, desirous of 'a promised good governance' by the BJP, had actually a Hobson's choice to make. The Congress was not at all in shape to shoulder the responsibility of achieving higher levels of good governance. The people had to turn to the BJP as an 'optionless' option. Had there been a third party of substance and credibility, the results could have been different. The survey data has shown that intentionally and attitudinally the Gujarat voter favours a democratic political order but is disillusioned to find the parties in a mess. The voter in Gujarat still favours the BJP because it is considered the lesser evil. In places such as Kheda and Surendranagar where the track records of Congress' candidates were good, they have been elected by the voters. Elections in Gujarat have shown that the structure of available choice to voters has set limits on the entire electoral process and its outcome. The decade of Congress misgovernance (1985-95) is fresh in the mind of the voters. Unless a more viable, convincing alternative to the existing choice structure becomes possible, the popular perception and responses to various questions and issues of trust in democratic politics will decline in future. In the 1995 assembly elections, people had taken the BJP as an alternative to Congress. But it failed them. The result is popular alienation as shown in Table 5.

Table 5 contains information regarding levels of trust in different democratic institutions among the sampled respondents in Gujarat. It is sad to note that the four major institutions of a democratic political order, viz. party, police, politicians, and bureaucrats, do not enjoy popular trust. Institutions of local self-government, state government, judiciary and the election commission enjoy the highest extent of trust ('a great deal') among the respondents. This indicates that the executive arms of the government have come to suffer erosion of popular credibility and trust. This may well trigger off a serious crisis of legitimation. On the other hand, credibility of such watchdog institutions as the judiciary and the election commission have increased. People have, it seems, begun to turn away from rule-menders and benders and seek refuge in rule retaining agencies such as the EC and the judiciary.

Since the 1996 election verdict, the people of Gujarat witnessed a high political melodrama. It all began in October

1995, with Vaghela's challenge to the BJP. It saw four chief ministers in a fierce fight for power. Vaghela, during his reign as chief minister for 12 months from October 1996 till November 1997, tried to build a Laloo Yadav-like populist personal political base, but failed miserably. With the entire state machinery behind his bye-election contest in Radhanpur in north Gujarat, Vaghela won the seat. Let us see in detail the nature of political competition, politico-electoral mobilisation by various parties for 1998 assembly and LS polls in Gujarat, the context of 1998 poll, nomination processes and the verdict.

#### CONTEXT OF 1998 POLLS

We saw earlier how chief minister Keshubhai Patel failed to keep the BJP MLAs together in the wake of Vaghela's revolt which forced his ouster within seven months of his becoming chief minister. Suresh Mehta became the new chief minister in October 1995 and managed to survive until October 1996 when Vaghela formally broke away from the BJP and formed his government with Congress support from outside. The BJP was eventually reduced to the strength of 76 MLAs. Keshubhai was not made leader of the opposition but was shifted to the national executive of the BJP as its vice-president. The interregnum between 1996-1998 saw the rule of Congress supported government of RJP, first led by Vaghela and later by Dilip Parikh. During this period, people in Gujarat saw a fierce competition for support bases and power, firstly between the BJP and RJP and later on between RJP and the Congress. Violent scenes were witnessed in the assembly over contested claims of majority in the house. The governor's role came under fire as it became partisan in favour of Vaghela's RJP and Congress. The office of the speaker and the deputy speaker of the Assembly

TABLE 5. TRUST IN VARIOUS DEMOCRATIC INSTITUTIONS IN GUJARAT

(Per cent)

Institutions	Extent of Trust		
	Not at All	Some-what	Great Deal
Central government	27.7	48.6	22.7
State government	22.5	53.7	22.1
Local self-government	13.4	45.9	39.7
Judiciary	15.7	44.2	38.8
Election Commission	30.0	41.3	27.3
Political parties	44.8	41.1	12.4
Government officials	43.0	44.0	11.6
Political representatives	36.4	43.6	18.4
Police	52.8	41.5	4.5

Note: A total of 763 respondents were approached and 484 were available and responded.

also became politicised in this tug of war for power between the three main parties.

Vaghela too faced a daunting task in forming the ministry. He was in a hurry to ground and strengthen his RJP which was afloat without a proper social support base. Vaghela soon found himself hooked on the horns of a dilemma whether to create his own organisational base or to bank on Congress' support which was actually a mercy-lease. In carving his own organisational base, he began offending the Congress by undercutting Congress social support base. He began wooing Muslims as the true protector of their interests. He also began making inroads into tribal and other OBC dominated regions in the state which were areas of Congress dominance. He created five new districts of Patan, Anand, Dahod, Narmada and Navsari and 48 new talukas. This offended Congress and BJP immensely. He came up with a plan to levy one paise per litre on water use by the industries to generate funds for different water supply schemes, and formation of 'Gujarat Ashmita Sabha', etc. He raked up the controversy of reviewing the prohibition policy which is a symbolic bone of contention in Gujarat politics. Vaghela also indulged in various shady deals worth crores of rupees involving land, electricity generation and industrial licensing. Within the Congress, there was a move by the former JD(G) chief minister Chhabildas Mehta to share power in Vaghela ministry which was torpedoed by Solanki and Ahmed Patel as suicidal for Congress in coming polls. He also raised the issue of enough power to industry and agriculture in the state. He roped in the famous technocrat Sam Pitroda to prepare a blueprint of development in Gujarat in the next century. He declared the people of Gujarat as his only high command which used to irk congressmen of the state.

Vaghela also faced challenges from within. He failed to appease Atmaram Patel who became his opponent from within by gathering a band of 17 RJP-MLAs and played a secret role in his ouster as chief minister. As it is, Vaghela was under constant threat of withdrawal of Congress support. Vaghela's attempts to lure away BJP dissidents into RJP did not succeed and made uncertain his political survival. After being ousted, he put Dilip Parikh in his place and nursed a grudge against Atmaram Patel and the Congress. Vaghela suspected closeness between Atmaram Patel and Dilip Parikh. Vaghela committed one serious error of judgment and took a sudden and suicidal step of dissolving the state assembly on

December 25, 1997 without consulting either the Congress or the cabinet and the RJD workers. In a very dramatic fashion, he took Parikh to the governor and got the letters delivered to him, recommending dissolution of the house. He kept all his MLAs in the dark. He played a big losing gamble by holding assembly polls along with Lok Sabha polls.

The BJP was worried about one-to-one direct contest in the polls but Vaghela's adamant attitude made it a triangular contest, eventually benefiting the BJP. The Congress and RJP made grave errors of calculation. The RJP thought that it would win about 35 seats in the assembly and thereby keep the BJP out of power. This did not happen as Congress did not agree to the seat adjustment formula of the RJP. There was also a possibility of separation from the Congress, of JD(G)'s 18 MLAs.

The three main parties went to polls on different planks. BJP promised stability, good governance, end of corruption and cleansing of public life from opportunist politicians like Vaghela. Congress banked on Sonia Gandhi's popularity among the Muslims and the backward classes and promised stability in the wake of BJP's recent failure to rule the state and non-governance of RJP and corruption of Vaghela. RJP's claim was that it was a people's party and there was no 'high command' in Delhi as other parties had. Ironically the RJP was targeted by both Congress and BJP. The Congress-RJP alliance could not come through as its state chief C D Patel and AICC treasurer, Ahmed Patel opposed it. RJP was in total disarray as it could field relatively less known candidates to contest the 174 assembly seats and 23 LS seats. Congress' candidate Nanji Vakaria withdrew his candidature at Visavadar seat in favour of Keshubhai Patel. Kurji Bhesania of Congress, who had lost to Keshubhai in the earlier election, joined BJP. RJP's half a dozen ministers did not contest, fearing a rout. Vaghela along with others such as Bachubhai Sondarva in Keshod, Umesh Rajyaguru in Rajkot, etc, did not contest either LS or SA polls. From the Ashmita Rath, from where he campaigned, Vaghela churned out the achievements of his government which did not seem to impress the people. He used expensive press space to project the RJP's image. Vaghela depended on minorities, poor, and backward classes for votes. RJP's LS and SA candidates in most cases belonged to different communities.

The BJP canvassed and campaigned on the issue of electing people with clean image in public life. While doing so it projected the Congress and the RJP as the

two sides of the same coin. For the BJP, Keshubhai's first term, though short, was fondly remembered by the people as good compared to what followed it for about two years with three chief ministers and total misrule, corruption and empty boastful claims of people's support. Violence between RJP and BJP and RJP and Congress was feared and it did occur at several places. A major clash between RJP and BJP was avoided when Advani filed his nomination papers at Gandhinagar. As many as 8,000 polling booths were declared sensitive.

BJP's retaining all its sitting MLAs and MPs created a deep dissent. The hardliners and the moderates raised their voices over the issue of the image of the nominees. The selection of Jayaben Thakkar as the party's nominee for the prestigious Vadodara LS seat denied the opportunity to Jitendra Sukhadia whose name was recommended from local city and district units. But Thakkar's link with Narendra Modi prevailed in her selection. In north Gujarat's Banaskantha district, fielding of former Congress minister, Liladhar Waghela by the BJP on Deodar assembly seat created dissent. Similarly in Palanpur, nomination of Rekha Dwivedi was also resented as she was facing charges of corruption while on Palanpur municipality tenure. Her link with the Sangh parivar alone qualified her for nomination. The neighbouring Sabarkantha district also raised a hue and cry over wrong nominations in the Bayad assembly seat. Observer's proposals for nominations were ignored and the Sangh parivar links were given weightage. The hardliners of the parivar held demonstrations against re-nominations of 76 sitting MLAs. Protests were made against Vithalbhai Patel for Asarva (Ahmedabad) seat, Bharat Barot, Gopaldas Bhojwani and Kamlesh Patel. The moderates were on the whole disappointed over the nominations of Modi-loyalists and Sangh parivar members.

The remarkable thing about Congress nomination was that it perpetuated the national policy of dynastic political legacy. Bharat Solanki, son of Madhavsingh Solanki, AICC general secretary, contested assembly poll from Borsad in Kheda. Gunvant Makwana, son of former MP and senior Congress leader Narsinh Makwana was nominated for Bavla reserved seat. Congress MP B K Gadvi's son Mukesh was to contest from Danta assembly seat in Banaskantha. Bharat Makwana, son of former union state minister for home Yogendra Makwana, was nominated for Sojitra reserved seat. The Congress list of LS and assembly nominees also caused resentments and protest. In all, Congress

nominated a total of 177 candidates for assembly and 26 for LS. Congress list contained 98 new faces below the age of 45 for assembly and 16 for LS. The caste composition of this list revealed 13 SC, 26 ST and 11 minority candidates while 76 were from OBC and 56 from upper castes. Eleven women were also nominated.

The result of assembly poll was a foregone conclusion as scales had already tilted in favour of BJP much before the poll process had commenced. The BJP won a comfortable majority of 117 seats with a vote share of 44.33 per cent. This marked an increase of 2.32 per cent vote share but a decrease of five seats as compared to its performance in 1995. The Congress won 53 seats with vote share of 35.03 per cent. The Congress' tally of seats increased by eight and vote share by 2.19 per cent over its 1995 performance. The RJP came third in its maiden contest with a measly four seats and 11.71 per cent vote share. The combined vote share of Congress and RJP came to 46.7 per cent which was higher by 2.4 per cent than that of BJP. Interestingly, the higher combined vote share of the Congress and RJP does not reflect in the same way when seats are compared. The RJP and Congress total of seats won comes to 57 which is far less than the 117 of the BJP. The Janata Dal in its new avatar (after its earlier merger with Congress by Chimanbhai Patel) won four seats and 2.66 per cent votes. The independents polled 5.47 per cent votes and won only three seats as compared to 18.71 per cent votes and 16 seats in 1995. Their role in 'majority-making' for an ambitious faction of a dominant party seems to have annoyed the state's electorate. The Congress was runner-up to BJP with 95 seats and RJP followed with 21 seats. The biggest and the narrowest victory margins were recorded in Ahmedabad. Ellishbridge seat, where Haren Pandya of BJP defeated Congress' Harin Raval by 64,520 votes, recorded the biggest margin. Kalapur seat, where Farooq Shaikh of Congress won by 398 votes by defeating B Khatri who had earlier been elected twice in succession was the lowest margin. Some stalwarts of both the parties suffered losses. Congress' Prabhodh Raval and CDPatel lost in Asarwa of Ahmedabad and Jalapur of Valsad respectively by slender margins. The BJP won 13 seats in the margin-bracket of 300 to 5,000 votes. Dilip Parikh of RJP lost by 15,890 votes in Dhandhuka. Nalin Bhatt of BJP lost in Padra (Baroda) by 4,749 votes. Thirty-six candidates of Vaghela's RJP lost deposit in Saurashtra alone.

After the poll, Congress and RJP blamed each other for the failure to strike a poll

alliance and understanding. RJP however claimed that it changed the agenda of political discourse from religion and hindutva to poverty and development. Regionwise, Saurashtra and Kutch continue to be the stronghold of BJP. Of the 65 assembly seats, the BJP won 58, Congress five, RJP and independents one each. In Kutch, BJP won five of the six total seats. It won all the eight LS seats in the region. Such reputed congressmen as Sanat Mehta, Shaktisinh Gohil and Chhabildas Mehta lost to the BJP in Saurashtra. In central and south Gujarat the Congress performed better. The LS seats of Kheda and Anand were retained by Congress, whereas Baroda seat was lost to BJP. Of the 13 seats in Baroda, the Congress won seven and five went to the BJP. Chhotaudepur reserved tribal LS seat was retained by Congress. In south Gujarat, the BJP managed to retain its Bharuch, Surat and Valsad seats. Mandvi ST seat could not be snatched from Congress as Chhitubhai Gamit held it for the seventh time in succession, though with a declining margin of victory. From a total 28 seats in the region, Congress had won only five in 1995 but this time its tally rose to seven. Congress was runner-up to BJP in 18 seats apart from the seven it won. Congress can improve its performance in this region. Bharuch and Valsad were particularly focused by BJP as it had unleashed Sadhvi Ritambhara and Pravin Togadia for aggressive campaigning there. Despite this, Bharuch was retained with much lower margin. This time voter turnout drastically improved. In 1995 assembly poll, 64.39 per cent voting was recorded whereas in 1996 LS poll it had slumped to a historic low of 35.9 per cent. In 1998 poll it sharply rose to 59 per cent.

In order to get an insight and understanding as to who voted whom, we used the analysis of data yielded from post-poll survey of LS. Table 6 shows that in Gujarat, the voting age group of 26-45 years constitutes 52.7 per cent of the total voters. Secondly, as can be seen the BJP is popularly placed among all age groups. Regarding genderwise performance, about 60 per cent males have preferred BJP and 56.5 per cent female voters have voted for BJP. Educationwise voters' party preference shows that illiterate voters seem to prefer the Congress more, as the gap between the preference percentage is less between Congress and BJP than in other categories. BJP primarily continues to be the party of middle and upper classes as 84.6 and 61.1 per cent college attending, graduates and above voted for the BJP. Of high school educated voters, 63.6 per cent chose the BJP. If we see party preference by occupation, again the same pattern repeats here as in the parameter of education. Seventy-five per cent white collar professionals voted for the BJP. The peasantry seems to have fully backed BJP as 61 per cent cultivators voted for the BJP. Congress is preferred to BJP by a difference of about 5 per cent by unskilled workers. If we see castewise preference, we find that the SC vote in Gujarat is almost evenly divided between the BJP and the Congress as 47.5 and 45 per cent voted for the two parties respectively. Congress has reportedly higher ST preferences - 46.3 as against 42.6 per cent for the BJP. The OBCs with 69.4 per cent are with the BJP whereas Congress and RJP has 29.5 and 14 per cent share of OBC votes in Gujarat. Religionwise party preferences show that 40 per cent Muslims have voted for BJP whereas 60 per cent have voted for the Congress. Among the

TABLE 6: VOTING BY AGE AND PARTY PREFERENCE

Age-Group	Parties Voted for				Row Total
	INC	BJP	RJP	Others	
Up to 25 years	14	14	8	1	67
Row per cent	20.9	65.7	11.9	1.5	
Column per cent	13.2	22.4	23.5	25.0	19.7
26-35 years	40	54	10	-	104
Row per cent	38.5	51.9	9.6		
Column per cent	37.7	27.6	29.4		30.6
36-45 years	24	44	7		75
Row per cent	32.0	58.7	9.3		
Column per cent	22.6	22.4	20.6		22.1
46-55 years	19	31	5	2	57
Row per cent	33.3	54.4	8.8	3.5	
Column per cent	17.9	15.8	14.7	50.0	16.8
Above 56 years	9	23	4	1	37
Row per cent	24.3	62.2	10.8	2.7	
Column per cent	8.5	11.7	11.8	25.0	10.9
Column total	106	196	34	4	340
Row per cent	31.2	57.6	10.0	1.2	100

Source: Data from post-poll survey

Hindu votes, 59.7 per cent have gone to the BJP and 28.4 per cent to the Congress as reported in the survey.

The post-1998 BJP in Gujarat is quite free from any pronounced factionalism of the type and intensity which was witnessed between September 1995 and September 1996. However, the Keshubhai Patel-led BJP government is not free from internal squabbles, discontent and factional infighting. There are tensions across various poles ranging from routine to exceptional. There is a well known, proverbial almost, tension between the Suresh Mehta-led sober, liberal and democratic faction versus militant, ruthless, fascist Sangh parivar led by Pravin Togadia and chief minister himself. On caste count, there are tensions between patidars or patels and kshatriyas on the one hand and between the kadva and leva patidar or patels in Saurashtra on the other. These tensions have periodically erupted. In one such eruption, former chief minister, Suresh Mehta was insulted, mobbed, hooted down and attacked in a public function by Sangh parivar cadres in Saurashtra.

The BJP's failure to stem the factional rot within had resulted in a split in 1996.

The fact that a disciplined and committed party like the BJP can also go the Congress way when it comes to power had shocked the people of the state. Unless the BJP learns to strike an equilibrium among its hardliner and moderate contenders and claimants of power by being more flexible, amenable and liberal, it will keep winning and losing future electoral battles and waste the popular mandates. The caste factor is here to stay. But the hindutva card does not seem to have become redundant. It has so far proved successful in cutting across various caste identities at lower middle and lower levels of caste hierarchies but if it continues to fail in rewarding the voters tangibly, its efficacy is bound to decline. However, from gradual to sudden rise of the BJP in Gujarat in the 1990s, its quick split into khajoorias and hazoorias, decline in 1997, re-emergence in 1998 and again indication of its decline in 1999 are quite unprecedented as in no other state has it tasted the sweetest and the bitterest fruits of political success and failure, rise and fall within a span of three years as in Gujarat during 1995-98. The state electorate has occasionally and positively responded to the economic issues raised here and there but not in any very

significant way. On the other side, the victorious ruling BJP has to ensure the conversion of its religious mandate into economic gains for voters. After all, basic human needs ride over all other considerations, including religious factors and they emerge as a litmus test of good governance and any regime's survival. Issues of providing work and water, sufficient power, health care, food, proper wages, tackling corruption, crimes and exploitation of vulnerable sections of society will acquire primacy and salience in state politics in the near future. Besides, the minorities of the state need special consideration which is possible only through an electoral mobilisation along a secular axis, as they have been terrorised in Gujarat like in a fascist-like regime. The record of human rights in the state is abysmal. A human rights commission at the state level needs to be set up urgently. The hindutva hardliners in BJP have to be checked either from within or from without the BJP by a reconfiguration of social support bases of the parties. Any political party in Gujarat that intends to take the reigns of governance in hand will have to respond to these questions positively and urgently.

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# Pragmatic Politics in Goa, 1987-99

Peter Ronald deSouza

*The past two assembly terms in Goa were dominated by defections when MLAs left one party and joined another without facing the electorate again. This politics of pragmatism makes party ideology almost irrelevant. But voters do support parties on the basis of their policies. The MGP has not been able to translate its 'bahujan' ideology into votes and seats. The BJP has offered a softer version of hindutva than elsewhere in the country, but has not found many takers. The Congress is in a relatively strong position, but voters are unhappy with its unashamed practice of 'pragmatic' politics.*

A review of the past 12 years of politics in Goa will allow us to move beyond the tumult of the moment to a study of the patterns which emerge, to a deeper evaluation of political events, issues, trends, and personalities. When these 12 years are read not as a series of moments but as the *longue duree* of a society, some interesting questions concerning the politics of democracies emerge. In this essay I shall stand back from the tumult of these 12 years and try and find, amidst the din and dust, something of significance.

## I Introduction

The story begins with the attainment of statehood on May 30, 1987. From a union territory with an assembly comprising of 30 members the new state has now an enlarged assembly of 40 members, a change in numbers symptomatic of the increasing power of the state. This shift has consequences for the different domains of social life. In the economic domain, for example, the state has now to be fiscally more independent since it is less able and eligible for grants from the centre. This has resulted in a decline in state development expenditure [D'Souza 1997: 17]. The shift has also had symbolic consequences, in that now the citizens of Goa are on par with the citizens of other states in their ability to select their president and to decide their own futures. It has also had political consequences in that statehood has given greater autonomy to the political leaders thereby reducing the *de jure* power of the central bureaucracy and of the lieutenant governor. Decisions concerning items on the state list can now be taken in Goa and do not need the approval of the bureaucracy in Delhi as had been the case earlier under union territory status [Rubinoff 1998: Ch 5]. These consequences – economic, symbolic, political – have taken place during a period of dramatic changes in national politics; changes which, when read together with changes at the state level, present a picture of politics in Goa that is fairly complex. Let me elaborate.

In addition to the usual issues of agriculture, mining, transport, industry, unemployment, etc., that impact upon politics, the issues that need to be noted, if not analysed, with respect to their significance for state politics in the years 1987-99 are the following: (i) the transformation of land from a tool in the production process into an alienable commodity in an emerging market in and for land; (ii) the growing role of tourism in expanding the contribution of the services sector in the economy [Sawkar et al 1998], and in its effects on identity politics; (iii) the demographic changes brought about by, immigration and emigration and the consequences of this migration for political and social life; (iv) the controversies centring around large development projects such as the Konkan Railway and the proposal for a free port, with respect to their irreversible impacts on Goa; and (v) the expansion in the size of the state bureaucracy as a result of which there is one government official for approximately every 26 citizens, making the state a rent-seeking rather than just an enabling state. I have thought it fit to foreground these five issues here because the dynamics of party and electoral politics in Goa have in considerable measure been influenced by them.

However, before I get into an analysis of the politics of the period, let me say something especially about the market in land because of the enormous impact it has had on the politics of this period. My comments will be in the nature of a series of propositions, a potential research agenda perhaps, since unfortunately there is little systematic study on this issue on which I can draw. I should like to begin by stating that the most significant factor in this decade of politics is the dramatic change in the status of land. Whereas earlier the value of land was assessed in terms of its contribution to agriculture now it is assessed in terms of its worth as a tradable commodity. A new group of players has emerged in this market in and for land, the most significant of which is the political

class of bureaucrats and elected representatives. The growth in this market has been because of the role of many actors eg, builders, landlords, tenants, politicians, each of whom has a stake in the network of transactions. The dynamics of this market has as yet not been mapped in terms of (i) the interests and strategies of each actor; (ii) the monetary volume of the transactions in the sector; and (iii) its contribution to the economy. But suffice it to say that it is very large as can be gauged from the changing physical landscape of the towns and beaches of Goa.

These transactions are further strengthened by the expansion of the tourism industry. Some of the instruments that the industry has developed for raising capital, such as the 'rent-back facility', where builder, hotelier, house-owner, and regulatory agency collude to create large properties in tourist sites, strengthen this market in land. Since all these activities involve getting many government permissions, covering the whole range from planning permissions to occupancy certificates, to loans from the Goa Economic Development Corporation, a state owned entity, the politician and bureaucrat become key figures in the various transactions involved. Further, since these transactions involve large sums of money, and since they constitute one of the major economic activities in the state, the political economy of government in Goa has begun to be constituted around this market in land. Goa has also emerged as a society with a significant middle class who bring new meanings to politics. They like to see politics as spectacle. I have made mention of this class here because its internal dynamics has significance for politics, particularly democratic politics.<sup>1</sup>

The foregoing is a profile of a society undergoing change at many levels, and as a result of many forces, some of which are government induced, some of which are because of other agencies. The parameters of this change is vigorously contested on every plane, cultural [Anglely



1999], environmental,<sup>2</sup> economic,<sup>3</sup> social and of course political. This last is the theme of this paper which I shall examine a little later. Before I do so, however, I need to locate this reading of politics in Goa within the larger frame of Indian politics. Doing so is necessary because the process of linking up with the larger Indian polity shows impacts of the larger on the smaller which are both, direct and delayed, superficial and more enduring.

Three aspects of these linkages could perhaps be mentioned here to illustrate the point. The first is the culture of party politics in Goa. Party politics has acquired the same internal logic, perhaps through imitation, as party politics at the central level in terms of palace intrigue, factions, the authority status of the high command, the etiquette of subservience and sycophancy, and most significantly the blurring of the distinction between the personal and the public. The second is the centrality of politics to daily life, not just in a removed sense of 'everything is effected by politics', but in a more immediate sense of politics as spectacle, of a curiosity to know about the latest episodes in the long running and popular political drama. A measure of this centrality is the fact that Goa supports eight daily newspapers in three languages. The third aspect is the political cultural impact of the mobilisation around the demolition of the Babri masjid. This mobilisation has affected the way the

communities have constituted themselves, an observation that will become more apparent when we look at election results of the last decade particularly the rise of the BJP and the decline of the MGP.

The preceding elaborate prefatory note is intended to provide the perspective within which the high stakes that parties and politicians play for and that will be discussed in the following pages can be understood. The market in land is the text within which the actions and choices of political agents can be understood. This must be borne in mind when I discuss the politics of the period. My reading of the changes at the surface level of politics must be seen in terms of its base in the political economy of land. I will discuss the politics of the state in three sections: (i) the changes in the institutions of the polity; (ii) the trends within party organisations and the party system; and (iii) the emerging electoral landscape. Since elections are a sort of diagnostic tool for examining the state of the polity, this last section will help us understand better the consequences of the interaction between the domain of society and that of politics.

## II

### Changes in political institutions

An analysis of the experiences of political institutions in these twelve years establishes one clear fact, that an aggressive and aspiring political class, made up of different

segments, has emerged which has taken possession of political institutions and begun to fashion them after its own interests. The extent of this fashioning will depend upon the tension between the flexibility and resilience of the institution, flexibility to accommodate interests/directives, and resilience deriving from the logic of its rules beyond which it cannot go. The agency of this political class, brought in through individuals such as faction or party leaders, eg, Churchill Alemao, Ravi Naik, Ramakant Khalap, Manohar Parrikar, Wilfred D'Souza, Luizinho Faleiro, or through groups such as Bahujan Samaj, Kshatriya Bhandari Samaj, the Catholic Church, and through the cultural perspectives within which they are located, begins to cause a strain on institutions which now have to negotiate a balance between the 'public interest', ostensibly expressed through their impersonality, and the 'particular interests' represented by the interventions of the political class. The outcomes of this struggle between the two interests can be seen as the episodes and events that make up the history of our institutions, in this case those of Goa during the years 1987-99. Let me illustrate with a few cases.

Let me begin with the institution of the legislature. Let me draw attention to some of the significant events that occurred during the period under review when the assembly completed two terms (1989-94

TABLE I DEFLECTIONS AND THE OFFICE OF THE SPEAKER

Speaker	Period	Political Party	Date of Defection/ Split	Petitioner	Against Defection/	Petition filed	Judgment given	No of Months	Verdict
Luis P Barbosa	22/1/90-14/4/90	Cong							
K J Jhalni member 10th sch	29/3/90 to 14/12/90	MGP	24/3/90	Luizinho Faleiro (Cong)	L P Barbosa	17/3/90	14/12/90	91/2	Barbosa disqualified
Surendra Sirsat (speaker)	26/4/90 to 4/4/91	MGP	(i) 24/3/90 (ii) .. (iii) 24/3/90 (iv) 3/1/91	(i) D Fernandes (Cong) (ii) V Naik (MGP) (iii) M Amshekar (MGP) (iv) K J Jhalni (MGP)	(i) 6 memb (GPP) (ii) C Pegado (Ind) (iii) 7 memb (GPP) (iv) Ravi Naik (Cong)	(i) 28/3/90 (ii) 30/11/90 (iii) 22/11/90 (iv) 25/1/91	(i) 13/12/90 (ii) 7/2/91 (iii) 6/2/91 (iv) 15/2/91	(i) 91/2 (ii) 2 1/2 (iii) 21/2 (iv) 22 days	(i), (ii), (iii) petition dismissed (iv) Naik disqualified
Simon D'Souza (Acting Speaker)	5/4/91 to 25/7/91	Cong	Review Petition	(i) Ravi Naik (Cong) (ii) Bhandekar/ Chopdekar (Cong)	Speaker Sirsat's decision	(i) 4/3/91 (ii) 1/3/91	(i) 8/3/91 (ii) 8/3/91	(i) 4 days (ii) 4 days	(i), (ii) speaker's decision overturned
Haroon Shaik Hassan (Speaker)	26/7/91 till 1994	Cong	(i) 24/3/91	(i) Victor Gonsalves (ii) Raut	(i) 5 GPP members (ii) D Chodankar	(i) 4/1/92 (ii) ..	(i) 15/9/94 (ii) ..	(i) 21/2 Years	Petition dismissed
Tomazinho Cardoso (Speaker)	16/1/95 till 10/2/99	Cong	27/7/98	Pratapsingh Rane	Wilfred D.Souza and 4 others	27/7/98	Interim 24/7/98 24 hours Final 29/7/98 48 hours	Interim 24/7/98 24 hours Final 29/7/98 48 hours	Interim disqualification (ex parte)

and 1994-99), the third just begun in June 1999. The most repetitive aspect of this period was the act of defection when MLAs left one party and joined another without resigning and facing the electorate. Regardless of the constraints of the 52nd amendment, members, after elections, saw politics only in terms of their personal short-term interests and, therefore, unconstrained by party ideology changed sides quite often establishing firmly the politics of pragmatism [deSouza 1998]. Such pragmatism appears to have a considerable elasticity.

The data in Table 1 give us a synoptic account of the movement between parties of defectors, the role of the speaker, the time taken to pronounce judgment during which the defector continued to enjoy parliamentary privileges and in some cases even the exercise of power. It is a picture of the new culture of pragmatic politics that is emerging.

The next interesting aspect of the period is the 10 changes in government in these two terms indicating that the assembly developed an autonomy of its own with its 40 members willing and able to work out, short-term coalition combinations arrived at through constructed legislative majorities. Election opponents became allies and allies traitors [Fernandes 1997]. The frequent changing of coalition partners, and the lingual acrobatics that were employed to provide justifications for it, has resulted in the moral cement of society suffering severe erosion. The domain of public morality lost its ability to deter public men and women from transgressing the limits that underlay the ethics of representation, that constituted the evolved codes of political behaviour in a representative democracy. Not one MLA, during these 12 years, thought fit to get an endorsement from his voters for these shifts in association. Nobody resigned and sought re-election. While the initial defections caused some outrage, resulting in the voters punishing defectors in the 1994 elections, its continued occurrence dulled public morality with most of the habitual defectors returning in the 1999 elections. The only democratic code that seems to have retained some force is majority rule within the assembly. All else was negotiable. During this period seven governments lasted for less than one year, one less than two years, and two more than two years. One government lasted two days (Table 2).

These changes in government in some cases also involved changes of speakers who, empowered by the 52nd amendment to the Constitution, the Anti-Defection

Act, acted in a blatantly partisan manner deciding on the legality or illegality of defections on the basis of whether the defectors were changing over to the speaker's party. In some cases these decisions were taken in a matter of days in some cases months (Table 1) making a mockery of the spirit of the Act [deSouza 1998a]. In one case a member (Kashinath Jhalmi) appointed under the 52nd amendment to decide on the legality of the speaker who defected to become chief minister, served, during the period of the decision, as the law minister of the very same chief minister. The office of the speaker lost its high status as an office impartially regulating the discursive dynamics of the polity. It came to be seen as an office that is purchasable not earned. These defections resulted in jumbo cabinets with the number of ministers growing to 14 in a house of 40 members.<sup>4</sup> Since members from the opposition, in alliance with factions from the ruling group, formed new governments, one could reasonably argue that during an assembly term, particularly 1989-94, many members in the legislature, because of jumbo cabinets and repeated defections, became members of the executive thereby undermining the doctrine of separation of powers between the executive and the legislature, an important principle of a democracy [deSouza 1998b:8]. The principle of collective responsibility also faced erosion since members from an earlier cabinet joined the following cabinet, which was formed through defections, and in their justifications challenged the integrity of the cabinets they had just left. These happenings in the assembly have shown (and no political party is exempt from this charge) that the moral force of the concept of the 'laxmanrekha', the limiting codes constraining behaviour in a democracy, is very weak in Goa.

During this period the institution of the governor also came under a cloud. Governor Bhanu Pratap Singh had to resign because of his dismissal of the Wilfred D'Souza government without consulting either the president or the majority group in the legislative assembly thereby violating the letter and spirit of article 16(4) of the Constitution. Further, this political competitiveness between groups brought the courts into the picture requiring them to now resolve issues of defection within the legislature. This is an undesirable development since it weakens the doctrine of separation of powers and sovereignty of jurisdiction. Now matters of defection, and the decisions of the speaker, because of the slovenly way in which they have been handled, have got linked to issues

of 'due process' and 'natural justice' [D'Mello 1994] making them thereby eligible for judicial review.

In contrast to these negative trends, however, the institutional topography of Goa also witnessed some positive developments. Since the 73rd amendment gave the third tier of government constitutional status. The Conformity Act in Goa also incorporated some of the provisions. As a result one-third of the seats in the 182 panchayats were reserved for women. Many new faces entered the political system generating a new dynamism and extending the range of representation. The panchayati raj institutions are in their early learning and have exhibited characteristics of collusion and competition with vested interests and dominant groups.

### III

#### Trends within Party Organisations

There are five major players in the party system. The first is the Congress which I will call the 'dominant party', in a sense akin to Rajni Kothari's classification, since it sets the terms of party competition and since all the other parties develop their strategies in relation to it, or owe their existence to it. The second, in terms of its salience (although declining) during this period, is the Maharashtrawadi Gomantak Party (MGP) which has developed a peculiar master-slave relationship with the Congress. The third is the Bharatiya Janata Party (BJP) which has grown by cannibalising the MGP with which it once had a relationship, converting a vote bank that was rooted in a strong bahun ideology into one that can perhaps best be described as soft hindutva. The fourth and not insignificant group is the small, local, personality based parties such as the United Goans Democratic Party (UGDP) and the Goa Rajiv Congress Party (GRCP)<sup>5</sup> who have the ability to win a few seats in the assembly and who, again to borrow Rajni Kothari's terms, can be described as parties

TABLE 2: DURATION OF CABINET GOVERNMENT

Chief Minister	Period	Duration
Churchill		
Alemao	March-April 1990	17 days
Barbosa	April-Dec 1990	9 months
Ravi Naik	Jan 1991-May 1993	28 months
Willie	May 1993-April 1994	16 months
Ravi Naik	April-April 1994	2 days
Willie	April-Dec 1994	8 months
Rane	Dec 1994-July 1998	48 months
Willie	July 1998-Nov 1998	4 months
Luizinho		
Faleiro	Nov 1998-Feb 1999	3 months
Luizinho	since June 1999	since June 9

of pressure with respect to the Congress. The fifth significant group is the independents who have, as in the 1989-94 assembly, sometimes held the balance of power. It is the dynamics between these five players which sets the character of the party system.

Of all the above it is the Congress that best exemplifies politics of pragmatism. This is evident in its success in accommodating opposed factions, in its converting into a fine art the practice of expelling and re-admitting politicians who had left the party bringing down its government on several occasions,<sup>6</sup> in its stressing winnability rather than venality, in its manipulation of the election of the speaker,<sup>7</sup> in its splitting of opposition parties especially the MGP and the UGDP,<sup>8</sup> in its expansion of the cabinet and appointment of MLAs to 'lucrative' posts such as the chairmanships of the two planning authorities and of the Economic Development Corporation, etc. These are just some of the practices of the Congress which have ensured its dominance during the decade, except for brief periods when large sections left to form GPP (Alemao and others 1990) or GRCP (Willie and others 1998) (see Table 1). More than any other party the Congress has demonstrated an ability to manage dissidence in that it has even got implacable enemies to work together. In the 1999 cabinet, for example, Faleiro has managed to have both Ravi Naik and Churchill Alemao in the cabinet even though it was Naik who had imprisoned Alemao and proceeded against him when he (Naik) was chief minister. This success is because of a dual strategy of invoking the 'mind' of the high command, which few ambitious Congressmen would like to go against, and of tactically being one step ahead of the dissidents. Faleiro in 1999 has succeeded so far in curbing open revolt by having Rane as speaker, thereby holding the threat of disqualification over any dissidents, by accommodating major faction leaders within the cabinet, and by making regular trips to meet Sonia.

The MGP is a party with its eyes on the past. Unlike the Congress it had a mass base across most of Goa, based on its bahujan ideology, (I will discuss this later when I discuss the vote) and a fairly strong network of local leaders and followers which it has succeeded in frittering away. Unlike the Congress, the MGP has not had the capacity to manage factions and hence has bled regularly. Factions have left and joined the Congress. Ravi Naik, Narvenker, Wilfred Misquita, all felt that it would be better for their interest, and that of their

constituency, if they bargained their way into the Congress. The time horizon of most of these politicians is just one assembly and hence, when they saw themselves in the opposition, they strove to become members of the ruling party by defecting from the MGP to the Congress. As a result the politics of the palace replaced the politics of social classes, within which the MGP was earlier rooted because of its bahujan ideology. The MGP has also suffered because of poor organisation skills, because of a paucity of funds (unlike the Congress) since it has been in opposition for too long and dominant interests which depend on the goodwill of the state such as the mining lobby, or the industrialists and builders do not contribute in large numbers to its coffers. Another factor that has probably led to an erosion of the MGP social base is the immigration from other parts of India, a demographic change that favours national parties especially since this migrant population is concentrated in certain constituencies. It is estimated to be over 20 of the total population. The final factor that has compounded the MGP's woes is the cannibalising of its mass base by the BJP with which it had aligned in the 1994 assembly elections when it tried to consolidate what it perceived to be a cohesive Hindu vote. The strategy did not succeed (Table 4).

The BJP is a new party in Goa and has grown significantly from 0.47 of the assembly vote in 1989 to 26.19 in 1999. The BJP has succeeded by presenting itself in multiple ways (i) as an alternative to Congress – a picture which has found some appeal especially among the middle class disgusted by the politics of defection and pragmatism represented by the Congress (even Catholics in some constituencies voted for the BJP); (ii) as a soft hindutva party which has enabled it to poach on the MGP vote bank and to attract those who have a communal ideology; and (iii) as the state representative of the government at the centre. It has benefited from the Vajpayee and the Kargil factor where the BJP has got considerable media mileage. Its organisational strength

comes from its close links with the Sangh combine particularly the secretive RSS. These have so far been inadequately probed and so the extent of control by this extra-constitutional authority, the remote control mechanism, is not properly understood. Its leader Parrikar has been able to portray himself as an alert and aggressive 'leader of the opposition', a title which the party has now wrested from the MGP. When I disaggregate the votes of the last three assembly elections, I shall comment on the character of its social base and on its potential to challenge the Congress as the party of governance.

The smaller parties such as the UGDP, GPP, GRCP came into existence because of the political manoeuvrings of their leaders – Alemao, Barbosa, Willie, etc. They have no ideology, no potential to dethrone the Congress. They apply pressure on the Congress since they draw their support from the Congress vote base. Most of them are located in areas where the Congress is strong and have no potential to threaten the BJP or MGP. In fact they have formed governments by forging alliances with the MGP and BJP (Table 2). They achieve as groups what independents achieve as individuals which is to apply pressure on the Congress and to create the conditions for their merger or admittance into the Congress. The vote base of this

TABLE 4: REGIONWISE VOTES POLLED IN ASSEMBLY ELECTIONS

(Per cent)					
Year	Region	Congress	BJP	MGP	IND
1989	NN	34.43	0.81	53.72	11.04
	NO	40.59	0.49	40.30	18.63
	SN	38.17	0	54.54	7.29
	SO	49.04	0.30	13.00	37.66
	Total	40.52	0.47	39.52	19.50
1994	NN	31.64	11.95	34.11	22.30
	NO	44.02	10.91	20.05	25.02
	SN	36.75	0	24.56	38.69
	SO	35.28	8.15	4.99	51.57
	Total	36.90	8.89	20.74	33.46
1999	NN	36.97	31.09	23.3	8.64
	NO	34.31	25.09	10.22	30.38
	SN	31.80	29.33	19.39	19.47
	SO	49.43	19.75	4.25	26.58
	Total	38.55	26.19	14.03	21.21

TABLE 3: PARTY SEATS AND VOTING PERCENTAGE 1989-99

Year	Congress		MGP		BJP		Independents and Others	
	Per Cent	Seats	Per Cent	Seats	Per Cent	Seats	Per Cent	seats
1989- A	40.52	18	39.52	18	0.47	0	19.50	4
1989- P	46.18	1	27.13	1	0.68	0	23.34	0
1991- P	57.65	2	20.57	0	15.61	0	6.15	0
1994- A	36.90	18	20.74	12	8.89	4	33.46	6
1996- P	34.36	0	26.77	1	13.75	0	25.1	1
1998- P	31.59	2	13.17	0	30.04	0	29.19	0
1999- A	38.55	21	14.03	4	26.19	10	21.21	5

Note: P= Parliament; A= Assembly.

group is sizeable since it contains the protest vote against the politics of Congress which through the period has been in excess of 19 per cent of the vote (Table 3). These broad trends that I have identified do not convey (i) the importance of power brokers; (ii) the intensity of constituency level competition; (iii) the role of personal charisma; or (iv) the differences in voter preferences between new and old voters, men and women, urban and rural, educated and illiterate, etc. It does not illustrate the social profile of the vote. Table 3 presents a summary of aggregate votes polled and seats won by each party and gives a sense of the strengths of each group. The small parties and independents have been clubbed together.

#### IV Electoral Landscape

During this decade the most significant aspect of the electoral landscape has been the rise of the BJP, the decline of the MGP, and the spirited continuance of the Congress. In this section I shall not do a dissection of each assembly and each parliamentary election, since there are too many particularities to each and these do not lead up to or contribute towards a trend [for details see Fernandes 1997]. For example the 1994 assembly election was a protest vote against the politics of defection when 19 new members, many independents, and some small parties, were elected in the place of many stalwarts such as Ravi Naik, Sardinha, Sheik Haroon Hasan and Khalap [deSouza 1996]; or the 1996 parliamentary elections when the Congress lost both seats one to the MGP and one to the UGDP; or the 1998 parliamentary elections where they won both back. There were too many contingent factors unique to each election for us to be able to derive a trend by focusing on them. The significant feature of the 1989 election was the tie of 18 seats for both Congress and MGP, that of 1994 the alliance of BJP-MGP to consolidate the Hindu vote<sup>9</sup> which instead got further fragmented since the MGP got less than it had in 1989, and that of 1999 the return of many of the party stalwarts who had been punished in the 1994 elections. Instead of looking at episodes or contingencies I shall look at aggregate voting figures to see if there are any significant trends emerging that have implications for the polity.

I shall divide Goa into four regions north new conquests (NN), north old conquests (NO), south old conquests (SO), and south new conquests (SN) which were impacted differently by Portuguese rule. In the old

conquests, Portuguese rule extended to over four centuries whereas in the new conquests it was for less than two centuries. This resulted in a demographic concentration of the Catholics in the old conquest areas. These are also the more developed regions where the population is more mixed and in which most of the big towns are located. This means that singular appeals are unlikely to produce results since the interests of one group are unlikely to harmonise with the interests of another group. The ideological politics of the BJP is likely to exclude groups which the pragmatic politics of the Congress is likely to accommodate. Hence the Congress, seen as a party of factions, always under internal stress, in contrast to the BJP, whose internal politics remains largely unreported and hence unknown, has a greater chance of forging a electoral majority. In these regions the division of assembly seats are as follows: NN – 12, NO – 11, SO – 11, and SN – 6. Table 4 gives the regional profile over the three assembly elections.

A study of Table 4 reveals three interesting trends. The first is the obvious one of the BJP's growth at the expense of the MGP, a shift in the ideology of the social base from strong bahun to soft hindutva. The BJP has gained because of the vote against Congress misrule; because the MGP has been unable to present itself as an alternative to Congress, since its important leaders have, post-election, gone and joined the Congress; because of the absence of any alternative to Congress; and because of the Vajpayee factor. This growth has been remarkable in all regions even SO, and strongest in NN which had been the bastion of the MGP in 1989. The MGP has declined in all regions dropping from an aggregate of 39.52 per cent in 1989 to 14.03 per cent in 1999. It remains to be seen whether this is a terminal trend, and whether soft hindutva can replace strong bahun the former being only a community based ideology whereas the latter ideology has characteristics of both class and caste. It also shows that the hindutva line has made inroads into the strong bahun, social base even though only in a soft form because its more strident version, espoused by members of the RSS combine such as the Bajranj Dal and VHP after the demolition of the Babri masjid, has few takers in Goa. Alternatively one could ask whether the failure of the MGP lies more at the level of logistics, such as party organisation, poor campaign, inadequate resources, a failure which can be remedied through new leadership restating the bahun ideology which has

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an independent existence and which is experiencing a resurgence in other parts of India. The future of the MGP will be decided by the vision of its leaders.

The second important trend is the bargaining position of the independents and the other smaller parties. The vote of 19.5 per cent in 1989 going up to a high of 33.46 per cent in 1994 and steadying at 21.21 per cent in 1999, shows that there are some leaders who have localised support and who can and have used it to gain positional advantage for themselves either as ministers or as chairpersons of corporations. This is where the GRCP and UGDP, and some independents have the power to be spoilers. They are largely located in the old conquest areas especially SO. They have little influence in NN. This sizeable vote shows that there is a large floating voter group which is searching for a new practice of politics. It gets focused either through a charismatic leader such as Churchill Alemao in 1996, or a localised party such as the UGDP in 1994, to register their disaffection with the Congress. This floating voter represents the search for 'good governance' which the Congress is not seen as providing, and which the electoral system does not seem to offer either. The consequence hence is to apply pressure on the Congress by voting for what I referred to earlier as the 'parties of pressure'. This is not a vote that will go to the MGP or the BJP since it is essentially a secular vote.

The third important factor, paradoxically, is the continuing consolidation equally in all the regions of the Congress. While the defection factor may have benefited the BJP, in that a population that believes that the voting calculus should be driven by principles voted for it in disgust against the Congress, it also helped the Congress in that it gained new supporters brought in by those who had defected to it. The Congress seems to have maintained a steady support base across all three assembly elections and in all the four regions. This is significant because if it can retain its hold over SO and NO, as it appears to have done, because of the anti-communal and thereby anti-BJP vote, and because of the more mixed populations of these areas, then it can continue to be the party of governance because these regions may have been willing to vote for the MGP because of its bahujan ideology but not for the BJP because of its hindutva ideology. The BJP therefore faces a glass ceiling beyond which it cannot rise. Defections therefore have a double impact on the Congress, depleting and replenishing its support base. It helps the Congress

to retain its mixed, secular character. So even though Congress rule has meant instability, because of defections, during election time the Congress benefits because the alternatives appear less desirable especially to populations in SO and NO. In addition to this the Congress benefits from political leaders who have considerable skill in managing elections and who have large war chests. Politics is good business for the Congress, in some cases a family one. The Congress dominance shows that pragmatic politics gives better dividends than ideological politics.

The foregoing has shown that politics in Goa seems to have developed a considerable autonomy in that the actions and decisions of groups and leaders are hardly constrained by either the rules that govern institutions or the moral codes that underlie democratic politics. The mechanisms of accountability which is democracy's chief virtue also do not seem to deter this class of political leaders since, in the decade under review, they seem to have worked out strategies to overcome them. The examples of defections, of the role of the speaker, of winnability in elections are cases in point. The managing of elections and of defections has become the key to ensuring a continued capacity to govern. The Congress leads in this capacity. This is still a long way off from democratic governance. The Congress, and the others, lack this capacity.

### Notes

[I should like to thank Adi H Doctor for comments and Alito Siquiera, Aureliano Fernandes, Venecia Cardoso, Santosh Vernekar, Mohan Mangueshkar for assistance with data.]

#### 1 Some data on Goa

- (i) per capita net state domestic product at current prices in 1998 Rs 19,719;
- (ii) per capita bank deposits in 1998 Rs 41,380;
- (iii) birth rate per 1,000 of population in 1998, 17.97;
- (iv) death rate per 1000 of population in 1998, 7.54;
- (v) literacy in per cent in 1998, males 83.64, females in 1998, 67.09;
- (vi) roads per 1,000 sq km of area in 1998, 2038;
- (vii) urban population to total population growth (per cent) 1987=32.03 to 1998=41.01;
- (viii) agricultural workers to total workers (per cent) in 1998, 23.94;
- (ix) per capita domestic consumption of electricity 1987= 77.39 to 1998= 208;
- (x) motor vehicles per lakh of population 1987=7,876 to 1998=22,483;
- (xi) population served per hospital in 1998, 10,662.

2 The discussion on the Konkan Railway is a case in point. See the note prepared by the Citizen's Committee titled 'Summary of Main

Issues/ Arguments Related to the Konkan Railway Route Alternatives', (May 19, 1993) where the pros and cons of the three routes are presented in terms of costs, environmental impacts, safety, and development consequences.

- 3 The proposal to convert Goa into a free port raised a host of issues. The presentation 'Understanding the Environmental Implications of a Free Port for Goa', January 10, 1998 by Ligia Noronha at the International Centre, Goa sets clearly the agenda for such a debate.
- 4 Jumbo cabinets became an election issue in 1999 resulting in the Congress giving an assurance that the cabinet size would not exceed eight.
- 5 Some other parties are: (now defunct) Goan People's Party (GPP) and Gomant Lok Poxx (GLP).
- 6 Narvenker, Alemao, Shirodkar, Willie, Mauvin are just some of the regulars.
- 7 In 1994 the Congress had the speaker protest manipulate the secret ballot to declare a tie and then cancel it and use the method of a voice vote to elect the speaker Tomazinho Cardozo.
- 8 There are many instances of this in the last decade in 1994 Wilfred Misquita and some others left the MGP and joined the Congress, in 1999 Parulekar and Jose Philip left the UGDP to align with the Congress.
- 9 Since the MGP has its base in the bahujan Hindu vote and the BJP in the saraswat Hindu vote it was felt that an alliance would consolidate the Hindu vote, an argument that overlooks the internal contradictions of caste and class within the Hindu community

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# Twilight of Congress Hegemony

## Emergence of Bi-Polar Alliance System in Karnataka

Sandeep Shastri

*After its dismal performance in 1996, the Congress attempted to widen its support base among the OBCs and the minorities and is now projecting itself as the 'natural' choice of the electorate. With the splitting of the Janata Dal, the state is likely to witness bi-polar contests between the BJP and its allies and the Congress.*

THE verdict of the Karnataka voters in the 1996 and 1998 Lok Sabha elections is significant for several reasons. The twilight of the Congress hegemony was witnessed in Karnataka in the 1996 Lok Sabha elections, with the Janata Dal winning 16 seats and the BJP emerging victorious in six constituencies. The Congress was relegated to the third position with only five seats. In 1998, the Janata Dal was pushed to the third position winning only three seats. The BJP/Lok Shakti alliance secured 16 seats and the Congress increased its tally to nine seats.

Prior to the 1996 elections, the Congress Party<sup>1</sup> had, in all previous elections save the one in 1967 secured more than 80 per cent of the Lok Sabha seats in the state. Even in 1967 it had secured two-thirds of the total number of seats. This time around, party nominees were elected in less than 20 per cent of the seats (five seats). For the Janata Dal,<sup>2</sup> its best ever performance in earlier elections was in 1984, when it won 4 of the 28 seats (14 per cent). Having failed to register even a single victory from the state in the 1991 elections,<sup>3</sup> the party's performance in the 1996 poll was commendable, as it won as many as 16 of the 28 seats (57 per cent). The BJP won its first Lok Sabha seat from Karnataka in the 1991 Lok Sabha elections when its candidates emerged victorious in four of the 28 seats (14 per cent). In this election, the party marginally improved upon its earlier performance by winning six seats (21 per cent). The Karnataka Congress Party (KCP) registered its presence in the Eleventh Lok Sabha, by winning one seat. The party later merged with the Congress.

### NATURE OF POLITICAL COMPETITION

An analysis of the Lok Sabha election results in Karnataka, prior to the 1996 elections, clearly demonstrates that the voters have strongly endorsed the candidature of those who contested on the Congress Party ticket. In the first 10 general elections to the Lok Sabha, held between 1952 and 1991, the Congress Party had won nearly 90 per cent of the seats. Even

on the four occasions when it did fare badly at the national level – 1967, 1977, 1989 and 1991 – the relative performance of the party in the state was appreciably better. In the 1967 Lok Sabha elections, though the Congress won only 54 per cent of the seats at the national level, its candidates were elected in 67 per cent of the seats in the state. In the 1977 Lok Sabha elections, the Congress had secured just 28 per cent of the seats at the national level, but won more than 90 per cent of the seats in the state. In 1989, the party secured merely 37 per cent of the seats at the national level but captured 96 per cent in the state. In 1991, the party won 44 per cent of the seats at the national level and 81 per cent in the state. Karnataka was verily a Congress bastion when it came to Lok Sabha elections.

Even when the electorate has given a clear mandate to a non-Congress Party to form the government in the state, it has continued to endorse the candidature of Congress candidates in the Lok Sabha elections. In the December 1984 Lok Sabha elections, the Congress won 24 of the 28 Lok Sabha seats. The Janata Party, which was then the ruling party in the state, was in a position to win merely four seats. However, in the assembly elections held just four months later, in March 1985, the same electorate gave a clear mandate to the Janata Party to form the government, electing its candidates in 139 of the 224 seats (over 60 per cent).

The composite state of Karnataka (earlier called Mysore) came into existence in 1956, subsequent to the reorganisation of states on linguistic lines. Four principal regions became part of the state: (a) Old Mysore (formerly a part of the princely state of Mysore); (b) Hyderabad-Karnatak (formerly a part of the territory of the Nizam of Hyderabad); (c) Bombay-Karnatak; and (d) the Madras Presidency and Coorg regions. Prior to independence and the reorganisation, the Old Mysore region has generally played a dominant role in Karnataka politics. This region accounts for half the Lok Sabha and assembly

constituencies in the state. A quarter of the Lok Sabha seats and those of the state assembly are in the Bombay-Karnatak region. The rest is distributed in the other two regions.

The caste factor has played a crucial role in electoral politics in the state. The lingayats and vokkaligas are considered the dominant castes and have been major players in state politics. The traditional stronghold of the lingayats has been the Bombay-Karnatak and Hyderabad-Karnatak regions, while the vokkaligas are a major force in the Old Mysore region. While the lingayats and vokkaligas account for 10.8 per cent and 15.3 per cent of the state population (together a little over 16 per cent), over the last four decades, a majority of the members of the state assembly and a significantly large number of Lok Sabha members have belonged to these two communities. The non-dominant backward castes emerged as a major political force when Devraj Urs became the chief minister in 1972. Urs was the first chief minister who belonged to the non-dominant backward castes. Urs attempted to unite the non-dominant backward castes and thus break the hegemony enjoyed by the dominant castes. Since the late 1970s, the non-dominant backward castes have had a powerful impact on electoral outcomes and their representation in the legislature and state council of ministers has grown [see Shastri 1994, 1995; Shastri and Latha (forthcoming)].

The Karnataka electorate has also not favoured regional parties, either in Lok Sabha or assembly elections. Electoral competition has largely been between the Congress on the one hand and Socialist Party/Swatantra Party on the other till the late 1960s. After the Congress split in 1969, the two factions of the Congress were the principal political forces. With the formation of the Janata Party in 1977, it became the principal opposition party at the state-level. The BJP emerged as a third force in Karnataka politics with the 1983 assembly elections. Ever since, it has attempted to consolidate its electoral base.



Though regional parties have occasionally been formed, they have had limited electoral success. Devraj Urs floated the Kranti Ranga in the early 1980s but the party later merged with the Janata Party. S Bangarappa, a former chief minister of Karnataka, broke away from the Congress to form the Karnataka Congress Party in 1993. In the 1994 assembly elections that party secured 10 seats in the 224-member house, way behind the Janata Dal, Congress and the BJP. It was principally responsible for damaging the prospects of the Congress candidates in several constituencies, thus enabling the Janata Dal and BJP candidates to emerge victorious [Shastri 1995:44]. The Karnataka Congress Party has since, merged with the Congress. Yet another regional party, the Karnataka Rajya Raitha Sangha (KRRS) formed to protect the interests of farmers has also performed dismally at the polls with just 3.6 per cent of votes, winning merely two seats in the 1989 assembly poll and one seat in the 1994 assembly elections (2.8 per cent of votes). The emergence of the Lok Shakti and its role and position in Karnataka politics is assessed at length, while analysing the 1998 Lok Sabha poll.

#### ELECTORAL POLITICS IN 1980s AND 1990s

An ideal backdrop for the analysis of Karnataka politics in the 1990s would be the outcome of the 1983 assembly elections and subsequent political developments. Till the 1983 assembly elections, the Congress had a near monopoly over power. As mentioned earlier, it had also captured a majority of the Lok Sabha seats from the state in successive elections till 1996. The 1983 assembly elections had resulted in no party securing a clear majority of seats. The Janata Party – which was the single largest party – formed a minority government under the leadership of Ramakrishna Hegde, with the outside support of both the Leftist parties and the BJP. The maturity of the Karnataka voters was strikingly demonstrated yet again in 1984-85, when they elected 24 Congress nominees (out of 28) to the Lok Sabha in December 1984 and within a few months – in March 1985 – expressed a desire that the Janata Party government continue in power in the state, by giving the party a clear majority in the assembly elections. However, the Janata Party was soon caught up in an internal power struggle. In August 1988, chief minister Ramakrishna Hegde resigned, accepting moral responsibility for the tapping of telephones of political leaders. S R Bommai was elected to succeed Hegde as chief minister but his

government appeared to stumble from crisis to crisis. Within less than eight months of assuming office, in April 1989, the Bommai government, faced a major crisis when dissident legislators wrote to the governor withdrawing support to it. The governor dismissed the Bommai government and the state came under president's rule.

The 1989 assembly elections, held after a spell of seven months of president's rule, saw the Congress Party winning 178 seats in a 224-member House, securing in the process, a three-fourths majority. Never before, had the Congress Party – or for that matter any other party – secured such a high percentage of seats in assembly elections in Karnataka. The party that had been elected to power in the previous election, the Janata Party, now in its new incarnation as the Janata Dal, just managed to retain its status as the principal opposition party by securing 24 seats, a steep fall from the 139 seats it had earlier won.

The voters had unequivocally endorsed the claims of the Congress Party and had nursed the fond hope that the infighting and instability witnessed during Janata Party rule would be a thing of the past. Such optimism on the part of the voters could be justified on the ground that the Congress Party had explicitly stated in its election manifesto that if voted to power, it would ensure stability and progress in the state. For, any party that has had to cool its heels in the opposition for seven long years, would be expected to take its elections promises seriously. The Congress Party had all factors going in its favour with the 1989 assembly election results – a fund of goodwill, a steam roller majority and an opposition that had been decimated and was in total disarray. However, gradually the party seemed to lose direction. The voters in the 1991 Lok Sabha elections sounded a warning, when only 23 of the 28 Congress nominees were elected. The party leadership did little to remedy the situation.

Having changed its legislature party leader and chief minister thrice in five years, the Congress was plagued by infighting and internal discord, which contributed to a lacklustre performance at the governmental level. One of the major problems that both Bangarappa and Moily faced as chief ministers was that they had to silently accept a situation, where their senior ministers time and again, expressed their lack of confidence in their leadership. It was very clearly, the familiar story of a public mandate not respected, a public mandate treated with insensitivity and the

gradual evaporation of public support – all self-inflicted.

It was against this backdrop that the 1994 assembly elections were held. The emergence of the Janata Dal as the majority party in these elections took many observers by surprise. The party, which had barely managed to win 24 seats in 1989 and did not win a single seat in the 1991 Lok Sabha elections, was hardly expected to stage such a dramatic comeback, in spite of the dismal performance of the Congress government. While many attributed the Janata Dal victory to the anti-Congress vote or the 'anti-incumbency syndrome', this cannot be the sole explanation. Even if it were to be assumed that the voters were unhappy with the Congress, they had an option of voting either for the Janata Dal or for the BJP. The fact that the Janata Dal secured a majority was indicative of the positive choice of the voters. Further, it must be noted that the Janata Dal victory had little to do with the national agenda of the party. In Karnataka, the state leaders of the party, had distanced themselves from the developments in the party at the national level. The electoral verdict was essentially dictated by local issues and developments. The emergence of the Janata Dal as, what many believed, a federal party was welcomed by large sections. It must be said to the credit of the Janata Dal that the groundwork for a spirited election campaign had been laid well before the announcement of elections by the leadership 'troika' of Ramakrishna Hegde, Bommai and Deve Gowda. Bommai rightly declared that the election verdict was a 'victory for collective leadership' (*The Times of India*, December 10, 1994).

#### 1996 LOK SABHA POLL

The 1996 Lok Sabha elections were held within a year and a half of the return of the Janata Dal to power in the state. The three major political parties – the Janata Dal, Congress and BJP – had evolved elaborate electoral strategies, as success in these elections was critical for them, both regionally and nationally. For the Janata Dal, winning a sizeable number of

TABLE 1 LOK SABHA ELECTIONS 1996, KARNATAKA

Party	Votes Polled	Seats Won (Per Cent)	Seats Won
JD	34.9*	57.1	16
INC	30.3	17.9	5
BJP	24.9	21.4	6
KCP	3.1	3.6	1

The CPM an electoral ally of the Janata Dal polled an additional 0.4 per cent of votes.



seats in the state, was vital for the survival of its government. Earlier, in 1984, the then chief minister Ramakrishna Hegde had resigned on moral grounds after the Janata Party had won just four Lok Sabha seats in the state. For the Congress, a large contingent from Karnataka was vital, as it was one of its 'safe states'. For the BJP, Karnataka seemed to be the only launching pad in the entire South and a creditable performance in the state could bolster its chances of inching towards the half way mark in the Lok Sabha.

The Janata Dal faced a major crisis during the campaign, with some leaders emphasising that the election was a referendum on the performance of the state government while others wanting the party to exclusively focus on the failures of the central government. But for this controversy, the party's campaign was, by and large, well organised. It made a determined effort to expand its social base, under the collective leadership of Deve Gowda (a vokkaliga), Ramakrishna Hegde (a brahmin) and Bommai (a lingayat) and the conscious and clear projection of a second line of leadership consisting mainly of backward class, dalit and minority leaders. In view of the apparent resentment in northern Karnataka (where the lingayats wield tremendous influence) about the perceived domination of vokkaligas in the state's administration, the party campaign in this region was largely left to Hegde and Bommai. The reasonably good record of the state government – which had just completed 17 months in office, also helped the Janata Dal.

The Congress on the other hand, did not appear to have sufficiently recovered from the defeat it had suffered in the 1994 assembly elections. Little effort was made to co-ordinate the campaign and prominent leaders of the party, who had been denied nomination stayed away from the campaign and in some cases appeared to have indirectly helped the nominees of other parties.

The BJP appeared to have altered its strategy, with good governance ('Su-raj') under the leadership of Vajpayee, being its main campaign slogan. Hindutva appeared to have been pushed to the background and was raised towards the end of the campaign as an afterthought. The party was handicapped by the fact that it had no effective charismatic leadership at the state level.

The Centre for the Study of Developing Societies (CSDS) post-poll survey in Karnataka clearly reveals that more than 72 per cent of the respondents were not

interested in the election campaign. Nearly 80 per cent had not attended any campaign meeting and more than 90 per cent were emphatic in stressing that they had themselves not participated in any campaign. However, it is significant that among the respondents who expressed a definite view on the subject, nearly 70 per cent felt that their votes mattered. Further, more than 40 per cent respondents asserted that they made up their mind as to whom to vote for on polling day and another 25 per cent stated that the decision regarding voting was made a few days before the poll.

The voter turnout in the state was just over 60 per cent. This was substantially higher than the voter turnout in the 1991 Lok Sabha poll, when only 55 per cent of the voters exercised their franchise [Shastri 1994:383]. The voter turnout in the Lok Sabha elections (1996) was significantly lower than in the 1994 assembly elections, when more than 68 per cent of the voters had cast their votes. In Karnataka, since the 1970s, the voter turnout in assembly elections has been considerably higher than in Lok Sabha elections [Shastri 1995:45].

#### ANALYSIS OF 1996 ELECTORAL VERDICT

Though the Janata Dal won more than 57 per cent of the seats, it secured only 35 per cent of the votes. Parties winning a majority of seats with only a minority of the votes – referred to by Rae, as a system of 'manufactured majorities' [Rae 1967:74] has become common under the first-past-the-post election system. The Congress on the other hand, secured a little over 30 per cent of the votes, but won just 18 per cent of the seats. There is not much variation in the percentage of votes polled and seats won in the case of the BJP and KCP. Even though the BJP secured one seat more than the Congress, its votes share was significantly lower. A similar trend was seen in the Karnataka assembly elections in 1994, when the BJP emerged as the largest opposition party (pushing the Congress to the third position) but polled less votes than the Congress [Shastri 1995:14, 20-22].

The votes polled by the Congress in the 1996 Lok Sabha poll, were the lowest ever polled by the party. In previous Lok Sabha elections its votes share never fell below 40 per cent in the state. Even in the assembly elections, it managed to secure more than 40 per cent of the votes, save in 1994 when it polled a mere 27 per cent. The Janata Dal, which polled nearly 35 per cent, recorded its best ever performance in terms of votes, in the last decade. Earlier, in the 1977 Lok Sabha elections,

it had secured 40 per cent of the votes and in the 1984 Lok Sabha poll its votes share was 35 per cent. The larger votes share for the party in these two elections – though it won only two seats in 1977 and four in 1984 – needs to be viewed in terms of the absence of a third force. The principal contest was between the Congress and the Janata Party. In the 1996 Lok Sabha poll there was a three-way split of votes between the Congress, Janata Dal and the BJP.

The BJP, which polled a little less than 25 per cent of the votes in 1996, had secured a higher percentage of votes in the 1991 Lok Sabha elections – nearly 29 per cent – though it secured only four seats then as compared to six seats in 1996. That the Congress secured fewer of seats and higher percentage of votes as compared to the BJP can be explained in terms of the nature of electoral contest in the 28 Lok Sabha constituencies. While the Janata Dal nominees emerged victorious in 16 constituencies, they secured the second position in as many as six constituencies. Thus the party registered its presence in 23 of the 28 constituencies. The BJP candidates were victorious in six constituencies and secured the second place in another six constituencies. The party was thus, in the first or second position in only 12 of the 28 constituencies. In the case of the Congress, though it secured only five seats, its candidates emerged second in as many as 15 constituencies. The party was thus in the first or second position in as many as 20 of the 28 constituencies. It is also worth noting that while only two Janata Dal and three Congress nominees forfeited their security deposits, as many as 8 BJP candidates lost their security deposits.<sup>4</sup> It thus becomes clear that while the Congress was a principal contestant in more than 70 per cent of the constituencies, the BJP was in the first or second position in only 43 per cent of the constituencies. A similar trend was seen in the state assembly elections held in 1994.

An analysis of the swing of votes from the 1991 to the 1996 Lok Sabha elections reveals that there had been a 17 per cent swing in favour of the Janata Dal. There

TABLE 2: LOK SABHA ELECTIONS, 1996: PRINCIPAL CONTESTANTS

Principal Contestants First and Second Position	No of Constituencies
Janata Dal-Congress	12
Janata Dal-BJP	4
Congress-Janata Dal	4
Congress-BJP	1
BJP-Congress	3
BJP-Janata Dal	3
KCP-BJP	1

had also been an 11 per cent swing against the Congress and a near 4 percentage point swing against the BJP.

A constituencywise analysis shows that, in the case of the Janata Dal there has been a swing in favour of the party in as many as 26 of the 28 constituencies. In 16 of these constituencies, the swing was as high as 10 percentage points. Of the two constituencies in which there has been a fall in the percentage of votes, in one (Bidar) an ally of the Janata Dal – the CPM, had fielded a candidate. In the case of the Congress, there was a swing against the party in all but one constituency. In 15 of these constituencies, the swing against the party was more than 10 percentage points. The BJP had a mixed fortune in this regard, as in 10 constituencies there was a swing in favour of the party and in the other 18 there was a swing against it. In nine of the constituencies the swing against the party was as high as 10 per cent. Interestingly, in all the 4 constituencies where the party had emerged victorious in 1991, there was a swing of votes against the official party nominees. The standard deviation calculated, for the swing of votes of all parties shows that in the case of the BJP the standard deviation was significantly higher (10.88), implying that the variation in swings was much greater in its case.

If the votes polled by the political parties in the 224 constituencies, in the 1994 assembly elections, are viewed from the angle of the 28 parliamentary constituencies clubbing together the votes polled in the eight assembly constituencies which form a single parliamentary constituency, the Janata Dal candidates secured the highest votes in 21 of these constituencies, the Congress in four and the BJP in three.<sup>5</sup> In the Lok Sabha elections, both the Congress and the BJP were in a position to win two seats each, from among the seats in which they had secured a majority in the 1994 assembly elections. The Janata Dal won only 15 of the 21 seats in which it had secured the highest votes in the 1994 assembly elections.

An analysis of the partywise swing of votes from the 1994 assembly polls to the 1996 Lok Sabha elections reveals interesting trends. In the case of all three major parties – Janata Dal, Congress and BJP – there has been a swing of votes in favour of the parties in a majority of the constituencies. In the case of the Janata Dal, there was a swing in favour of the party in as many as 19 of the 28 constituencies. For the Congress there was a swing in favour of the party in 20 of the 28 constituencies and for the BJP there was a swing in favour

of the party in all but four of the constituencies. This implies that the performance of the BJP and the Congress in the Lok Sabha elections, has shown a significant improvement as compared to the assembly elections of 1994.

The fact that there has been a swing of votes in favour of all the three major parties in the Lok Sabha elections as compared to the assembly elections also implies that there has been a greater consolidation of votes in favour of the three major parties in the Lok Sabha elections. Between them, these three parties account for more than 90 per cent of the valid votes polled in the Lok Sabha elections. On the other hand, in the 1994 assembly elections, they accounted for only 78 per cent of the valid votes polled,<sup>6</sup> with independents and other minor parties securing 22 per cent of the votes.

A three-way split in votes in most constituencies in the 1996 elections is evident from the fact that in 19 of the 28 constituencies (68 per cent), the votes polled by the winner and the immediate loser total up to less than 75 per cent of the valid votes polled. Further, in only one constituency (Chikkodi) did the winning candidate secure a majority of the valid votes polled.

The margin of victories, as seen in terms of the percentage of votes polled [Shastri 1996: 157], shows that the victory margins of the successful Congress candidates were in the less than three per cent range, which implies that all the five Congress MPs from the state, won by slender margins. In the case of the Janata Dal, six of the 16 victories were by margins of less than three per cent of the valid votes polled. These victories were decisive in ensuring that the Janata Dal won a majority of the seats in the state. In five other constituencies, the margin of victory of the Janata Dal candidates was more than 10 per cent of the valid votes polled. In the case of the BJP, some of its candidates won by slender margins while others won decisively.

A comparative assessment of the performance of various parties in the four regions of the state reveals interesting trends. The Janata Dal did exceedingly well in the Old Mysore and Hyderabad-Karnatak regions but failed to register its presence in coastal Karnataka. While the Congress drew a blank in the Hyderabad-Karnatak region, it secured its seats in the Bombay-Karnatak, Old Mysore and coastal Karnataka regions. The BJP registered victories in all the regions, but its performance was exceptionally poor in the Old Mysore region, where the percentage

of seats it secured was much lower than its overall state average.

A majority of the candidates fielded by the Janata Dal and the BJP hailed from the dominant castes – the lingayats and vokkaligas. While the Janata Dal fielded eight lingayats and seven vokkaligas, there were 11 lingayats and five vokkaligas from among the BJP candidates. The Congress fielded four lingayats and seven vokkaligas. OBCs accounted for eight of the Congress candidates, seven of the Janata Dal and four of the BJP. The Congress and the JD had fielded five dalit candidates each, while the BJP fielded four dalits. The Congress nominated two Muslims and the Janata Dal, one. Of the 28 candidates who emerged victorious,

TABLE 3: LOK SABHA ELECTIONS, 1991 TO 1996: SWING OF VOTES

Percentage of Swing	Number of Constituencies		
	JD	INC	BJP
More than -20	-	3	-
-10 to -20	-	12	9
-5 to -10	1*	9	5
-3 to -5	1	1	-
0 to -3	-	2	4
	2	27	18
0 to 3	1	1	1
3 to 5	8	-	2
5 to 10	1	-	2
10 to 20	11	-	5
More than 20	5	-	-
	26	1	10

\* Seat contested by its electoral ally the CPM.

TABLE 4: SWING OF VOTES 1994 ASSEMBLY ELECTIONS TO 1996 LOK SABHA ELECTIONS

Percentage of Swing	Number of Constituencies		
	JD	INC	BJP
More than -20	-	-	-
-10 to -20	2	1	1
-5 to -10	4	3	1
-3 to -5	2	1	-
0 to -3	1	3	24
	9	8	4
0 to 3	5	5	4
3 to 5	3	5	4
5 to 10	7	6	7
10 to 20	2	3	5
More than 20	2	1	4
	19	20	24

TABLE 5: LOK SABHA ELECTIONS 1996: MARGIN OF VICTORIES

(In terms of percentage of valid votes polled)

Margin of Victory	Number of Constituencies			
	JD	INC	BJP	KCP
0 to 1	1	2	-	-
1 to 3	5	3	1	-
3 to 5	3	-	1	-
5 to 10	2	-	2	-
10 to 20	5	-	1	1
More than 20	-	-	1	-
	16	5	6	1

10 belonged to the dominant castes – five lingayats and 5 vokkaligas. Among the other victors were four dalits, six from the OBCs, two Brahmins, two Muslims and one each from Idiga, Kuruba, Jain and Christian.

Though the dominant castes account for only 36 per cent of the victors, in the Janata Dal they account for half the victors, three lingayats and five vokkaligas. It is significant that all the five vokkaliga candidates who emerged victorious hailed from the Janata Dal. Both the brahmins and the remaining dominant caste victors were elected on the BJP ticket. All the Congress victors belong to non-dominant, non-forward castes. The skewed representation from the dominant castes has also been noticed in the elections to the state assembly held in 1994.

#### 1998 LOK SABHA POLL

It would be relevant to recall at this stage, the major political developments in Karnataka subsequent to the 1996 Lok Sabha elections as they appear to have had a major impact on the nature of electoral preferences expressed in 1998. The Janata Dal's creditable performance in 1996 came as a surprise to many political observers (including Janata Dal leaders themselves) and was a crucial factor in the choice of Deve Gowda as the leader of the United Front and his subsequently becoming prime minister. However, the suspension of Ramakrishna Hegde from the Janata Dal, within days of the Deve Gowda government winning the confidence vote in the Lok Sabha, shattered the unity which had been so tenuously maintained by the party leadership in the state ever since 1993. The promise of unity held out by the leadership troika (Hegde, Bommai and Deve Gowda) had played a significant role in ensuring the party's victory both in the 1994 assembly and the 1996 Lok Sabha elections.

Further, the performance of the Janata Dal government in the state under the leadership of J H Patel left much to be desired and did not appear to inspire confidence among the Janata Dal workers. It has been argued that the manner in which the state government functioned and the forces that appeared to call the shots were clearly indicative of the influence and power wielded by the dominant castes. Even among these castes, many lingayats – especially in northern Karnataka – were convinced that the vokkaligas alone were manipulating and managing power. This development resulted in the gradual alienation of the other backward communities (OBCs), minori-

ties and dalits. The polarisation on caste lines within the ruling Janata Dal came to the fore when Laloo Prasad Yadav rebelled against the national leadership of the party (which included Deve Gowda), with the OBC leaders in the party at the state level, using the occasion to express their displeasure at the manner in which the vokkaligas appeared to control and manipulate the government machinery at the state level. Several OBC leaders in the state Janata Dal, who in the past had been staunch supporters of Deve Gowda, now openly expressed their dissent at the manner in which Deve Gowda's confidants were attempting to use the state machinery for furthering their own caste/personal interests. The above factors had a crucial impact on the 1998 poll. The clear erosion of the support for the Janata Dal was evident in the results of the bye-elections to the state assembly held between 1996 and 1998.

The formation of the Nava Nirmana Vedithe and later the Lok Shakti by Ramakrishna Hegde triggered off further realignment of political forces. While on the one hand it permitted the supporters of Hegde to unite under his leadership, it also provided an alternative to those in the Janata Dal who were unhappy with or against those controlling the party in the state.

After the 1996 Lok Sabha poll, the Congress did attempt to rethink its strategy in view of its dismal performance in the state. As mentioned earlier, though the party was relegated to the third position

in the 1996 poll, in terms of votes it came second, way ahead of the BJP. The party made serious attempts to widen its support base among the OBCs and minorities, especially in view of the Janata Dal being perceived as a party that served the interests of the dominant castes. Leaders from among the OBC and dalit communities were accorded prominent positions in the party, including the presidency of the KPCC and leadership of the Congress Legislature Party (CLP). With Sitaram Kesri taking over as the Congress president, the return of Bangarappa and his supporters was successfully negotiated (later when Bangarappa once again left the party many of those who had earlier aligned with him preferred to remain in the Congress). However, the party was unable to launch a serious and sustained campaign against the lacklustre performance of the Janata Dal government in the state. The party also found it difficult to effectively and convincingly explain its outside support to the United Front government at the centre. Above all, the party was plagued by serious infighting and absence of an effective state level leadership.

Soon after the 1996 poll, the BJP attempted to consolidate on its performance in the elections. The party realised that though it may have emerged second in the state, in terms of votes share, it was five percentage points behind the Congress. When the 13-day Vajpayee government was forced to resign, having failed to muster the necessary support in the Lok

TABLE 6: LOK SABHA ELECTIONS 1996: REGIONWISE PERFORMANCE

Region	Seats Won				Total
	JD	INC	BJP	KCP	
Old Mysore	9 (60)	3 (20)	2 (13)	1 (7)	15
Hyderabad-Karnatak	3 (75)	–	1 (25)	–	4
Bombay-Karnatak	4 (66)	1 (17)	1 (17)	–	6
Coastal-Karnatak	–	1 (34)	2 (66)	–	3
Total	16	5	6	1	28

Note: The figures in brackets are percentages of seats won.

TABLE 7: LOK SABHA ELECTIONS 1996: PERFORMANCE OF COMMUNITIES/CASTES

Caste/Community	Seats Won	Per Cent of Seats Won	Per Cent of State Population*	JD	INC	BJP
Vokkaligas	5	17.9	10.8	5	–	–
Lingayats	5	17.9	15.3	3	–	2
Brahmins	2	7.1	3.5	–	–	2
Dalits	4	14.3	16.7	2	1	1
Idigas	1	3.6	2.3	1	–	–
Kurubas	1	3.6	6.3	1	–	–
OBCs/others	6	21.4	24.1	3	2	–
Jains	1	3.6	0.5	–	–	1
Christians	1	3.6	2.1	–	1	–
Muslims	2	7.1	11.7	1	1	–
ST	–	–	6.7	–	–	–

\* Based on the figures in the Chinnappa Reddy Report.

Sabha, the BJP launched a widespread campaign to generate a 'sympathy wave'. The post-poll survey conducted by the CSDS soon after the installation of the Deve Gowda government in 1996, showed that a little over 12 per cent of the respondents favoured Vajpayee as prime minister. In the pre-poll survey held at the time of the announcement of the elections, only a little over 4 per cent of the respondents favoured him as the prime minister, implying an 8 percentage point increase in support. The party found itself in an advantageous position as it could highlight both the failures of the United Front government at the centre as well as the poor performance of the Janata Dal state government. The party made serious efforts to win the support of sections of the powerful lingayat community in northern Karnataka. It is in this context that alliance with the Lok Shakti is significant. The BJP-Lok Shakti alliance was mutually complimentary and the calculation of the BJP was that by aligning with the Lok Shakti, it would be possible for the party to widen its support base. The strategy paid rich dividends. The importance that the Karnataka voters attached to the 1998 poll can be seen from the fact that in all the constituencies in the state, there was an increase in the percentage of voter turnout.

#### ANALYSIS OF 1998 ELECTORAL VERDICT

Electoral and political analysts have emphasised the importance of the anti-incumbency factor in recent elections in India. However, in Karnataka the impact of the 'anti-incumbency syndrome' is distinct in two significant ways. In most other states, the principal Opposition party was the beneficiary of the anti-incumbency mood. In Karnataka, even if it were to be conceded that the incumbency factor worked against the Janata Dal, it must be emphasised that the voters were presented with two alternatives to the Janata Dal, the BJP/Lok Shakti alliance and the Congress. Terming the Karnataka verdict as an anti-incumbency vote would only be partially true, as the results also reflected a positive preference expressed in favour of the BJP/Lok Shakti alliance.

The relegation of the Janata Dal to the third position in Karnataka, is likely to have a long-term impact on the party's role in state politics. The votes share of the party has fallen by nearly 13 percentage points. In 25 of the 28 constituencies there was a swing of votes against the party and in most cases the decline was by more than 10 percentage points. The party nominees were in the first or second

position in only six of the 28 constituencies, implying that the party was a principal contestant in less than one-fourth of the seats. Ten of its candidates lost their security deposits; of these two were sitting MPs and one a state minister. Nine of the 10 sitting MPs of the party who sought re-election on the party ticket were defeated. All the four state ministers who contested the elections, were defeated.

Even though the Congress has improved on its previous performance with its votes share having registered an increase of over 5 per cent, it was unable to repeat its pre-1996 performance of winning a majority of seats in the state. Its nominees finished first or second in all constituencies save one, indicating that it was a principal contestant in 27 of the 28 constituencies. None of its candidates forfeited their deposits. As mentioned earlier, infighting in the party appears to have been largely responsible for the defeat of the party candidates in several constituencies. Further, the party preferred to re-nominate many of those who were defeated in 1996. Six of those defeated in 1996 and re-nominated in 1998, had to once again taste defeat, some losing by wide margins.

The BJP/Lok Shakti alliance appears to have benefited the BJP more than the Lok Shakti. Of the 13 seats the BJP won (of the 18 it contested), five were seats it retained from the previous elections and another five seats were those where it had come second in 1996 – having lost by narrow margins. Only three seats were those where it had come third in the previous elections. All these three seats are in the Old Mysore region, where the influence of the Lok Shakti was largely limited. The BJP was a principal contestant – its nominees came first or second – in 15 of the 18 constituencies in which it fielded candidates. Only one of its candidates lost his deposit.

Attention also needs to be focused on the Lok Shakti's performance. The party was able to win three of the 10 seats it contested. Its candidates came second in five constituencies, making it a principal contestant in eight of the 10 constituencies. Its capacity to ensure the switch of Janata Dal votes to the Lok Shakti/BJP alliance remains untested as in six of the seven constituencies where its candidates lost, the seats were earlier held by the Janata Dal and were wrested by the Congress.

When the electoral performance of the various parties is seen regionwise, it is noticed that the BJP did exceptionally well in the coastal Karnataka (where it won

all the three seats) and in Bombay-Karnatak (where in alliance with the Lok Shakti it won all but one of the seats). In Old Mysore, the BJP was in a position to win six of the 14 seats it contested. All the Lok Shakti victories were in the Bombay-Karnatak region and the party drew a blank in the Old Mysore and Hyderabad-Karnatak regions. Its poor performance in the Hyderabad-Karnatak region needs to be taken note of as it had fielded candidates in three of the five constituencies in this region claiming them to be its strongholds. All the three Janata Dal victories were in the Old Mysore region. While five of the Congress victories were in the Old Mysore region, the party won three seats in the Hyderabad-Karnatak region and one seat in the Bombay-Karnatak region.

If we examine the social background of the elected MPs, we find that a significant number (15 of the 28) hail from the dominant castes – 10 lingayats and five vokkaligas. In the Bombay-Karnatak region, save for one reserved seat, in all the other constituencies, lingayats have been elected. A significant number of the BJP/

TABLE 8: LOK SABHA ELECTIONS 1998

Party	Voter Polled	Seats Won	Seats Won (Per Cent)
JD	21.5	10.7	3.0
INC	36.0	42.2	9.0
BJP	26.9	46.4	13.0
KCP	11.5	10.7	3.0

TABLE 9: LOK SABHA ELECTIONS, 1998: PRINCIPAL CONTENDANTS

Principal Contestants First and Second Position	No of Constituencies
BJP-Congress	12
BJP-Janata Dal	1
Lok Shakti-Congress	3
Congress-BJP	2
Congress - Lok Shakti	5
Congress - Janata Dal	2
Janata Dal - Congress	3

TABLE 10: LOK SABHA ELECTIONS, 1998: SWING OF VOTES FROM 1996 LOK SABHA ELECTIONS

Percentage of Swing	Number of Constituencies		
	JD	INC	BJP
More than -20	7	-	-
10 to -20	14	1	-
-5 to -10	3	1	-
-3 to -5	-	4	-
0 to -3	1	1	1
	25	7	1
0 to 3	-	2	1
3 to 5	-	1	3
5 to 10	1	12	1
10 to 20	2	4	10
More than 20	-	2	2
	3	21	17

Lok Shakti candidates in the Bombay-Karnatak and Hyderabad Karnatak regions hailed from the lingayat community and as the alliance did well in these regions, six of the 13 BJP MPs and two of the three Lok Shakti MPs were from this community. The number of MPs from the non-dominant backward castes has registered a sharp decrease. Only five of the Lok Sabha MPs from Karnataka belong to the OBCs and of them four were elected on the Congress ticket

#### ANALYSIS OF SURVEY DATA

An analysis of the data from the survey conducted by the CSDS in 1996 and 1998 indicates interesting trends with regard to Karnataka. As it was a panel study, it is possible to assess changes in voter preferences and attitudes across two elections. The survey data reveals that the support for the Congress was spread over all age-groups and remained largely unchanged from 1996 to 1998. In the case of the BJP, it has significantly higher support among the younger generation (below 35 age group) in 1996, while its support was more evenly spread out across various age groups in 1998. However, if the support that the Lok Shakti (the ally of the BJP) is taken into account, the alliance appears to have greater support among the younger generation. In 1996, the Janata Dal support was more pronounced among those above 35 years of age. In 1998, the decline in support is also more pronounced in this category. In 1996, the Congress enjoyed greater support among women as compared to men, while in the case of both the Janata Dal and the BJP, their support was more pronounced among men as compared to women. However, in 1998 no significant difference is noticed in this regard.

A decisive swing of the Muslim vote in favour of the Janata Dal was apparent from the 1996 poll survey results, as was the continued suspicion about the BJP among this community. This remained largely unchanged in 1998, with the slight decline in the support that the Janata Dal received being transferred largely to the Congress. Significantly, the Lok Shakti had little support among the minorities and was also not in a position to secure for its alliance partner any increase in the minority votes. While the backward communities voted in significant numbers for the Janata Dal in 1996, their support seems to have gone the BJP/Lok Shakti way in 1998. The support for the Congress was evenly spread between urban and rural areas in 1996 but declined sharply in urban areas in 1998. The BJP appeared more popular in urban

areas and the Janata Dal in rural areas. The Lok Shakti's popularity too, was more significant in urban areas.

The 1996 post-poll survey also clearly showed that a majority, a little over 50 per cent, of the respondents felt that there has been no major change in the relations among social groups during the five-year period from 1991 to 1996. While 35 per cent felt that there was greater harmony among social groups during this period 12 per cent were of the view that tensions

among social groups had increased. The response of the voters to the tension resolving agencies is revealing. Over one-third of the respondents (36 per cent) felt that the caste/caste-leaders were the tension-resolving agency. While 22 per cent opined that the police played a major role in resolving social tensions another 16 per cent pointed out that panchayats help resolve social tensions. Only 8 per cent felt that the judiciary was the tension-resolving agency.

TABLE 11: LOK SABHA ELECTIONS, 1998: REGIONWISE PERFORMANCE

Region	Seats Won				
	JD	INC	BJP	Lok Shakti	Total
Old Mysore	3 (2)	6 (40)	6 (40)		15
Hyderabad-Karnatak		2 (50)	2 (50)		4
Bombay-Karnatak		1 (17)	2 (33)	3 (50)	6
Coastal Karnatak			3 (100)		3
Total	3	9	13	3	28

Note. The figures in brackets are percentages to seats won.

TABLE 12: LOK SABHA ELECTIONS, 1998: PERFORMANCE OF COMMUNITIES/CASTES

Caste/Community	Seats Won	Percentage of Seats Won	Percentage of State Population*	JD	INC	BJP
Vokkaligas	5	17.9	10.8	2	1	2
Lingayats	10	35.7	15.3	-	2	8
Brahmins	2	7.1	3.5	-	-	2
Dalits	4	14.3	16.7	1	1	2
Idigas	1	3.6	2.3	-	1	-
Kurubas	2	7.2	6.3	-	1	1
OBCs/others	2	7.2	24.1	-	2	-
Jains	1	3.6	0.5			
Christians	0	-	2.1			
Muslims	1	3.6	11.7			
ST	-	-	6.7			

\* Based on the figures in the Chinnappa Reddy Report.

TABLE 13: LOK SABHA ELECTIONS, 1998: WHO VOTED FOR WHOM

	INC	BJP	JD	Lok Shakti
<b>Age</b>				
25 years and below	31.8 (29.2)	22.3 (29.2)	22.2 (38.1)	15.0
26-35 years	29.3 (36.0)	31.7 (21.6)	22.8 (36.9)	10.6
36-45 years	29.8 (31.1)	29.0 (18.9)	25.0 (43.2)	8.9
46-55 years	29.8 (28.8)	23.3 (19.2)	19.2 (48.1)	12.3
<b>Sex</b>				
Male	31.1 (26.6)	26.3 (24.6)	21.5 (42.5)	13.0
Female	30.7 (38.2)	25.9 (19.2)	23.7 (38.2)	11.5
<b>Education</b>				
Illiterate	36.0 (39.2)	20.8 (16.3)	23.5 (40.5)	11.1
Primary and middle	25.9 (29.9)	36.6 (23.7)	18.8 (40.2)	9.8
Intermediate	23.9 (21.3)	26.5 (30.0)	25.6 (42.5)	16.2
Graduate and above	23.8 (6.7)	42.9 (60.0)	14.3 (26.7)	19.0
<b>Religion</b>				
Hindu	29.2 (31.6)	28.6 (24.1)	20.0 (39.4)	13.4
Muslim	43.1 (37.8)	6.9 (6.7)	343.1 (48.9)	3.4
<b>Caste</b>				
Schedule caste	58.9 (51.9)	14.4 (1.9)	11.1 (27.8)	4.4
Schedule tribe	29.1 (40.9)	9.3 (23.9)	32.6 (34.1)	27.9
OBC	22.6 (27.9)	34.4 (24.0)	24.6 (44.5)	9.2
Others	33.9 (16.7)	25.4 (28.6)	15.3 (50.0)	16.9
<b>Locality</b>				
Rural	33.1 (32.5)	24.6 (21.0)	23.9 (41.4)	10.7
Urban	20.4 (31.9)	33.3 (29.0)	16.1 (34.8)	19.4

\* 1996 figures in brackets.

While more than 70 per cent of the respondents felt that there was greater harmony among the various caste groups today, it is significant to note that just about 58 per cent of the respondents felt that there was defusing of tension between religious groups. A little over 54 per cent felt that tensions between dalits and non-dalits had reduced. While one of every four respondents felt that there was greater friction between the rich and the poor, an equal number were undecided on the question and half the respondents felt rich-poor harmony had actually increased. It is also significant that while over 60 per cent of the respondents felt that members of a particular caste voted for different parties, only 48 per cent felt that it was not important to vote along caste/community lines. A little over 30 per cent felt that it was important to vote on caste/community lines while 22 per cent were undecided in this regard.

In the light of the formation of a 13-party coalition government at the centre, headed by a former chief minister of Karnataka, in June 1996, the reaction of the respondents in Karnataka, about the feasibility and suitability of coalition governments merits scrutiny. In the pre-poll survey, while 19 per cent of the respondents saw nothing wrong in the formation of a coalition government, 21 per cent were willing to accept a coalition government in exceptional circumstances. More than one-third of the respondents (34 per cent) were not favourably inclined to the formation of such a government under any circumstances. Another significant 26 per cent had no opinion on the subject. The post-poll survey was conducted in Karnataka, after Deve Gowda had become prime minister. Only 28 per cent of the respondents favoured a coalition government and 23 per cent were for fresh elections. The number of respondents who had no opinion on the subject had risen to 48 per cent. It is interesting to note that the support for a coalition government had dropped especially after its formation at the centre. During the pre-poll survey the percentage of respondents willing to experiment with coalitions was higher as compared to those in the post-poll period.

A reaction in the post-poll survey, linked to the lukewarm response to coalition governments, is that nearly 22 per cent felt that the Congress should have formed the government after the poll and another 14 per cent supported the BJP's claim. Only 13 per cent justified the United Front's assuming office at the centre. Once again, nearly 40 per cent of the respondents were undecided. The respondents' response to

the question who was their choice for prime ministership reveals interesting trends. During the pre-poll survey, Narasimha Rao was favoured by nearly 15 per cent of the respondents and Vajpayee was supported by a little over 4 per cent. Hegde was considered most suitable by 5 per cent of the respondents. In the post-poll survey, held after Deve Gowda had become prime minister, the support for Narasimha Rao dropped to just below 13 per cent and rose in the case of Vajpayee to over 12 per cent. Nearly 19 per cent of the respondents favoured Deve Gowda as prime minister. The first prime minister from Karnataka had significant support in his home state though the support for Vajpayee also registered a substantial increase.

#### EMERGING POLITICAL TRENDS

In the past, whenever the ruling party in the state fared badly in the Lok Sabha elections, political compulsions either necessitated the dissolution of the assembly and the holding of fresh elections (1971, 1984) or resulted in mass defections to the party that emerged victorious in the Lok Sabha poll and the formation of an alternative government (1980). This time around it was anticipated that in the event of the Janata Dal facing a rout in the poll either the ruling party MLAs would join the Lok Shakti in large numbers, resulting in the formation of an alternative government or the assembly would be dissolved causing fresh elections. However, no such developments took place. With Lok Shakti leader Ramakrishna Hegde joining the Vajpayee cabinet, the Janata Dal MLAs were reluctant to join the Lok Shakti, in view of their reservations about who would lead the alternative Lok Shakti/BJP government. Further, the BJP was not too enthusiastic about the formation of a Lok Shakti/BJP government with the help of Janata Dal MLAs crossing over to the Lok Shakti as such a government would have the Lok Shakti in the drivers seat with the BJP having to play second fiddle. Both the BJP and the Lok Shakti did not appear keen on fresh elections, as such a development had the potential to adversely affect their alliance. In the event of an assembly poll, the BJP/Lok Shakti alliance would come under severe strain on the question of which party should be the senior partner. In the light of the slim majority of the BJP-led government, neither the BJP nor the Lok Shakti were keen to take any step that would adversely affect the stability of the central government. The Congress too, did not seem to favour immediate elections.

The party was unhappy with its performance in the Lok Sabha poll and wished to further stabilise its position in the state. Besides cashing in on the non-performance of the Janata Dal government in the state, the Congress hoped that the problems that the BJP-led coalition government at the centre was likely to face, would result in the erosion of its support and return of the voters to the Congress. It thus suited all the major players in Karnataka to maintain the status quo and permit the assembly to complete its full term.

Over the last 18 months, since the 1998 Lok Sabha elections, significant political developments have been witnessed in Karnataka. Sitting in the opposition (both at the centre and in the state), the Congress saw itself as the 'natural choice' of the electorate in the next assembly poll. In order to attract the support of the dominant vokkaliga community, an influential leader from this community was appointed as state Congress president. Leaders from the other dominant castes – the lingayats and those from backward communities were appointed to other important positions, in order to balance the social equations. However infighting continued to plague the party. Two developments need to be noted in this context. The Congress admitted to its fold several Janata Dal leaders and those who had joined Ramakrishna Hegde's non-political outfit the Nava Nirmana Vedike. This has caused intense heartburn among the Congress 'loyalists'. Secondly, party leaders from the influential lingayat community, have felt sidelined and one of them (who was in the race for state Congress presidentship) has left the party to join the BJP.

The Lok Shakti has done little to consolidate its base in the state. With Hegde joining the government at the centre, his interests in state politics appears to have waned, resulting in the state leadership of the Lok Shakti being left to deal with developments in the state. Further, Hegde made little effort to iron out the differences between those in the Lok Shakti and the Nava Nirmana Vedike (the Vedike was a non-political platform created by Hegde when he was expelled from the Janata Dal and continued even after the Lok Shakti was formed in order to accommodate those Janata Dal MLAs who had aligned with Hegde but did not wish to suffer disqualification under the Anti-Defection Law). This resulted in many Vedike leaders joining the Congress.

The ruling Janata Dal continued with its lacklustre performance. Differences between Deve Gowda and chief minister J H Patel surfaced from time to time. The



increased interference of Deve Gowda's supporters (including his two sons, one of whom was a minister in the state government) in the state administration further increased the tensions between Patel and Deve Gowda.

The BJP has attempted to further consolidate on its electoral success in the 1998 polls. Having led in 95 of the 224 assembly segments in the 1998 Lok Sabha poll, the party hoped that with the support of the Lok Shakti (which led in 25 assembly segments – making a total of 120 of the 224 assembly segments) it would be in a position to form the government.

The split in the ruling Janata Dal on the eve of the Lok Sabha and assembly polls is a development of immense political importance and may significantly effect the electoral prospects of the major political players. The realignment of political forces was a natural corollary to the internal developments in the Janata Dal in recent years. It is the culmination of a process, which began, with the suspension of Ramakrishna Hegde from the Janata Dal, soon after Deve Gowda became prime minister. It needs to be borne in mind that in 1996, Hegde had a major role to play in the choice of J H Patel as the leader of the Janata Dal Legislature Party in Karnataka. Deve Gowda had favoured Siddaramaiah for this position. Patel has for many years been regarded as a Hegde loyalist. The blatant interference in the administration by Deve Gowda's supporters during Patel's reign and the chief minister's inability to arrest the trend and the anointing of Siddaramaiah as the chief minister-in-waiting, should the Janata Dal win the assembly elections, were all indicative of the increased tensions between Patel and Deve Gowda. Further, many of those who have aligned with the Patel faction of the Janata Dal were erstwhile staunch supporters of Deve Gowda who developed serious differences with him in recent years. With the Patel faction of the Janata Dal aligning with the Lok Shakti and supporting the National Democratic Alliance (NDA), the bargaining power of the latter has increased tremendously. It appears as if the BJP, in spite of its opposition to the entry of the Janata Dal faction into the NDA, would have to reconcile itself to conceding more seats than it would have earlier, to the Lok Shakti/Janata Dal (Patel) combine in Karnataka. Even though the BJP won in 95 of the 224 assembly segments in the 1998 Lok Sabha elections, to be able to defeat the Congress an alliance with the Lok Shakti/Janata Dal (Patel) is crucial. Even in the 1998 Lok Sabha elections, the Congress was a

principal contestant (in the first or second position) in 27 of the 28 constituencies, while the BJP/Lok Shakti alliance was a principal contestant in 25 of the 28 constituencies. Earlier, in the 1994 assembly elections, the BJP, was a principal contestant in only 64 of the 224 constituencies whereas the Congress was a principal contestant in as many as 158 of the 224 constituencies [Shastri 1995:20-24]. The Congress has been shocked out of its complacency after the recent split in the Janata Dal. An alliance between the BJP-Lok Shakti-Janata Dal (Patel), would result in a near one-to-one contest, between the alliance and the Congress with the third force (Janata Dal – Deve Gowda faction) being relegated to the background. From tri-polar electoral contests, Karnataka seems to be heading towards a bi-polar alliance system.

### Notes

- 1 The term Congress Party is used to refer to the Indian National Congress prior to 1969, the Indian National Congress from 1969 to 1971, Indian National Congress from 1971 to 1978 and the Indian National Congress(I) after 1978
- 2 While using the term Janata Dal, the reference is to the Janata Party from 1977 to 1989.
- 3 Though H D Deve Gowda was elected to the Lok Sabha in 1991 from Hassan (Karnataka), he had contested on the Samajwadi Party ticket.
- 4 Section 158 of the Representation of Peoples Act 1951, states that a candidate who secures less than 1/6 of the votes polled, forfeits the security deposit.
- 5 While calculating the votes polled by parties in the 1994 assembly elections, the eight assembly constituencies which form part of one parliamentary constituency are taken together
- 6 The margin of victory has been calculated in terms of the percentage of valid votes polled,

in view of the fact that the electorate, voter turn out and number of valid votes varies considerably from constituency to constituency.

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We are a group of historians, sociologists and anthropologists working on the sociology of religion and religious communities in India. In order to explore what we see as some of the inadequacies of the sociological framework in dealing with religious communities, we are planning a workshop in March 2000. Our main concerns centre around the issues of developing a historicized approach to the study of religion, to expanding the sociology of the relation between text and practice and understanding the interaction between the different religious streams. These as well as specific issues relating to the study of religious groups such as the question of the text, conversion, 'syncretism', and social organization will be some of the themes of the workshop.

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# Political Realignments in Post-NTR Andhra Pradesh

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*The volatility of the electoral performances of Telugu Desam Party and Congress in the post-N T Rama Rao Andhra Pradesh could be symptomatic of deeper changes in their social bases. The voters have accepted Chandrababu Naidu as NTR's successor, and have continued to accept him as such even after he moved away from some of NTR's policies. But the OBC, ST and Muslim supporters of TDP have shown some unease recently. Both the TDP and the Congress experienced seat changes and swings in their vote margins in 1998 elections with the BJP deriving some benefit from this.*

THE political scenario in the post-N T Rama Rao phase of AP politics has been characterised by both continuity and change. While the continuity is transparent in the dominant presence of the Telugu Desam Party (Naidu) (TDPN) and Congress(I) in the state politics, the change is something that defies precise characterisation. Electoral terrain is not merely a field of contest among political parties for power but significantly also a site of participation and articulation by popular classes of their interests and aspirations (and their co-optation by competing parties).

The orchestrated view is that the 1996 and 1998 Lok Sabha elections, keenly contested by the rival Telugu Desam groups – TDPN and TDP Lakshmi Parvati (TDPLP) – for the political legacy of N T Rama Rao (NTR), and between them and the Congress(I), have settled the social forces between the TDPN and the Congress(I) as two major players in the political arena. This view could be a very limited reading of the significance of these elections. The seat changes and increased vote margins witnessed in these elections between the TDPN and the Congress(I) on the one hand and between them and the BJP on the other have been attributed in the popular press to the local specificities. What is lost sight of in this crass empiricism is the possibility that the volatility evident in the electoral performance of dominant parties in the post-NTR period could be symptomatic of deeper changes in their social bases. Here an attempt is made, by locating these two elections in a historical perspective, at reading the electoral fluidity as indicative of a realignment of social forces carving out political space for an alternative articulation, the precise form and character of which is yet to crystallise.

The state of Andhra Pradesh was formed in November 1956, by merging Telangana – a region of nine Telugu-speaking districts

of the erstwhile Hyderabad state with the 11 districts of the Andhra state. The Hyderabad state which was under the rule of the Nizam became a part of the Indian union as a result of the police action in September 1948. The people of Hyderabad, under the leadership of the Communist Party of India (CPI), had waged a prolonged struggle against the Nizam's oppressive rule. The Congress Party had also been in the forefront of the people's struggle in this area. The Andhra state on the other hand, was formed in October 1953 by separating the Telugu-speaking districts of the Madras presidency, consequent upon an agitation by the Telugu-speaking people for a separate state of their own. The Andhra state itself consisted of two regions: the rich and fertile coastal Andhra districts and the poor and backward districts of Rayalaseema region. Thus the present Andhra Pradesh comprises of three geographical regions of Telangana, coastal Andhra and Rayalaseema,<sup>1</sup> each with its distinct regional profile. Each region's history, socio-economic development and political culture are invariably reflected in the electoral processes and outcomes.

Caste has been the basis of political grouping and mobilisation of electoral support in the state right from the beginning. Reddys and kmmas, who constitute only 6.5 and 4.8 per cent of the state's population respectively, are the two politically dominant communities. The most important source of their power has been their control over land [Elliot 1970]. As the major landholders and occupants of important positions in the villages, they have traditionally controlled village political life. In the course of time they have expanded their activities into other spheres of the economy, i.e., business, transport, contracts and industry [Upadhyaya 1988; 1997]. The reddys are distributed in all the three regions of the state, but their

dominance is noticeable especially in the Telangana and Rayalaseema regions. The kmmas, on the other hand, are dominant primarily in the coastal districts and their influence in other regions is negligible.

The brahmins are numerically very small, comprising as they do, a mere 3 per cent. They were politically active during nationalist movement. They are not an economically powerful group, and hence, their influence has declined during the last few decades. Among the other forward class peasant castes, the kapus, velamas and rajus are important castes that matter to a significant extent in state politics though they are confined only to smaller pockets in terms of their numerical presence and influence. The other backward castes (OBCs) comprising 46.1 per cent constitute a very large proportion of the state's population [Reddy 1989]. There has been process of gradual realisation of their numerical strength and collective interests in political and economic spheres, among these castes which became increasingly visible in the post-emergency period. This is a consequence of the process of economic development, state policies and expansion of educational opportunities and the politics of patronage pursued by the Congress under Indira Gandhi. Thus they are in a position today to challenge the traditional landowning castes in the rural areas. The scheduled castes (SCs), constituting 15.5 per cent of the population, are gradually emerging as a politically salient group. The two most numerous castes among them, the malas and madigas, comprising the bulk of agricultural labour are present all over the state. Andhra Pradesh has 6 per cent tribal population which is largely concentrated in the forest areas of the Andhra and Telangana regions. Similarly, the Muslims who constitute about 8 per cent of the state's population have their distinctive

impact on the politics of the Telangana and Rayalaseema regions.

## I Era of Congress Dominance

The dominance of the Congress Party in the political history of Andhra Pradesh continued uninterrupted for three decades till it was upset by the TDP in the 1983 assembly elections. In the early years of independence, this region had witnessed a credible anti-Congress ideological articulation and popular vote. The left, comprising of the communists and different shades of socialists, was the mainstay of this opposition both in the Telangana region of Hyderabad state and Andhra state. Their failure to evolve into an alternative strong enough to displace the Congress is an instance of a lost possibility. After the formation of Andhra Pradesh state, the left has registered a gradual decline both organisationally and ideologically. Organisationally, it had been weakened and ideologically it got diffused as a result of successive splits following serious disputes on crucial politico-ideological questions.

In contrast to the left, the Congress during this period, displayed tremendous dynamism and political tact in tackling the challenges facing it. By conceding the demand for the 'Vishalandhra' state, organised on a linguistic basis, the Congress virtually hijacked an important issue of the left agenda. Further, through different agrarian reform measures, like the zamindari and jagirdari abolition, tenancy and land reform legislations, the Congress regime sought to address the crucial agrarian and land questions brought to the centre of Indian politics by the agrarian struggles of the 1940s. The overall changes, induced by the earlier agrarian radicalism and subsequent state reform have substantially altered the agrarian structure thus leading to the decline of the support base of the left. Added to these factors, there was ideological confusion and uncertainty in the communist camp as a result of Soviet Union's support for the Congress Party's formal commitment to create a 'socialist pattern of society'. In part, this confusion and uncertainty was both a cause and an effect of the split in the party between the CPI and CPI(M). In the meanwhile, the Congress Party was consolidating its position by accommodating in its fold, splinter groups which had earlier defected from the party, especially the Krishikar Lok Party of N G Ranga and Kisan Mazdoor Party of T Prakasam. It was also trying very hard to win over sizeable support from the Muslim community which was disenchanted after the police

action and the merger of Hyderabad in the Indian union.

The Congress Party maintained its absolute supremacy for almost two and a half decades, starting from the state's first election in 1957 (Tables 1 and 2). In the five elections to the legislative assembly during this period, it won between 57.5 percent and 76.3 percent seats and between 39.3 per cent and 52.3 per cent votes. In the six Lok Sabha elections during this period, its share of seats in the state varied from 68.3 per cent to 97.6 per cent and its vote share varied from 46.8 per cent to 57.4 percent. It is interesting to note that the Congress Party did not lose its dominance in any of the elections, not even in the 1967 election when it lost power in as many as eight states nor in the 1977 election, when it was completely routed in almost every corner of the country. On the contrary, it sent a record number of 41 members to the Lok Sabha in 1977. Thus, the Congress Party's performance during this period was significantly better than that of any other political party. Apart from the communist parties, the other parties which contested elections at different phases but had only a marginal influence on the state's politics were the Swatantra Party, the Jan Sangh, Socialist Party, Praja Socialist Party, Republican Party of India, Majlis-e-Ittehadul-Muslimeen, Congress (O) and Janata Party.

The Congress Party's sterling electoral performance during this period however, conceals a major weakness, its internal factionalism. It was the clash of personalities among Congress leaders which was reflected in several powerful agitations in the state: for a steel plant during the mid-1960s, for a separate Telangana in the late 1960s and the Jai Andhra movement in the early 1970s. These agitations also partly symbolised a struggle for power among different strata of society. Several of Indira Gandhi's initiatives in introducing socio-economic programmes aimed at addressing the interests of, and rallying the sup-

port of marginalised groups like backward castes, dalits, tribals and women.

Indira Gandhi's populist radicalism and political strategy of mobilisation and accommodation of marginalised groups was instrumental in increasing the social polarisation along both caste and class lines. This not only led to the breakdown of the traditional patron-client relationships at the local level but also paved the way for the decline of the political control of dominant landed castes. Indira Gandhi's populism and radical rhetoric, by raising the aspirations and expectations of the marginalised social groups and communities, opened up a new phase of political contradictions. Thus caught up in the contradictions and intense factionalism – a reflection of the contradictions – the Congress under Indira Gandhi increasingly resorted to centralisation of power: at the political organisational level in the high command of the party and at the governmental level in the centre. The consequence of this process was the erosion of regional leadership and initiative. The failure of the Congress Party to accommodate contending interests, its inability to channelise the politicisation of marginalised communities opened up new political possibilities. It is against this background that the emergence of the TDP in AP has to be appreciated.

## II Emergence of Telugu Desam Party

The 1980s brought about an important change in the political history of the state. The Congress Party tasted defeat for the first time in the electoral history of the state. It was a sequel to the intra-party factional conflict and repeated 'diktat' from the 'high command' leading to frequent changes of chief ministers, as witnessed by four changes in a five-year period preceding the 1983 assembly elections. As a reaction to these centralising tendencies in the Congress, a regional party emerged with a proclaimed objective to

TABLE 1: LOK SABHA ELECTION

Year	Total Turnout Seats (Per Cent)		INC		JNP BLD (1977) SWA (1962-71)		CPI+CPM		Others		
			Seats	Vote	Seats	Vote	Seats	Vote	Party	Seats	Vote
1952	25	44.7	14	40.1	–	–	–	–	PDF	7	28.2
1957	43	43.9	37	51.5	–	–	2	12.0	PDF	2	11.0
1962	43	64.7	34	48.0	1	14.9	7	21.0	BJS	–	1.2
1967	41	68.7	35	46.8	3	13.8	1	11.4	CPM	–	7.4
1971	41	59.1	28	55.7	–	–	1	5.9	TPS	10	14.3
1977	42	62.5	41	57.4	1	32.3	–	2.7	CPM	–	4.7
1980	42	56.9	41	56.2	–	6.4	–	3.7	INC	1	7.2
1984	42	69.0	6	41.8	1	1.2	1	1.9	TDP	30	44.8

Notes: Remaining seats and vote have gone to either other minor parties or independents.

'Vote' is per cent to total votes cast.

represent the interests of Telugu people. N T Rama Rao, a popular film star, launched the TDP on March 29, 1982 which within nine months of its formation emerged victorious in the 1983 assembly elections by successfully rallying the non-Congress vote. The TDP won 202 seats out of a total of 294, whereas the Congress Party could secure only 60 seats. The CPI and CPM got four and five seats respectively. Only one seat went to the Janata Dal and three to the Bharatiya Janata Party (BJP) (Table 2). For the first time a non-Congress government was established. A similar pattern was discernible in the 1984 Lok Sabha elections which followed shortly, after dramatic developments at the state and national levels.<sup>2</sup> The Congress Party secured only six seats out of a total of the 42 it contested, with 41.8 per cent votes, whereas the TDP got 30 out of the 34 seats it contested with 44.8 per cent votes (Table 1). This was in spite of a sympathy wave in favour of the Congress(I) following the assassination of Indira Gandhi.

The emergence of NTR as a political force not only changed the course of political developments but also the very style of politics itself. "While Indira Gandhi broke patron-client ties at the local level, she herself emerged as the key patron. This trend initiated the process of 'depoliticisation' of party workers which ended in loss of credibility of Congress politicians. Thus, NTR, who was a newcomer to politics, enjoyed greater credibility than most men long associated with public life" [Reddy 1989]. Starting with the slogan of protecting the 'self-respect' of the Telugu people, which he claimed had been lost during Congress rule, he went on to unfold his specific programmes to promote the welfare of the Telugus. A mythological hero on the celluloid screen was transformed into a real life hero of the masses. He used the Telugu sentiment very well during election campaigns. He reached out to the masses by personally touring the state aboard his 'Chaitanya Ratham' – a campaign vehicle fitted with gadgets like a public address system. His

use of cassettes, posters and cut-outs symbolised new modes of effective political communication.

NTR's entry into politics also altered the traditional caste calculus in the state's electoral politics. The kamma caste, which has come to play a dynamic role in the state economy, could never secure a chief ministership during the Congress regime, though there were six chief ministers belonging to the rival reddy caste. NTR, being a kamma, could become a rallying point for the kamma groups by providing them with an opportunity to realise their political ambitions and demonstrate their potentialities. He tried to create a support base among the backward castes, rural poor and women by means of several populist policies and by facilitating their accommodation in the power structure.

An event of critical significance to the consolidation of NTR in state politics was the revolt of a section within the TDP in 1984. Nadendla Bhaskar Rao, NTR's finance minister, revolted against NTR and became the chief minister with the support of the Congress after having got NTR dismissed from the chief ministership. NTR went back to the masses with an appeal to 'save democracy'. He was re-instated in power within a month because of massive public protest. But he recommended the dissolution of the assembly and fresh elections were conducted in March 1985. This time NTR entered into seat adjustments with non-Congress(I) parties like CPI, CPM, Janata and BJP. NTR's TDP cornered as many as 202 seats, more than what it had bagged in 1983; the Congress could secure only 50 seats. With this massive mandate, NTR went ahead with a vengeance to introduce his welfare schemes and administrative reforms. He became very popular with his subsidised rice scheme, which provided rice at Rs 2 a kilo for the poor and a slab rate of electricity for the farmers. To strike at an important institutional support base of the Congress, NTR abolished the village officers system, 'patel-patwaris', and to make the bureaucracy responsive to the people NTR initiated administrative

decentralisation by dismantling revenue taluka and panchayat samitis.<sup>3</sup>

The next assembly and Lok Sabha elections were held in 1989, in which the TDP lost its dominant position to the Congress(I). The latter bagged 181 seats in the assembly and came back to power after a gap of seven years. The TDP won only 74 seats. Similarly, in the Lok Sabha elections, the Congress Party secured 39 out of 42 seats and 51 per cent votes whereas TDP secured a mere two seats and 34.5 per cent votes. This position of the Congress Party suffered a setback in the 1991 Lok Sabha election when it won 25 seats and 45.6 per cent votes. While the TDP increased its share to 13 seats and 32.3 per cent votes (Table 3). This election marked also the entry of the Bahujan Samaj Party (BSP) into the election fray in Andhra Pradesh. It contested 77 seats, but could not secure even a single seat. Though the Congress Party came back to power it did not seem to have learnt anything from its past mistakes. It continued with the old culture of internal bickerings and factional conflicts resulting in frequent change of chief ministers. These factors in a significant sense contributed to the TDP's comeback to power in the 1994 elections.

In the assembly elections of December 1994, the TDP swept the polls capturing a massive 217 seats (251, if the share of its allies, CPI and CPM, is added) out of a total of 292 seats for which elections were held. The Congress Party won only 25 seats. The vote share of TDP and its allies was 49.5 per cent compared to 33.2 per cent of the Congress. In the coastal region, the TDP won 105 seats out of a total of 133 seats, compared to the Congress Party's poor performance in securing only 10 seats. In Telangana region, the TDP won 69 seats out of a total of 107 seats. The Congress could secure only six seats, the lowest ever. Out of a total of 52 seats in the Rayalaseema region, the TDP secured 40 seats compared to 10 of the Congress. The TDP also established its strong presence in the SC and ST constituencies. Out of a total of 39 SC seats, it won 28, while the Congress won

TABLE 2: VIDHAN SABHA ELECTION

Year	Total Seats	Turn-out	INC		CPI		JNP SWA (1962-72)		Party	Others		Party	Seats	Vote
			Seats	Vote	Seats	Vote	Seats	Vote		Seats	Vote			
1957	301	73.1	187	41.7	15	22.2	-	-	PDF	22	7.6	PSP	14	5.6
1962	300	65.1	177	47.3	51	19.5	19	10.4	SOC	2	0.6	-	-	-
1967	287	69.6	165	45.4	11	7.8	29	9.8	CPM	9	7.6	BJS	3	2.1
1972	287	63.5	219	52.3	7	6.0	2	2.0	CPM	1	3.4	STPS	1	1.7
1978	294	72.9	175	39.3	6	2.5	60	28.9	INC	30	17.0	CPM	8	2.7
1983	294	68.7	60	33.6	4	2.8	1	1.0	TDP	202	46.3	CPM	5	2.0
1985	294	67.6	50	37.5	11	2.7	3	0.8	TDP	202	46.2	CPM	11	2.3

Notes: Remaining seats and vote have gone to either other minor parties or independents.  
'Vote' is per cent to total votes cast.

only two. CPI and CPM, the TDP's allies, got four and five seats respectively. All the 14 ST seats were captured by the TDP and its allies.

Strategic to the TDP's overwhelming victory in the 1994 assembly elections were the promises of prohibition, subsidised rice, allotment of house sites and the supply of subsidised janata cloth. These promises could capture the imagination of the weaker sections, especially the SCs, and OBCs. Crucial to the analysis of this appeal are the statewide womens movements against arrack and the dilution of the subsidised rice scheme during the Congress rule (1989-94). As a result, the Congress campaign that these welfare programmes cut into developmental expenditure did not cut much ice. In any case, benefits from developmental programmes are not likely to be as tangible as those from welfare schemes. That most of these subsidy expenditures were extracted from the excise revenues and that there could be a difficulty in continuing either the welfare schemes or NTR's new slogan for total prohibition, did not register in the minds of voters. On the contrary, a combination of both the schemes appealed to the electorate, especially the women voters in rural areas, most of whom voted for the TDP. In the 1994 elections, there was also a clear shift of Muslim votes from the Congress to the TDP. It could be because the Muslims in the state held the Congress(I) and the BJP equally responsible for the demolition of the Babri masjid. Added to this, NTR's earlier tenure as chief minister (1983-89) was remarkable for its maintenance of communal harmony.

The entry of BSP into state politics in a big way during the 1994 assembly elections raised some hopes of a third force in the state. BSP supremo Kanshi Ram generated initial euphoria among the SCs, STs and OBCs by raising the slogan of political power to 'bahujans' (majority). There was anticipation that the BSP would be able to cut into the fortunes of both the Congress(I) and the TDP [Srinivasulu 1994]. It could not win a single seat though it contested from 218 constituencies. In fact, all candidates except one lost their deposits. Only 12 candidates could secure more than 5,000 votes. The failure of the BSP to take off in the state's politics could be attributed to the disenchantment in the ranks because of the arrogance and authoritarian attitude of Kanshi Ram. But his attempt to organise the votes of the weaker sections under one banner might have a lasting impact on the state's politics in the future.

### III NTR's Legacy and 1996 Elections

Crucial to the analysis of the 1996 Lok Sabha election in the state are: the removal of N T Rama Rao from chief ministership in August 1995 and his death four months later. After NTR's comeback to power in 1994, the TDP which had all along appeared as a monolithic organisation under the total grip of the supremo, saw an internecine struggle in its rank and file which finally culminated in the coup against NTR. The chief reason for this was the perception among NTR's family members of an increasing political hold of Lakshmi Parvathi, NTR's biographer-turned-second wife, over NTR. NTR's son-in-law, Nara Chandrababu Naidu, supported by family members, successfully rallied the support of 190 MLAs and forced NTR to resign from the chief ministership, and himself assumed the leadership of both the party and the government. Though this coup resembled the one engineered by Nadendla Bhaskar Rao in 1984, this time there was neither a sympathetic press nor any significant popular protest to bring NTR back into power.

Further, with NTR's death on January 18, 1996 the political scenario in the state changed significantly. The family members, who had earlier quarreled for power, now started fighting not only for his dead body and property but also for his political legacy. Naidu, with the power of state government in hand, had already walked away with the support of the rank and file of the party. He was determined to show that the TDP electorate were also with him. Lakshmi Parvathi, heading the NTR faction now named TDPLP, on the con-

trary, wanted to prove that the mandate of the 1994 assembly elections was for NTR and that the same electors would legitimise her own choice as NTR's political heiress.

Thus by the accident of circumstances Lakshmi Parvathi emerged as a new player in Andhra Pradesh politics. Her only political capital was the popular sympathy at NTR's demise: she carved out a niche for herself, however, by adding to this her own oratorical skills. She went round the state exhorting people to undo the injustice meted out to her husband and vanquish the 'back-stabbers'. Public response was unprecedented, as evidenced in her first public meeting 'Simha Garjana' (lion's roar) in Vijayawada, followed by 'Ugrashankharavam' (clarion call) in Tirupathi. Almost all the national leaders of Janata Dal threw their weight behind her, even if it was only to show respect to the departed leader of the National Front. Given this political scenario, many political commentators confidently predicted that she might sweep the polls. But the absence of any capable organiser or strategist in her party who could translate the sympathy factor into votes was her major disadvantage.

Chief minister Naidu, an astute politician, was keenly looking forward to the Lok Sabha elections in order to establish his credibility and prove his claim of being the true and rightful political heir of NTR. Indeed, he was to face elections for the first time as the leader of his party. His and his party's destiny depended on the outcome of these elections. He got a shot in the arm when the Election Commission recognised his faction of TDP as the real TDP and was renamed as TDPN, NTR's

TABLE 3: ELECTORAL OUTCOME OF RECENT ELECTIONS

Parties	Year	Lok Sabha (Total Seats: 42)				Vidhan Sabha (Total Seats: 294)	
		1989	1991	1996	1998	1989	1994
Turn-out		70.4	61.4	63.0	66.0	70.4	71.0
INC	Seats	39	25	22	22	181	25
	Vote	51.0	45.6	39.7	38.5	47.2	33.2
TDP	Seats	2	13	16	12	74	217
	Vote	34.5	32.3	32.6	32.0	36.8	43.3
JD	Seats	-	-	-	1	1	-
	Vote	1.6	0.6	-	0.9	0.4	0.1
BJP	Seats	-	1	-	4	5	3
	Vote	2.0	9.5	5.7	18.3	1.2	3.9
CPI	Seats	-	1	2	2	8	21
	Vote	2.0	1.9	2.4	2.6	2.6	3.9
CPM	Seats	-	1	1	-	6	13
	Vote	2.4	2.4	2.9	2.9	2.5	2.4
MIM	Seats	1	1	1	1	4	1
	Vote	2.1	1.8	1.1	1.5	2.0	0.7
Others	Seats	-	-	-	-	-	2
	Vote	1.8	1.7	11.8	1.6	0.8	2.0
IND	Seats	-	-	-	-	15	12
	Vote	2.6	4.2	3.8	1.7	6.5	10.5

Note: 'Vote' is per cent to total vote cast.

election symbol, the bicycle, was also allotted to Naidu. He tried his best to continue all the populist policies associated with NTR. He consolidated his position by deciding to give 10 lakh new cards for subsidised rice and distribute forest land to the poor through the co-operatives. Government programmes like 'prajala vaddaku paalana' (government to the doorsteps of the people) and 'shramdanam' (contributory labour) were used as vehicles to reach out to the people.

The left parties, the CPI and the CPM, which have been sailing with the TDP since 1984, sided with Naidu. By supporting Naidu they could get not only easy access to him but also by allying with the TDPN retain at least the two seats they had in the last Lok Sabha. That their gamble paid off was clear from later developments.

Political contestation as far as the rival Telugu Desam groups were concerned was for the political legacy of NTR. As a result, NTR's main political plank, ever since he launched the TDP, of 'anti-Congressism' got considerably diluted.

This was to turn out in favour of the Congress(I). In the Lok Sabha elections of 1991 the Congress Party had won only 25 seats, 22 of which were won after the assassination of Rajiv Gandhi in the middle of the election process and hence with a possible sympathy wave. This was followed by the 1994 assembly elections where the party was trounced. NTR clearly hoped to repeat this performance during the Lok Sabha elections. But the sudden demise of NTR and the developments in the TDP camp considerably brightened the prospects of the Congress(I). It is no exaggeration to suggest that the more the division in the TDP votes, the better would be the performance of the Congress. In fact the Congress Party has been commanding a solid votebank in Andhra Pradesh. About one-third of the voters were committed Congress supporters who have lent support to the party in the successive elections since 1983 whether there was an NTR wave or not. The Congress leadership was so assured of success that it made hardly any efforts to patch up its internal dissensions. This was in spite of the fact that winning a sizeable number of seats from the state was very crucial to the party's overall strategy of retaining power at the centre. Andhra Pradesh being the home state of P V Narasimha Rao, the party's performance in AP was watched all over the country and hence the political stakes for the Congress Party were quite high.

The rest of the political parties have been only minor players in the political

battle. The BJP and MIM have their major support bases only in the Hyderabad-Secunderabad area. The BJP has been trying to expand its support base and had contested in 40 constituencies in the 1991 Lok Sabha elections but could win only the Secunderabad seat. It did, however, win an appreciable number of votes in many constituencies, especially in the Telangana region. But it was expected that minute caste calculations in the state could overturn the hindutva plank of the BJP. The Janata Dal, which was an ally of the TDP in the 1991 elections, had fared miserably and had hardly any organisational strength left to activate itself in 1996.

The 1996 elections, the first election in the post-NTR phase, were intensely fought for the political legacy of NTR by both the TDP groups. Lakshmi Parvathi, following NTR's practice, launched her campaign from the temple town of Tirupathi. In her 'Taraka Rama Chaitanya Ratham' – a modified version of the campaign vehicle made famous by NTR – she travelled throughout the state holding big rallies as well as street corner meetings. She proved to be a great crowd puller, especially in rural areas. Though she lacked the electrifying appeal of NTR, she had enough oratorical skills to enthuse the crowd to listen to her. She appealed to the emotions of the voters by playing a recorded speech of NTR which called Naidu and his group of MLAs 'traitors'. She sought help from the people for what she called 'Naraasura Samhaaram', which means elimination of the demon Nara (referring to Nara Chandrababu Naidu). She tried to convey the message that NTR was the victim of back-stabbing by his own family members and that NTR had wanted the back-stabbers to be taught a lesson. Parvathi's earlier experience as a 'Harikatha' artiste helped her to captivate the masses. She had learnt well NTR's skill of turning adversity into advantage. For example, when she lost the 'bicycle' symbol to the rival faction, she asked the people to vote for her new 'lion' symbol because the bicycle has been stolen by the thieves.

While Parvathi imbibed many aspects of NTR's style of campaigning, she con-

veniently forgot NTR's most important plank, 'anti-Congressism'. She invariably projected herself as anti-Naidu and never as anti-Congress. In fact, there were even rumours that she might support the Congress Party after the elections. It was evident that she lacked the knack, experience or sane advice to convert the sympathy into votes. While her crowd pulling abilities were extolled by the media, different phases of CSDS pre-poll surveys<sup>4</sup> revealed that her support base among voters was only between 5.45 per cent and 9.67 per cent. Several of NTR's key organisers at the local level had already deserted her and she had very few effective middle level leaders.

Naidu on the contrary displayed meticulous planning and execution of electoral strategy. Naidu made all possible efforts to project his closeness to NTR and his policies. He freely used NTR's portraits and speeches to whip up voter enthusiasm. While NTR's photograph found a place on the cover of Naidu's election manifesto, he selectively used the speeches where he was praised, especially the one NTR made after his reinstatement as chief minister in 1984, "Chandrababu Naidu is an astute politician. But for his struggle, the Telugu Desam would not have been reborn. I will never forget his services" (*India Today*, May 15, 1996:66). Naidu's oratorical skill and crowd pulling capabilities were poorer compared to that of Parvathi. But he tried to make up by using the private satellite channels to reach the electorate in remote villages. Parvathi did nothing to counter this propaganda, not even by showing a clipping from NTR's press conferences denouncing his son-in-law. Naidu used the election as an opportunity to widen his party's organisational network. He made his MLAs personally supervise the party's campaign in their respective areas. He tried to galvanise the civil servants to create an impression that his is a responsive administration. He tried to prove time and again that he was continuing with the populist welfare policies associated with NTR. That Naidu benefited from the continuation of NTR's policies of prohibition and subsidised rice scheme is clear from Table 4.

TABLE 4. PRE-POLL SURVEY RESULTS

(Per cent)

Party	Support for Prohibition among Political Party Supporters		Beneficiaries of Rice Scheme	
	Approving	Disapproving	Beneficiaries	Non-Beneficiaries
INC	44.5	57.8	38.3	53.6
TDPN and allies*	45.4	28.5	49.5	33.2
Others	12.0	13.8	13.8	13.2

Note. \* CPI and CPM

Source: Pre-poll survey, CSDS, 1996.

Perhaps he could convince the people regarding the continuation of welfare and developmental programmes which stood in stark contrast to an essentially negative campaigning by Parvathi. It is no wonder, therefore, that Naidu got the votes while Parvathi got the crowds.

Complacency in the Congress camp was quite evident throughout the campaign. It had no novel programmes to announce, nor any charismatic leader to project. It did not display any well planned campaign strategy. It was bogged down in its own internal factionalism so much that it could not contain dissidence even during this crucial period. Several senior leaders had to be suspended right in the middle of campaigning. The sorry state of affairs in the party was evident from the episode in Karimnagar where a former chief minister, K Vijayabhaskara Reddy, was humiliated by a section of Congressmen in the presence of the party president and then prime minister, PV Narasimha Rao. Hence, it was clear that the Congress Party in the state was simply waiting to collect the spoils of the war between the two factions of TDP. Its complacency was increased by media projections that it could sweep the polls with a tally of 40 seats out of a total of 42 if it could just manage to keep its 1991 support level intact (*India Today*, April 30, 1996:62). But it was not an easy gamble, as Congress leaders might have realised later.

Thus there were three major players in most of the constituencies: the Congress; TDPN and its allies, CPI and CPM; and TDPLP supported by Janata Dal and BSP.

As before, caste calculations had gone into the process of nomination of candidates by different political parties. The reddy, who are traditionally identified with the Congress(I) bagged 12 of its nominations for the 34 general category seats. TDPLP selected 10 reddy and 12 kmmas and was therefore dubbed as an upper caste party. The rival TDPN, following the time-tested strategy of NTR, tried to court OBCs, who constitute 44 per cent of the state population. Naidu nominated as many as nine OBC candidates, besides a judicious selection of reddy and kmmas depending on their strength and influence. Naidu even picked up an ST candidate in Warangal against a powerful reddy candidate of the Congress(I) and a backward caste candidate in the velama dominated Karimnagar constituency. TDPLP's selection of candidates, in contrast, was not based on any reasoned political calculus. For instance, the party chose to give tickets to rich and influential persons of forward castes in constituencies where the weaker sections are domi-

nant. This in spite of the fact that the OBC voters who have traditionally supported NTR were expected to be crucial decision-makers in the choice between the two TDPs. It was clear that while the Congress and the TDPN kept the caste arithmetic in view in the process of nomination of candidates; the TDPLP looked for candidates with greater local influence.

The results of the 1996 Lok Sabha elections in AP reflect the resolution of the contestation between the TDPN and TDPLP for the legacy of NTR in favour of Naidu. The Lakshmi Parvathi group, though it garnered 10.6 per cent popular vote, failed to convert this into seats. The Naidu group securing 16 seats and its allies CPI and CPI(M) two and one seats respectively together with 37.9 per cent vote could succeed in establishing its supremacy vis-a-vis the Lakshmi Parvathi group. The major beneficiary of the battle between the two TD groups following the split in the party was the Congress(I).

The Congress Party's performance in AP would seem to be spectacular if seen in the overall context of the debacle of the party throughout the country. The voters of AP have a reputation of being different from the national mainstream. In 1977, when the Janata Party made a clean sweep all over the country, AP elected 41 Congress MPs out of a total of 42. Again in 1984, when the Congress had a massive lead throughout the country, TDP and its allies had won 35 seats. In 1989, when the Congress lost power at the centre, AP sent 39 Congress MPs to Lok Sabha. Electoral politics in AP has been different, so also have the strategies, calculations and predictions associated with it.

In the 1996 election, the Congress polled 39.7 per cent votes and won 22 of 42 seats. This was much less than the 31 seats it held in the previous Lok Sabha<sup>5</sup> and was measly compared to the early predictions of a clean sweep in the state. But if the votes of the two TDP groups were to be aggregated, the Congress would have won in only six constituencies. Moreover, the TDPN and its allies could wrest as many as 15 seats which the Congress had held in the last Lok Sabha. The Congress in turn could wrest only four seats from the TDP.<sup>6</sup> The split of the TDP votebank between the rival groups thus benefited the Congress(I). This is evident from the fact that the two TD groups together polled 43.2 per cent which equals what the undivided TDP secured in 1994 assembly elections.

The BJP which lost its lone seat seat of Secunderabad to the Congress, got a second position both in Hyderabad and Secunderabad and a third position in six other constituencies. The sensitive Hyderabad seat was retained by Sultan Salahuddin Owaisi of MIM. The voting pattern in Hyderabad constituency suggests that while MIM had a strong support base in the four urban segments, the BJP consolidated its position in the three rural segments, sometimes at the cost of the two TDP groups.

If we make a regionwise analysis (Table 5), the performance of the TDPN and its allies in the coastal region was better than expected. They could secure 11 seats out of a total of 21 compared to 10 seats of Congress. On the other hand, the Congress Party's share in the Telangana and Rayalaseema regions was better than

TABLE 5: REGIONWISE ANALYSIS: LOK SABHA ELECTIONS

Region (Total Seats)	Year	Turn- out	W/C Vote (Per Cent)					
			INC	TDP	TDPN	TDPLP	CPI+CPM	BJP
Telangana (15)	1991	58.5	9/15	2/10	-	-	2/3	1/15
			37.5	19.2	-	-	9.9	18.7
	1996	61.3	8/15	-	4/12	0/15	2/3	0/14
			37.3	-	26.8	7.7	6.4	10.8
Coastal (21)	1998	65.4	4/15	-	6/11	0/2	1/3	0/20
			32.5	-	23.5	0.5	7.9	26.3
	1991	62.9	10/21	11/19	-	-	0/1	0/20
			47.1	41.4	-	-	1.5	4.5
	1996	65.4	10.21	-	10/19	0/21	1/2	0/19
			47.1	-	36.4	13.3	3.0	1.9
Rayalaseema (6)	1998	67.1	13/21	-	5/19	0/2	1/2	2/18
			41.5	-	37.7	2.1	3.4	13.7
	1991	64.1	6/6	0/6	-	-	-	0/6
			59.7	33.2	-	-	-	5.0
	1996	61.6	4/6	-	2/5	0/6	0/1	0/6
			43.1	-	39.8	8.2	5.0	1.5
	1998	63.9	5/6	-	1/5	0/1	0/1	0/6
			45.0	-	35.9	0.1	5.7	11.6

Notes: W: won; C: contested.

Source: CSDS data unit.



that of TDPN and its allies. In the Telangana region the Congress Party secured eight out of 15 seats compared to six of its adversaries. In the Rayalaseema region the former won four out of six seats compared to two of the latter. But the performance of the Congress Party in Rayalaseema region in 1996 was worse than that in 1991, when it had won all the six seats. Its vote share also declined here, from 59.7 per cent to 43.1 per cent, though it has improved compared to its share of 37.4 per cent, in the 1994 assembly elections. Its vote share declined also in the coastal region, from 47.1 per cent in 1991 to 41.1 per cent in 1996, but has increased from 37.1 per cent during the 1994 assembly elections. Its support base in the Telangana area remained more or less the same at a little over 37 per cent, both in 1991 and 1996, which is considerably more than its share of 27.6 per cent in the 1994 assembly elections. Surprisingly, the vote share of TDPN and its allies in both the Telangana and Rayalaseema regions, in the 1996 elections is more than that of the undivided TDP and its allies in 1991 elections, though for obvious reasons it is less than that of 1994 assembly elections. While in Telangana its vote share increased from 29.1 per cent to 33.2 per cent, in Rayalaseema it went up from 33.2 per cent to 44.8 per cent. In the coastal area it marginally declined from 42.9 per cent to 39.4 per cent.

In the general and ST constituencies, both the groups, the Congress and the TDPN and its allies, were more or less evenly placed in terms of both seats and votes (Table 6). But in SC constituencies, the Congress had a distinct edge. It won five out of a total of six seats. Its vote share was 42.7 per cent compared to 37.6 per cent of the latter. It seems that the Congress continues to maintain its support base among the scheduled castes.

There does not seem to be a remarkable shift in the caste composition of the MPs after the 1996 election or of MLAs after the 1994 election. As before, the reddy and kamma are overrepresented. About 26 per cent of the representatives are reddy, whereas they constitute only 6 per cent of the population. Similarly, about 16 per cent of the representatives are kamma, who are only 4 per cent of the population (Table 7). These two communities have steadily maintained their share among the state's MLAs and MPs at these levels since independence [see Reddy (1989) for comparative data on other elections]. The share of brahmins is declining gradually. The proportion of backward caste MLAs and MPs has remained more or less at the

same level as before; but it is very low compared to their strength in the population. Out of the seven backward class MPs, six belong to the TDPN and its allies and one belongs to the Congress Party. Eight out of 11 reddy belong to the Congress and only three to its rival. But the latter has four out of seven kamma MPs from the state and the rest belong to the Congress Party. Though both have shared one seat each in ST constituencies, the TDPN could manage to get one of its ST candidates elected in a general constituency at Warangal. Thus no political group is dominated by an exclusive caste category. However, higher proportions of reddy and SCs are found in the Congress and those of kamma, BCs and STs in TDPN and its allies.

The CSDS 1996 post-poll survey provides us some useful clues to understand the socio-economic background of the supporters of different parties. Though the survey data does not indicate a distinct polarisation of political forces on the basis of any single parameter, it is possible to discern some general trends. Among the SC voters the Congress Party had a larger support base whereas a larger share of ST votes had gone to the TDPN. The latter had a slight edge in the support of OBCs. But among the upper castes, the Congress continued to get a higher level of support. No other political party, including the TDPLP, could claim a sizeable following in any specific category of voters (Table 8). We might infer from these data that while NTR's supporters among the OBC and the ST groups have transferred their loyalties to Naidu, those among the SC groups have moved over to the Congress Party. The survey confirms the established notion that the TDP has its stronghold among the rural electorate and especially among the women due to NTR's policies of welfare

and prohibition. These segments could be seen to have shifted their allegiance to the TDPN in the keenly contested 1996 elections.

In the absence of any large group of people who identify themselves with any political party,<sup>7</sup> it is difficult to conclude whether any of these traditional support bases are going to be stable. This doubt is reinforced when we examine the 1998 electoral outcome.

#### IV Drifting Social Support: 1998 Elections

The elections to the Lok Sabha in 1998 within two years were a consequence of the fractured verdict in the 1996 elections. The formation of an unstable government by the United Front of 13 parties with outside support by the Congress(I) has been instrumental in bringing the regional parties to the centre of Indian politics. The historically dominant Congress Party has been reduced to certain pockets of the country and its relevance made proportionate to its ability to reflect the aspirations of the regions. The apparently fragmented verdict of the 1996 elections, mirroring the process of regionalisation of Indian politics, signals the celebration of autonomy and distinctness of different regions that have been characterised by differential historical, linguistic and socio-economic background.

It is in this context, that the TDPN has come to assume a significant role in the unfolding theatre of politics at the centre in the period following the 1996 elections. The TDPN, though it had just 16 MPs in the 11th Lok Sabha, played a key role in forging a non-Congress(I) and non-BJP coalition at the centre by actively negotiating with the time-tested and fairly successful strategy followed by the undivided

TABLE 6: CATEGORYWISE ANALYSIS: LOK SABHA ELECTION

Category	Total Seats	W/C Vote (Per Cent)				
		INC	TDPN	TDPLP	CPI+CPM	BJP
1996						
General	34	16/34	15/30	0/34	2/4	0/32
		39.7	34.3	10.2	3.7	5.2
SC	6	5/6	1/5	0/6	0/1	0/5
		42.7	33.0	11.0	4.6	5.1
ST	2	1/2	0/1	0/2	1/1	0/2
		36.5	18.1	16.9	19.9	3.0
1998						
General	34	19/34	8/29	0/3	1/4	4/32
		38.7	32.2	1.0	4.7	18.3
SC	6	3/6	3/5	0/1	0/1	0/6
		38.7	32.2	1.0	4.7	18.3
ST	2	0/2	1/1	0/1	1/1	-
		37.9	23.7	9.6	20.8	-

Notes: W: won; C: contested

Source: CSDS Data Unit



TDP under NTR's leadership. It may be recollected that it was NTR who, after his coming to power in 1983, initiated the process of forging a national alternative through a series of conclaves of the non-Congress parties. NTR followed a two-pronged strategy of: (a) forging an anti-Congress alliance with the left in the state; (b) pursuing the politics of the non-Congress coalition at the national level. The culmination of this was the formation of National Front of which NTR was the chairman till his death. By actively participating in this process Naidu sought to demonstrate his conformity to NTR's legacy and carve out a niche for himself in the national politics.

But the major changes to be found were initiated in the policy domain soon after the 1996 elections. It is here that the increasing distance of Naidu's government from NTR's regime has to be seen. Emerging confident from its performance (vis-a-vis that of TDPLP) in 1996 elections, legitimised by the support of the left and further propelled by its newfound place in the national politics, the TDPN government initiated a public dialogue on some of the quintessentially NTR schemes and policies like Rs 2 a kilo rice scheme and prohibition policy as a preparation for policy changes. As analysed earlier, these policies were crucial in NTR's comeback to power in the 1994 assembly elections. NTR's mandate in 1994, needless to say, was hinged on his commitment to implement them in spite of the problems of resource mobilisation.

The support for NTR among the popular classes was derived from these populist policies. In contrast, the urban middle classes have generally seen NTR's policies as being detrimental to the development of the state. This obviously lent credence to the view that the total prohibition and Rs 2 a kilo scheme were major causes for the fiscal crisis of the state.<sup>8</sup> Further the flow of illicit liquor into the state is seen as an evidence of the impracticality of the proposition of total prohibition. The public dialogue exercise initiated by the Naidu government vindicated this view.

Following the opinion mobilisation exercise and as a measure towards the improvement of the state's fiscal position TDPN government introduced modifications in the prohibition policy and subsidised rice scheme. Thus prohibition was partially lifted and the price of subsidised rice was hiked from Rs 2 to Rs 3.50 a kilo and the quantity was reduced from 25 kilos to 16 kilos per family. In addition the hike in slab rates on electricity and

water cess for agriculture were effected. These policy changes were part of the larger agenda of economic reforms in the state that made a departure from the policy framework of NTR's regime [Srinivasulu 1998].

The broad consensus among the political parties, cutting across ideological persuasion, posed no major problem to the TDPN in pursuance of its reform agenda. But it was not to be the case with the left parties. But their being 'friendly opposition' forced them to remain silent on these crucial issues.

The elections to the Lok Sabha in 1998, occasioned by the fall of the UF government following the withdrawal of support by the Congress(I) was something neither the AP Congress(I) nor the TDPN was prepared for. Finding themselves once again in the electoral fray, these two major players in the state politics displayed visible disinterest as there could be no substantial issues with regional relevance for them to focus their attention on, except for their traditional mutual opposition.

The BJP, which had lost even its lone Secunderabad seat in 1996 elections, in contrast, displayed enthusiasm and dynamism. The BJP, it may be recollected, in spite its meagre presence in most of the constituencies, contested almost all the seats since the 1991 parliamentary elections. What marked it out this time obviously was its success in attracting a number of cinema stars and dissidents not only from the TDPN but a significant chunk also from the Congress(I) on the eve of the elections. The BJP's campaign this time was in fact star-studded with all the glamour and hype that goes with the Telugu commercial cinema. But what the BJP tried to harp on was the slogan of 'able leader and stable government'. By focusing on the failure of the UF coalition to provide a stable government – in which

TDP was a partner – and the opportunist support to it by the Congress(I) from outside, the BJP vigorously projected Vajpayee as the prime ministerial candidate to convey the message that it alone could be a better bet for stable government.

In the Congress (I) and the TDPN camps, especially at the grass roots, one could see a sense of exhaustion. The dynamism and issues that dominated the 1996 electoral campaign were missing this time. In a sense, the campaign issues in 1998 were a mere repeat of that in 1996. While for the Congress(I), the coming of the elections so soon was largely its own making, for the TDPN, the failure of UF experiment was enough to dilute its enthusiasm. If the context of the 1998 elections, for the reasons stated above, put both the Congress (I) and the TDPN at a disadvantage, the BJP tried to turn this to its advantage and more specifically the BJP tried to gain sympathy from its government's collapse after 13 days in power in spite of being a major party as a result of the actions of the Congress(I) and UF partners.

If exigencies of the 'hung' Lok Sabha constituted one dimension, then the regional issues centred around the governance of the TDPN and its policy reversals constituted another significant dimension of the electoral campaign. Thus the BJP focused on the TDP's failures. The BJP's star campaigners were most vocal on the TDPN's back-out from its stated adherence to NTR's policies. Further, what enthused the BJP in this respect was its alliance with the TDPLP. There were the suicides among cotton farmers in the northern Telangana districts during 1997-98 due to the successive failure of cotton crop on account of the failure of governmental agencies to provide extension services, to supervise quality control of seeds, fertilisers, pesticides and other

TABLE 7: CASTE COMPOSITION OF MLAs AND MPs IN ANDHRA PRADESH

Caste	Per Cent in Population (Approx)	MLAs in 1994 Elections		MPs in 1996 Elections	
		Number	Per Cent	Number	Per Cent
Brahmin	3.0	1	0.3	2	4.8
Reddy	6.0	76	25.9	11	26.2
Kamma	4.0	46	15.6	7	16.7
Velama (forward caste)	3.0	9	3.1	–	–
Vaishya or komati	2.0	3	1.0	–	–
Kshatriya or raju	1.0	10	3.4	–	–
Kapu	8.0	22	7.5	3	7.1
Other forward caste		3	1.0	1	2.4
Backward castes	46.0	38	12.9	7	16.7
Scheduled castes	14.0	39	13.3	6	14.3
Scheduled tribes	5.0	*16	5.4	*3	7.1
Muslims	7.0	9	3.1	2	4.8
Not ascertained		22	7.5	–	–
Total		294	100.0	42	100.0

Note: \* One ST candidate was elected in general category constituency.

inputs [Andhra Pradesh Rythu Sangham 1998: *Vaaritha*, February 16, 1998, Hyderabad]. This in turn is seen to be a consequence of the liberal reforms. The failure of the government to respond to the crisis in any significant way, as the suicides continued, was sufficient ground for the BJP and Congress to target the TDPN during the election.

Though the Congress made the policy reversals by the Naidu government the central issue, its lack of conviction and absence of any policy alternative was quite conspicuous. What was transparent in this election was an unprecedented enthusiasm for the BJP not only among the middle classes but also in the farming community in northern Telangana as well as in coastal districts. The message that seems to have gone well with them this time was the BJP's stability plank. Thus 'let us give a chance to the BJP' was the refrain often heard during the campaign (field interviews, February 1998).

In the social background of the candidates fielded by both the TDPN and Congress(I) there was no significant change from 1996. While the Congress(I) had shown a preference for candidates from the dominant peasant castes of reddy and kamma, the TDP as in 1996 fielded candidates from OBC background. In addition, the Congress(I) contestants list included a number of new candidates leading even to the exclusion of incumbents. This could be seen as a reflection on the factional infighting in the party. In contrast, the TDPN displayed greater continuity and stability.

For the first time the BJP has made its mark on the political scenario of the state in a big way through considerable gains in terms of popular vote and seats. This election has seen a considerable shift in the social support of the almost all the parties. This turned to the advantage of the BJP. Its convincing victories in four constituencies, two each from Telangana and coastal Andhra demonstrates this. Thus, besides its traditional stronghold of Secunderabad, it won Karimnagar seat from the TDP in Telangana. In this velama dominated constituency, for the first time in its history, a BC candidate won on the TDP ticket in 1996. The BJP fielding a velama candidate defeated the TDP incumbent and a veteran Congress(I) candidate belonging to the velama community. Thus the BJP got one each from the TDP and Congress(I) and came second in as many as three constituencies in this region.

The BJP's gains in coastal Andhra, considering the fact that this region had

never witnessed any communal tensions and that BJP's popular vote percentage was just 1.9 in 1996, deserve serious attention. Thus it would be instructive to analyse the factors contributing to the successful garnering of two seats, one each from the TDP and the Congress(I) in this region.

If the alliance with the TDPLP was a major factor in the BJP's performance, assuming that a substantial proportion of its 10.7 per cent support in 1996 has shifted to the BJP, the gains from the TDPN and Congress(I) could be no less important. Mudragada Padmanabham, a dissident Congress(I) leader belonging to the kapu community, with a considerable influence in the two Godavari districts not only among the kapus but also among other communities, joining the BJP on the eve of the elections, considerably tilted the support base of the Congress(I) to the BJP. This is evident in the fact that in Rajamundry and Kakinada, won in 1996 by the Congress(I) and TDPN respectively, the Congress(I) has been reduced to a third position.

Though the Congress(I) has maintained its balance sheet by winning 22 seats this time as well, it has seen a significant shuffling of seats. It could win only 12 of the seats it won in 1996 and lost as many as eight seats to the TDP and allies and two seats to the BJP. In turn it gained 10 seats from the TDP compensating even for its losses to the BJP.

What is worth noting about the performance of the Congress(I) are the upsets it suffered in the reserved constituencies. While it won five of the six SC constituencies and one of the two ST constituencies in the state, this time it succeeded in winning only in three SC reserved constituencies. It lost the ST seat it held last time.

If the replacement of the candidates and denial of tickets to the incumbents is one reason for the seat changes of the Congress(I), then the deeper changes in the socio-political context could be another. Though it is difficult to say anything definite about the changing social bases of the Congress(I), a significant drift in its social support could be observed. The shifts away in two significant social constituencies of kapus and madigas in the Congress(I) social coalition could be seen as indicative of the changes in its support base.

If the Mudragada factor was critical to the shift of the kapus away from the Congress(I) to the BJP in the coastal districts, the schism in the traditionally Congress supporting scheduled castes

along the mala-madiga caste line substantially eroded Congress support. The agitation of the madigas for the categorisation of the SCs into four groups for the benefit of reservations in education and employment took a serious form after the 1996 elections. The madiga reservation struggle against the existing policy of reservation for the SCs that has benefited the malas disproportionately to their size in the SC population has been supported by the TDPN government. Its promise to strive for the necessary modification had led to the rallying of the madigas around the TDPN thereby ensuring the political polarisation of malas and madigas on party lines [for an analysis of the dalit movement see Srinivasulu 1999]. As a result of this, with a substantial section of the madigas shifting to the TDPN, the Congress(I) could be said to have substantially lost its base among the madigas. Though it is difficult to assess the impact of this polarisation on the political process, it would not be an exaggeration to say that it was one of the factors which had contributed to the shuffling of the seats in 1998.

TABLE 8: WHO VOTED FOR WHOM IN ANDHRA PRADESH

Categories	INC	TDPN+ Left	TDPLP+ JD	Others
<i>Age (years)</i>				
25 and below	46.4	47.3	2.7	3.4
26-35	44.7	42.9	4.7	7.6
36-45	42.2	46.9	7.0	3.9
46-55	47.3	50.0	2.0	.
56 and above	50.6	42.7	2.2	4.5
<i>Sex</i>				
Male	49.0	40.6	5.7	4.7
Female	42.9	50.3	2.6	4.2
<i>Education</i>				
Illiterate	38.4	55.4	2.6	2.6
Primary and middle	48.7	42.7	5.3	3.3
Intermediate	60.9	30.9	3.6	4.5
Graduate and above	48.7	23.1	5.1	23.1
<i>Religion</i>				
Hindu	48.6	46.2	4.6	4.6
Muslim	56.7	36.7	1.7	5.0
Christian	46.4	53.6	-	-
<i>Caste</i>				
SC	55.8	40.3	1.3	2.6
ST	32.3	57.3	9.4	1.0
OBC	44.5	46.5	4.3	4.7
Others	50.6	40.7	2.3	6.4
<i>Locality</i>				
Rural	42.9	49.9	5.1	3.1
Urban	58.8	30.5	0.8	9.9
<i>Class</i>				
Very poor	34.4	59.7	3.8	2.2
Poor	49.0	40.7	8.3	2.1
Middle	50.0	41.3	2.5	6.3
Upper	53.1	37.0	-w	9.9

Source: Post-poll survey, CSDS, 1996.

## Concluding Remarks

The state projects a seriously contested electoral scenario with the TDPN and Congress(I) competing for power with approximately equal support bases. In this situation the probability of alteration in power is very high. Whichever group is in power tends to dominate, though for a limited period. The Congress(I) lost its monopoly of holding on to power in 1983 but continued to be an important player in state politics.

The second party which dominated the electoral scene both in 1996 and 1998 was the TDPN and its allies CPI and CPI(M). The contest for NTR's legacy by the TDPN and TDPI.P has been settled in favour of the former and this has been vindicated by its electoral performance in the last two elections and further by the decimation of the TDPI.P.

The analysis of the 1996 and 1998 Lok Sabha elections provides interesting trends in the politics of the state. Seen against the background of the long-term alignment of political forces which began with the emergence of the TDP in 1983 and consolidated over the years with significant shifts in the support of the OBCs, STs and also the Muslims towards the TDP, the last two elections show certain volatility and uneasiness in these social groups.

Though in 1996 the Congress(I) and the TDPN could largely retain the support of the constituents of their respective social coalitions, in 1998, in contrast, there could be witnessed a marked departure. The seat changes and swings in the vote margins of these parties across regions and constituencies could be read as indicative of significant shifts in the social support of the Congress(I) and the TDPN. The process of increasing articulation of aspirations and interests by different social groups, especially those in the subaltern ranks, through both issue based movements and leader centred mobilisation can be said to have contributed to the volatility of their electoral support. This has rendered the social coalition of support of both the parties critical.

In this process the political parties which, dictated by the exigencies of their electoral calculus, have directly or otherwise encouraged specific caste articulation could find themselves at the receiving end. The case of madigas illustrates this. If the support of the madigas could be rallied successfully by the TDPN in the 1998 elections with its promise to fulfil their demand for the SC categorisation, its

failure to do so in the meantime turned the madigas against it subsequently. In varying degrees it is true of other communities and their allegiance to political parties. In such a situation even denial of party ticket to a particular community could become a sufficient reason for the withdrawal of its support. The case of the kapus in coastal Andhra is an instance of this.

If the overall performance of the BJP in the 1998 election is an outcome of the contextual specificity of this election, then its dramatic gains are indicative of the disequilibrium in the social coalitions of the TDP and Congress(I). Though the BJP succeeded in rallying the support of a significant section of Andhra electorate, its victory in the four constituencies is largely due to the weakness of the main rival party in these constituencies. The seat changes witnessed between the last two elections, which have been between the TDPN and the Congress(I), vindicate the inference that support bases of the two dominant rivals is fluid and the electoral pendulum can swing in favour of either of them.

Yet it would be pertinent to note that the unstable nature of existing social coalitions of support of the two major parties and the resultant political volatility provides space for alternative articulation. In the absence of such a possibility, the social forces, needless to say, would settle down in the existing political equation, perhaps with some alterations.

## Notes

- 1 There are 10 districts in Telangana, nine in coastal Andhra and four in Rayalaseema. Coastal Andhra has very fertile delta areas formed by the Godavari and the Krishna rivers. The Telangana and Rayalaseema regions, on the other hand, are backward regions with low agricultural productivity. Both these regions have vast natural resources which are largely unexploited. The Telangana region is industrially better off, though most of the industries are located in and around Hyderabad.
- 2 The reference is to: (a) the dramatic ouster of NTR from chief ministership by governor Ram Lal following the revolt in the TDP led by Nadendla Bhaskar Rao and NTR's subsequent comeback to power following massive public protest; and (b) the assassination of Indira Gandhi.
- 3 'Patel: patwaris' were traditional village officers: the former was vested with powers to maintain law and the order and the latter to collect land revenue. These hereditary positions invariably held by the upper castes: the former by the redds and latter by the kammis, not only provided access to power and wealth but were also sources of corruption. Further they were traditional support structures of the Congress Party. By abolishing them,

NTR not only gained popular appreciation as these institutions had acquired notoriety of sorts in the perception of the popular classes but also struck a serious blow at the Congress support system. In their place NTR created village administrative officers to be recruited through open competition. Some of the patels and patwaris fulfilling the requisite qualifications were also accommodated. These reforms were part of the larger administrative reforms (which include the restructuring of the revenue and panchayat raj institutions) introduced by NTR during his first term (1983-89) in office [Srinivasulu 1990].

- 4 The first phase of the survey was conducted about one month before the election and the second one about 10 days before the election.
- 5 It had won 25 seats in 1991 election and six MPs joined the party later.
- 6 TDPN wrested 13 seats from the Congress: Adilabad, Srikakulam, Bobbili, Anakapalle, Kakinada, Machilipatnam, Chittoor, Karimnagar, Narsapur, Narasaraopet, Warangal, Nagarkurnool, Hindupur. Its allies, the CPI and CPI(M) wrested the Badrachalam and Kamam seats respectively. The four seats wrested by the Congress are Guntur, Vijayawada, Amalapuram and Vishakhapatnam.
- 7 Only 11.7 per cent of the respondents from AP felt that they were close to any political party during the 1996 post-poll survey conducted by the CSDS.
- 8 The white paper on the state of AP economy entitled, 'State Finances: The Factual Position' brought out by the state government (Government of AP: 1996) reinforces this view.

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# Shifting Political Loyalties in Uttarakhand

Pradeep Kumar

*The people of Uttarakhand have broken from their traditional centripetalist politics and the movement for a separate state of Uttarakhand has become spontaneous, no longer dependent on politicians for mobilisation. This makes Uttarakhand a distinct political entity for analysis. The region has recently voted for the BJP as it had no other choice – it rejects Mulayam Singh Yadav's Samajwadi Party and any party that associates with it.*

UTTAR PRADESH, the most populous and politically the most crucial state, is representative of India in more ways than one. Not only has it variously been referred to as the 'heartland' ('hridaya pradesh'), nerve centre of the political 'mainstream' and the like, it has also tended to monopolise 'centripetalist' politics in India. While many other states developed their linguistic, cultural or ethnic identities long ago, the only identity that UP has ever been familiar with has been the Indian identity, or in the narrowest sense the Hindi identity. Interestingly, the latter does not always refer to the Hindi belt and, in its broader version, is claimed to be symbolic of 'Indian identity'. While most other states/regions have derived their linguistic-cultural identifications from their respective regional languages, UP is seriously 'handicapped' in its lack of any region-specific language – Hindi being evocative of Hindustan, yet another name for India that is Bharat an entity much larger than UP.

It was the excessive emphasis on 'nationalist' and 'all-India' politics that hindered the development of UP as a region. In fact, one reason why it was kept intact as one state, despite its culturally heterogeneous and administratively somewhat unmanageable size, was its nationalist political ethos. The latter was considered to be a reasonable antidote to the possible emergence of the forces of vivisection and disintegration, released in the wake of the partition and the subsequent reorganisation of states on a linguistic basis. UP's tremendous diversity in terms of culture, dialects, geographical terrain and religious composition, etc. was considered to be insurance enough against the centrifugalism of the 'peripheral' zones. In other words, this multicultural state, supporting a huge population on a territory larger than that of many nation states of Europe, was supposed to act as an 'anchor' for the Indian nation state. It was this political belief, more than any other reason, that not only kept the state undisturbed all through the stages of reorganisation in the 1950s and the 1960s, but even encouraged the merger of three princely states with

it, after independence. These princely states were Benaras, Rampur and Tehri Garhwal. It is not as though the reorganisation process simply bypassed UP; it was its commitment to centripetal politics that made it so.

While it will be difficult, and even a bit out of context here, to make an evaluation of the role that the state eventually played in national politics in the last 50 years, it can be safely maintained that, of all the regions in the country, UP has continued to persist with its centripetalism, its continuous downward journey on the economic front notwithstanding. Surprisingly, despite decades of economic underdevelopment, there seems to have been hardly any serious popular support for the division of the state. Much of the protest against the jumbo size of this political conglomerate has come, ironically, from the 'outsiders', and there too, from among the intellectual circles, who in any case have very little contact with the ground reality in India. Moreover, the intention of these supporters of UP's division has invariably been 'to cut it to size', to curb its overrepresentation in the parliament, to which it sends 85 members out of the total 545. What, in fact, has deterred the successive governments from dividing the state is perhaps the absence of any genuine/serious mass-based demand for its division. Thus one of the four unwritten rules, which according to Paul R Brass, have governed the reorganisation of states in India, namely, the demand being supported by the popular assertion, has largely been missing in the case of UP until recently.

## I

### Uttarakhand as Political Region

Uttarakhand, comprising the 12 hill districts of the Garhwal and the Kumaon divisions of west UP, has been an exception of sorts. Even though what applies to other cultural zones of UP (like Bundelkhand, Rohilkhand, Awadh, Bhojpur and Doab) also applies as much to Uttarakhand, it may be worth noting that in addition, Uttarakhand has a distinct geographical identity which makes it much

more unique as a region than many others. Interestingly, some of these regions do not have even a strong self-perception of being a distinct entity and may have existed as regions more in the minds of linguists, social-anthropologists and psephologists. The Upper and the lower Doab are just two cases in point which perhaps would be difficult to identify if one were to depend exclusively on the technique of self-identification.

As against the cultural regions of the UP plains, Uttarakhand has remained more 'isolated' on account of its hilly terrain. The latter has even imparted it a historical identity. While most rulers of the plains could annex more and more territories and expand their territorial empires, thereby forcing their subjects to come under single administrative control the mountainous districts remained perpetually 'inaccessible'. Even when some rulers were successful in bringing these under their subjugation, it was more a *de jure* subjection than a *de facto* one. Consequently, the hill dwellers remained more or less untouched by the upheavals in the plains. In fact many migrants from these plains, who became fugitives in wake of some of the invasions, (particularly those of 'Muslims'), sought refuge in these 'remote' sanctuaries.

Even though the movement for the creation of a separate hill state of Uttarakhand is sufficiently old, it did not gather mass support and largely remained submerged underneath the centripetalist politics of UP till recently. The region of Uttarakhand identified itself with the 'mainstream' of UP as it contributed three chief ministers to the state – more than its quota in terms of its population.

There has, however, been a major shift in the political thinking of this region in the last few years, and developments in these years have brought the issue of creation of a separate state on to the main agenda of electoral politics in the region. It is too complex a development to hazard the identification of any single factor or 'cause' as being responsible for the 'massification' of the demand for a separate state in these years. However, some

major political events which ignited the tinderbox can perhaps be identified without much hesitation. This identification is particularly important because of their direct impact on the electoral politics of the region. It is these events which we shall discuss later, which 'massified' the movement for a separate hill state and actually changed the political scenario in the region. The simmering discontent arising out of economic neglect could be converted into a movement powerful enough to exert pressure on the state and central governments, only after a series of events in 1994 and 1995 energised the masses. Even the existence of the Uttarakhand Kranti Dal (UKD), since 1978-79, had made very little impact on the politics of the region, although the party came into existence with the avowed aim of fighting for a separate Uttarakhand.

It all began in August 1994 when the agitationists who had been sitting on 'dharna' at the divisional headquarters of Garhwal in Pauri were forcibly removed by the administration on August 8. The agitationists were largely students, their parents and guardians, particularly women, some employees and political activists, who were demanding revocation of the UP government order to extend the 27 per cent reservations for the OBCs to the hill districts. The latter have almost negligible (2 to 3 per cent) OBC population and giving them a 27 per cent quota would have clearly meant inviting more people from the neighbouring plains to occupy the seats in educational institutions of the hills. This infuriated the people and sowed the seeds of discontent to which subsequently, the UKD volunteers also added the demand for a separate state of Uttarakhand. This demand was put forward as the only final solution to such anomalies created time and again by the government at Lucknow which had very little understanding of the peculiar problems of the hills. The difficult mountainous terrain and a distinct geographical character have made it difficult for the planners to imaginatively tackle the problems of the hill dwellers. However, the demand for a separate state could not have been so militant but for the mishandling of the agitation by the administration. The agitationists were beaten up, fired upon and sent to far away jails. This only reinforced their belief that they could not be treated well by the state machinery which was indifferent to their demands. To worsen the situation further, the firings at the Uttarakhand agitationists at Khatima, Mussorie and Rampur Ka Tiraha (Muzaffarnagar) resulted in deaths of many

young men and women. The climax came when the agitating people on their way to Delhi in connection with a national rally on October 2, 1994, were stopped near Muzaffarnagar, and the police assaulted them brutally. There were widespread allegations of the rape of women activists by the policemen themselves. The administration, which was then under the control of the Samajwadi Party-Bahujan Samaj Party (SP-BSP) coalition and its chief minister, Mulayam Singh Yadav, only added insult to injury by imposing curfew on several areas in the hills where people were not familiar even with a regular policeman. It is important to understand these details because, more than anything else, it is these events that created an anti-UP psyche in the hills. No amount of economic neglect and no amount of 'development of underdevelopment' had been enough to bring the region out of the centripetalist politics of UP. Regionalism, like in rest of the state, had remained until then, an anathema in the region, something equated with 'anti-nationalism'.

It is these developments that have, of late, given Uttarakhand a distinct political identity. It will not be an exaggeration to maintain that in the last three and a half years, Uttarakhand has developed its own identity in UP politics, thereby subsuming the hitherto prevalent Garhwali and Kumaoni identities. All steps to curb the agitation by the government have only added to the alienation of the region. Most of the victims of police firing have become 'martyrs' to the cause of Uttarakhand and numerous marble slabs have come up in many towns of the region that list their names in commemoration. Several public places (like chowks/parks) have been dedicated to them by the people. This indicates a stage where the movement has attained spontaneity, no longer dependent on small-time politicians for mobilisation. It is one of those rare cases where various political parties are trying their best to ride on the popular wave by appropriating and stealing the slogans of the masses. The agenda has been set by the people, and the political parties are vying with each other to respond to this. In short, Uttarakhand has, in a psychological sense,

seceded from UP. This naturally has implications for electoral politics.

This development makes sense if we treat Uttarakhand as a distinct political entity for our analysis and not any more as merely one subregion of UP. It surely qualifies the region for separate treatment here. No other region in UP would qualify for such a treatment in view of the lack of political assertion in the manner in which it has happened in Uttarakhand.

## II Electoral Background of Uttarakhand

UP, one time bastion of Congress politics in India, has also the distinction of being the state which has witnessed its near total political annihilation in the last decade. Even a cursory look at the electoral tally shows that the Congress has experienced a continuous slide in its electoral support base, ever since the ninth general elections to the Lok Sabha (1989). Its support, in terms of votes polled, declined sharply after the eighth general elections (1984) when it had polled as high as 51 per cent votes, a figure which declined thereafter to 30.9 per cent (1989), 18.7 per cent (1991), 8 per cent (1996) and finally to its nadir a little over 4 per cent (1998). The figures in last three general elections have taken the party's electoral support to a level which is much lower than even the post-emergency decline when, despite all odds, the party managed to enlist 24.9 per cent voters' support in March 1977. The alliance of the Congress Party with the BSP a relatively young region-based party in UP in September-October 1996 assembly poll, and that too on humiliating conditions – the Congress getting only 125 seats out of a total of 425 – reveals its pathetically decline.

UP is currently undergoing the process of some kind of a political 'sagarmanthan' (churning), and the politically fluid situation at the moment points towards this uncertainty. Several new forces have come to the fore in last one decade or so. If hindutva became a symbol of mobilisation by the BJP, almost simultaneously the politics of backwards was given a boost by the Janata Dal and its various incar-

TABLE I: LOK SABHA POLLS: UTTAR PRADESH (1984-98)

Year	Congress		BJP		BSP		SP
	Seats	Vote Share (Per Cent)	Seats	Vote Share (Per Cent)	Seats	Vote Share (Per Cent)	
1984	83	51.0	0	6.4	–	–	–
1989	14	30.9	8	7.4	2	9.4	–
1991	5	18.7	51	32.8	1	8.7	–
1996	5	8.0	53	33.5	6	19.9	15
1998	0	4.0	58	39.2	4	21.8	20

nations. The dalits, who found themselves outside both these social and political forces, gathered around Kanshi Ram's BSP. Thus diverse pulls changed the support bases of almost all the political parties. The BJP, which was at one time confined to the upper castes, had to mobilise a sizeable section of the backwards (like the lodhas, the kurmis, etc), the Janata Dal and Samajwadi Party of Mulayam Singh Yadav, made particular efforts to enlist the support of Muslims who constitute a sizeable 16 per cent plus in UP, the BSP broadened its base to include several backwards among the backwards (i.e., the extremely backward castes among the OBCs) as copartners with the dalits. Interestingly, the word 'dalit' itself became popular in UP only in last few years when Kanshi Ram and Mayawati started making public attacks on Mahatma Gandhi for popularising the word 'Harijan' for the scheduled castes. 'Dalit politics' became the crucial deciding factor after the dalits refused to remain tagged on to the national parties like the Congress as mere junior partners, where they were required more for swelling their electoral support, than for any genuine political coalition. It may be interesting to look at the rising prospects of the BSP in UP. Almost from scratch, it built up its support and has become a major player in state politics. In short, while the BJP cut into the upper caste base of the Congress, the BSP weaned away the scheduled caste voters from the 'dominant party' of yesteryears. It is only the SP/JD support among the upper backwards like the yadavs, and the koeris and even some kurmis that has largely remained intact, even though this combination of parties has taken different political names varying from Bhartiya Kranti Dal (BKD) to Dalit Mazdoor Kisan Party (DMKP), Bharatiya Lok Dal (BLD), Lok Dal (LD), Janata Dal (JD), Bharatiya Kisan Kamgar Party (BKPP) and even Samajwadi Party (SP). This later incarnation of the BKD absorbed the left-over socialists in UP politics to extend its base to some of the lower backward sections of the population in east and central UP.

It is however important to mention here that the backward castes themselves do not constitute a meaningful category, even for the purposes of electoral analyses. The dominant upper backwards, the depressed backwards and the dalits are the three different backward caste groups in UP that make the winning combination for any party. The SP-BSP alliance for the 1993 assembly elections actually pursued this caste combination as the old AJGAR

formula devised by the late jat leader Charan Singh had obviously failed to muster enough electoral support from among these groups. Thus it could not take various incarnations of the JD (BKD/BLD/LD/JD/DMKP) anywhere beyond a coalition with some of the parties of the upper castes. The division of the backwards into three parties, mentioned earlier, ensured that they remained political appendages whereas the major constituents of the coalition always had a more decisive say in politics. While the JD concentrated on the upper OBCs, some Lohiaites made a dent in the lowest OBC votes, even though not very successfully. The socialist parties and the BKD (or JD) in UP made an attempt to combine the strength of the two groups by welding the political and economic power of one with the numerical strength of the other, but in view of the schism between the two, they fell short of a winning formula. The caste statistics in UP reveal that the jats, the yadavs, the kurmis, the koeris, the lodhs, etc, together constitute only about 15 per cent of the total population. As against this the depressed backwards (i.e., the lower OBCs) constitute about 25-30 per cent, nearly double the population of the less backward castes. This is very crucial for any electoral game. However, the yadav leadership of the OBCs has largely failed to sufficiently mobilise this group of castes, maybe due to the backward-backward rivalries between the two. The SP-BSP alliance of 1993 actually was an attempt to weld these groups, along with the Muslims and dalits, together into a winning combination, which however could not succeed.

The social and political upheaval that has characterised electoral politics in UP in the last few elections, has hardly had any direct impact on Uttarakhand. The results of last few general elections indicate the fast declining fortunes of the Congress Party as against a sharp rise in BJP. SP and BSP support in the state (Table 1). Contrary to these general trends in Uttar Pradesh, one finds a somewhat different political scenario in Uttarakhand (Table 2).

Uttarakhand had the distinction in 1991, of being the only region in UP to give a very high percentage (40.3 per cent) of votes to the BJP, which made a clean sweep of all the four parliamentary seats. In comparison, Bundelkhand, another such region where the party won all the four seats, however, gave the BJP only 31.9 per cent votes. In fact, the BJP's score, in terms of valid votes polled in Uttarakhand was the highest when compared with that of any other political party in any region of the state. Yet, it was in this region that the BJP suffered the most and could manage to win only half the seats in the parliamentary elections held in May 1996, securing only 30.2 per cent votes. The only other parties to have suffered such an electoral damage were the Congress and the Janata Dal, but then their loss should be analysed in view of the divisions and splits, in their ranks. If Congress (T)'s and Samajwadi Party's votes are clubbed with their parent parties' votes, the tally comes to 44 per cent and 8.2 per cent respectively. Thus the Congress is in fact a net gainer and the Janata Dal's loss is that of around 4 per cent votes. It is only the BJP which lost approximately 10 per cent votes without having faced any split in the party that could have affected its base in the region, and despite having slightly gained in its overall tally in the state. The only other region in the state where the BJP lost considerably in the last five years was Rohilkhand, where its seats went down from seven to two (out of a total of 10), and the vote share accordingly declined to just 29.1 per cent, from a high of 37.5 per cent in 1991. In all other regions, the BJP actually gained in terms of votes, barring Poorvanchal where its vote share declined by only half a percentage point.

The electoral profile of Uttarakhand can be better understood by looking at the social and cultural composition of the area. The region, being largely mountainous, has remained somewhat cut-off historically from the plains. Most rulers of the plains, right since the days of the Mughals,

TABLE 2: LOK SABHA POLLS: UTTARAKHAND REGION (1991-98)

Party	1991		1996		1998	
	Seats Won	Vote (Per Cent)	Seats Won	Vote (Per Cent)	Seats Won	Vote (Per Cent)
INC	-	33.4	-	11.5	0	25.7
BJP	4	40.3	2	30.2	4	48.2
JD	-	12.1	-	0.1	0	-
BSP	-	2.2	-	10.1	0	9.4
SP	-	-	-	8.1	0	6.2
INC(T)	-	-	2	32.5	0	-
IND	-	6.0	-	2.2	0	2.5
Others	-	6.0	-	5.4	0	7.9

Source: CSDS Data Unit.



who tried to extend their control over the Garhwal and Kumaon hills, could do so only symbolically. The local chieftains, who at times accepted the suzerainty of the 'emperor' from the plains, enjoyed considerable freedom at the regional level, his 'acceptance' being only formal and confined to contributions to the treasury, etc. 'Muslim rule' in the plains affected the hills in a different manner. Many residents of the plains who felt suffocated under the 'alien' rule for some reason or the other, migrated to the hills which were generally considered to be inaccessible. This helped them preserve their culture and religious rites. Many hill dwellers are thus descendants of those who migrated to the hills hundreds of years ago. Most of these were either from the priestly classes or were associated with some of the 'kshatriya-rajputs'. Even though the claims of many of these upper castes today may be doubtful in terms of their sociological status, the process of sanskritisation seems to have helped them move upward, over the years. This may account for the negligible percentage of 'backwards' and Muslims in the population of Uttarakhand. It is this peculiar population composition of the region that sets it apart from the UP plains where 'backwardisation of politics', has changed the political climate of the state almost completely. Thus a rising party of the dalits which is fast cutting into the dalit base of the Congress Party, the Samajwadi Party of Mulayam Singh Yadav which seems to have cornered the Muslim votes, once the monopoly of the Congress Party, and the Janata Dal, the legacies of Chaudhary Charan Singh's Bharatiya Kranti Dal and Bharatiya Lok Dal, are just not electorally relevant to the region. It is only in the 'terai' belt of the Nainital district, now renamed Udham Singh Nagar, that the 'backward' caste votes have sizeable strength. This perhaps accounts for the relatively better performance of the SP/BSP in this district.

### III Electoral Politics since 1996

UP went to the polls twice in 1996, first in May for the Lok Sabha and then in September-October for the vidhan sabha. The instability resulting from no party gaining a clear majority has forced mid-term elections on the state. The term of the vidhan sabha has in practice reduced to a period of about two years. Thus, after 1991, vidhan sabha polls were held in 1993 and then recently in 1996. While in 1991, the BJP formed the government at Lucknow, in 1993, it was the SP-BSP combine that eventually succeeded in

forming its government under the chief ministership of SP supremo Mulayam Singh Yadav. However, soon this arrangement gave way to the BSP-led and BJP supported Mayawati government, which like its predecessor could not last long, as soon after its formation, the BJP withdrew support which it had lent 'from outside'.

A cursory comparison of the five elections held in last 5-6 years, i.e., Lok Sabha polls 1991, and 1996, and vidhan sabha polls 1991, 1993 and 1996, indicates some very interesting developments in UP. While the fortunes of the main political players have remained almost unchanged overall, the Uttarakhand region has experienced severe upheavals in terms of the performance of the main political actor of the region, the BJP. It is interesting to note that the main political players in the Lok Sabha elections in 1991 and 1996, the BJP, the JD and the Congress, secured 51, 53, 22 and 17 (including SP), five and five seats respectively. Similarly, in the assembly elections held in 1993 and 1996, the main political actors in UP won nearly the same number of seats. The tally was BJP 176 and 177, the SP-BSP 177 and 176 (clubbing the two even though there was no seat adjustment in 1996), the Congress 28 and 33, and the JD 26 and 15 (including the breakaway Bharatiya Kisan Kamgar Party), seats respectively. It seems the various political combinations have exhausted the limits of mobilisation of their respective social support structure. As pointed out by a number of studies on UP, these political formations have, quite neatly, carved out caste-based electoral support. Thus, while the SP gets its major support from the upwardly mobile backward castes (such as the yadavs) and the Muslims, the BJP depends largely on the upper castes and some of the Sanskritised castes from among the backwards (kurmis, and lodhs in particular). Similarly, the BSP has concentrated on the dalit vote – the scheduled caste votes in general and the chamar votes in particular – and the Congress has retained some support among the upper castes even though it has generally lost a majority of them to the BJP. Any further mobilisation on caste basis alone is perhaps unlikely to result in any major change in the electoral fortunes of any of these political formations. This partially explains the phenomenon of a hung assembly for the third time in a row.

It is in this respect that the politics of the Uttarakhand region differs somewhat from that of the rest of the state. As mentioned earlier, the 'backwards' are a negligible group in the hills (except in the terai region) and it is the upper castes,

namely, the brahmins and the rajputs (thakurs) who constitute the support base of the main political parties like the BJP, the Congress and the Congress (T). The SP-BSP support is practically confined to the Chakarata region in Dehradun district and the terai region in the Udham Singh Nagar district. These two subregions of Uttarakhand are somewhat different from the rest of the hills in terms of the composition of the electorate. Most of the tribals and the scheduled castes are concentrated in these regions, apart from the migrants from West Punjab who came as refugees in the wake of the partition in 1947 and have now become owners of large agricultural farms. Thus, all the major political parties of Uttarakhand are cutting into the same caste clientele. This perhaps accounts for the major upheavals in the fortunes of these parties in the Lok Sabha and the vidhan sabha polls. The brahmin-thakur rivalry often makes or mars the fortunes of individual candidates. Interestingly however the kind of excessive caste-based polarisation that has characterised the 'manthan' of UP politics for a decade now is by and large missing in Uttarakhand hills. Even the dominant issues that determine the outcome in the UP plains are different from those that decide the fate of Uttarakhand politics. While issues like the construction of Ram temple at Ayodhya and politics of hindutva may be important in the hills as well, these recede into the background in the context of more important ones like the creation of the Uttarakhand state. Since most political parties which matter in the region's politics are already committed to the creation of a separate hill state, the real issue has become the 'sincerity' or 'lack of sincerity' in making efforts in that direction. Except the CPM, which is quite hostile on this issue, most other parties

TABLE 3: ASSEMBLY ELECTION 1996:  
UTTARAKHAND CONSTITUENCIES

Constituency	Votes Polled	
	BJP	UKD
Dehradun	59907	5544(P) 412(D)
Mussoorie	75253	443(D)
Tehri	37616	9334(D)
Chakrata	34060	2166(P)
Dev Prayag	38093	24576
Pauri	46232	1815
Badri-Kedar	48138	1440(P)
Lansdowne	56576	1483(P) 696(D)
Karna Prayag	37941	4922

Notes: P = UKD (Panwar faction); D = UKD (Dangwal faction)

Source: Compiled from *Amar Ujala* (Meerut), October 11, 1996.



have generally tended to support the statehood demand. The SP and BSP, even though not very favourably inclined to this demand, have nevertheless sided with it by passing a resolution in its favour during their reign in Lucknow. The BJP had already done so during Kalyan Singh's chief ministership earlier. Even the CPI has always supported the creation of a hill state. The Congress prefers a 'regional council' type arrangement or a union territory status for the region. Thus it is only the CPM which does not favour the creation of Uttarakhand, but then it has practically no support base in the region.

It is this 'consensus' in favour of the demand for a hill state that has somewhat changed the political scenario in the Garhwal-Kumaon hills. While all parties favour the demand, none has finally succeeded in appropriating it fully. Even the only regional party of the hills that owes its very name and origin to the demand for Uttarakhand, the UKD, has failed miserably in consolidating the gains of its efforts to mobilise the masses on this issue in last three to four years. It is in this context that the Lok Sabha and the vidhan sabha polls in 1996, and the Lok Sabha poll in 1998, need to be analysed in order to understand the swiftly changing fortunes of some of these parties.

Ever since the demand for Uttarakhand 'massified', the UKD, the only regional party in the UP hills, has spearheaded the agitation. The UKD which was founded in the late 1970s had raised the demand several times in the past as well, but it remained a marginal force in the absence of a mass-base of the movement. The demand in fact remained confined to intellectual circles and consequently, at the polls it could hardly generate any sentiments in favour of the pro-Uttarakhand candidates. It was precisely this that enabled the national parties in the past to keep their electoral bases intact in the region. The Lok Sabha elections held in 1996 were the first when the issue was brought on to the agenda. Earlier, in the 1991 Lok Sabha elections, the BJP had swept the polls, winning all the four seats from the region. Even though the 'Ram-wave' was largely responsible for this, the BJP's attempt to appropriate the Uttarakhand slogan ('Uttaranchal' as it calls it), was also partly responsible for the handsome margins with which the BJP candidates won the seats. However apart from passing a resolution in the UP state assembly during chief minister Kalyan Singh's regime (which was subsequently repeated even by the 'villain' of hill politics, Mulayam Singh Yadav's government in

UP), the BJP did nothing at the centre to create the hill state. Its sizeable strength at the centre between 1991-1996 had made the hill dwellers hopeful of some pressure being built up on the centre in this matter. This was the background to the declaration of Lok Sabha elections in March 1996. There was enough resentment among the people to boycott the polls to protest against the lackadaisical attitude of the centre. Since the UKD boycotted the elections, the people were left with very little choice except to vote for the national party candidates. Thus half the seats were won by the Congress (T) and the BJP each. Table 2 shows the declining fortunes of the BJP compared to its score in 1991.

The results of the Lok Sabha polls were along expected lines because there was no other serious contender in the region thanks to the boycott call. The Congress had long been out of the race in the region, as in the rest of the state. The SP and the BSP had earned the wrath of the hill dwellers during the agitation in 1994, resulting from the Muzaffarnagar incident of firing and rape. The Mussorie and Khatima firing incidents also generated hatred against the SP-BSP government.

Thus, except in Nainital, the SP-BSP remained at the fourth position. Only the Congress (T) posed a serious challenge to the BJP in the region, from whom it snatched two seats, Garhwal and Nainital. Both the winners, Narayan Dutt Tiwari and Satpalji Maharaj, were very popular candidates. Tiwari was not only the party's national president but was hailed as a 'parvat putra' (son of the hills) and 'vikasputra' (harbinger of development) in the Kumaon region. His defeat in the previous Lok Sabha polls was deeply regretted by his electorate in Nainital who insisted on 'correcting' this 'mistake' in the 1996 elections. Most buildings in the Kumaon hills are associated with his efforts to generate a climate for economic development in the hills during his two tenures as UP's chief minister.

The BJP retained Tehri and Almora seats from where its candidates Manbendra Shah, the ex-maharaja of Tehri, and Bachchi Singh Rawat, won by margins of 35,000 and 57,000 votes, respectively. Shah's margin was reduced by nearly 11,000 votes from that in the 1991 elections.

Throughout the UP hills the boycott call seemed to be evoking good response on the eve of the Lok Sabha poll (1996), but the euphoria generated among the Uttarakhand activists soon disappeared when, on polling day, a reasonably large number of voters (35-40 per cent) turned out to vote. This proved all those wrong

who had claimed that the hills had been totally alienated from the political parties who were not putting enough pressure on the centre to force it to accede to their demand. Two things accounted for this. The caste factor in some towns, where rajput-brahmin rivalries induced voters of their respective communities to vote for their candidates, leading to 'counter turnout'. The second factor was the logic of the 'first past the post' system where a candidate securing maximum votes would get elected, even if only a handful of voters finally turned out to vote. This made the whole idea of boycott look ridiculous, and the candidates could persuade the voters to turn up on the polling day.

#### IV

#### Recent Shifts and Future Prospects

It was only in May 1996 that the BJP had a setback in Uttarakhand when two out of the four Lok Sabha seats in the region were snatched from it. The two notable winners from the Congress (T), as mentioned earlier, were party president N D Tiwari himself, and Satpal Maharaj who subsequently became minister of state for railways. This was despite the fact that the BJP was the first party to have passed a resolution in the vidhan sabha for a separate state of 'Uttarakhand' during its reign in Lucknow. The anger of the people was then largely directed against the BJP's attempts to 'sabotage' the boycott call given by the Uttarakhand Samyukta Sangharsha Samiti (UKSSS), the joint action committee.

Most voters then believed that the political ambition of a party like the BJP was too compelling a factor to allow it to join an apparently 'non-political' movement like the one being launched for Uttarakhand state. The verdict in the vidhan sabha poll (October 1996), however, gave a nearly clean sweep to the BJP - 17 out of 19 seats in the region. The Kashipur seat in Terai and Chakrata in Jaunsar Bawar area were the only ones it lost. The party repeated this performance in the recently held 1998 Lok Sabha poll. This despite the absence of a 'Ram lahar' this time, and despite the United Front (UF) prime minister having announced from the ramparts of the Red Fort, the decision of his government to create a separate state of Uttarakhand. Deve Gowda had perhaps expected a change after this announcement in favour of the Congress (T), a constituent party of the UF. It seems that the entire thing boomeranged and even the support that had existed before for the party disappeared altogether. This per-

haps explains the defeat of N D Tiwari who until recently headed the Congress (T) before contesting the 1998 Lok Sabha election on Congress (I) ticket.

Besides the Congress (T) being the only constituent party of the UF having a base in the region, the UKD had also set its eyes on at least a sizeable chunk of seats, consequent to the agitation for a separate state it has spearheaded for over a decade now. It may be recalled that, unlike the BJP and the Congress (T), the UKD had not participated in the Lok Sabha poll held in May this year, in view of the boycott call given by the UKSSS.

The BJP sweep might appear somewhat startling to the people outside the region. But the Congress (T) and the Congress both had associated themselves with the leaders and the party (Mulayam Singh Yadav and SP) whose government in October 1994 was responsible for the 'humiliation' of the Uttarakhandis. Every attempt was made to keep the enquiry report from the public to protect the guilty, which increased the feeling against the two leaders, Mulayam Singh Yadav and Mayawati, especially against the former who had headed the administration at that time. A straight answer to the question from the Uttarakhand activists about reasons for the BJP's sweep, was the absence of any 'choice' before the hill dwellers.

Apart from these political parties, the only available alternative besides the BJP, was the regional party, the UKD. The latter, has been deeply divided itself. Besides having a fragmented leadership, it has suffered heavily on account of a lack of any serious effort to build the organisation from below. Most activists believe that the UKD has the 'largest number of leaders' – a sarcastic reference to the lack of organised and cohesive leadership. While it had successfully mobilised the people two years ago in favour of the demand for a separate state, it failed to translate this mobilisation into electoral gains. Consequently, in state assembly polls it saw humiliating defeats Table 3. First it gave a call for the boycott of Lok Sabha elections and then, for no apparent reason, fell in line at the time of the vidhan sabha poll. Many activists whom I met at Uttarkashi, Karna Prayag, Rudra Prayag, Gopeshwar, Joshimath and Dugadda, maintained that it was ridiculous on the part of the UKD to have boycotted the Lok Sabha poll. It would have been more sensible to dissociate itself from the vidhan sabha poll, as in any case the people were asking for severing their links not from Delhi but from Lucknow.

As a matter of fact, the UKD was not even responsible for the massive mobilisation for the separate state that took place in August 1994. It was essentially a spontaneous movement spearheaded by the students and their guardians (largely mothers) against the extension of the 27 per cent OBC reservations to the hill areas (where the 'backwards' constitute a mere 2-3 per cent of the population), and the statehood demand was only subsequently added by the UKD. It seems that the UKD wasted a good opportunity to ride the popular wave, largely due to its inability to rise above petty leadership interests and lack of grass roots workers capable of withstanding the temptation of seeing their names in the regional press every morning.

The BJP repeated its performance of 1991 in the 1998 Lok Sabha poll when it bagged all the four seats from the region defeating, among others, the popular leader N D Tiwari from the Nainital constituency.

The declaration from the Red Fort by the then prime minister, in favour of a separate state of Uttarakhand on indepen-

dence day 1996, and now the BJP-dominated central government's decision to form the state of Uttarakhand, have mollified the people in the region for the time being. However, the real challenge to the regional leadership is yet to come. While it is one thing for the regional elite to mobilise the masses and raise their expectations, it is quite another to channelise these aspirations so as to meet the rising expectations of the masses. Massification has its own limitations. Once a movement draws sustenance from the rank and file and enlarges its scope of influence, it tends to create its own momentum which cannot always be controlled by the leaders who first initiated the mobilisation. It is therefore very important for this leadership to raise its own stature and rise above petty jealousies and rivalries to cope with the political ambitions of the electorate. Only a politically wise and selfless leadership would be able to translate the tremendous enthusiasm that it was able to generate, into constructive efforts to build a new state of Uttarakhand.

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# Local Configurations and National Parties in Himachal Pradesh

T R Sharma

*The state of Himachal Pradesh is geographically divided into, one, tribal 'upper' areas which have an extensive horticultural belt producing for the market, and two, non-tribal 'lower' areas which have subsistence agriculture. The upper areas have not entirely shed the feudalism of the erstwhile princely states, while the lower areas nurse a grievance of being neglected. The state has a two-party system, Congress favoured by the upper areas and the BJP supported by the lower areas. The state has a history of electing to the assembly the party which rules at the centre as it is dependent on central financial assistance.*

## I Introduction

JUXTAPOSITION of statistics of 1998 Lok Sabha elections in Himachal Pradesh with the electoral data of the state relating to 1991 and 1996 elections reveals some very interesting features. The Congress party's vote share which had risen from 46.2 per cent in 1991 to 54.3 per cent in 1996 fell to 41.5 per cent in 1998. It is interesting to note that the 1996 upswing for the Congress Party came in the hill state at a time when its electoral fortunes sharply declined in the rest of the country and its tally of seats fell from 232 to a dismal 140 – an all-time low. Further, the 1998 dismal showing of the party in the state came at a time when it improved its vote share and tally of seats in the country as a whole. The party also suffered badly in the 1998 vidhan sabha elections which were held simultaneously with the Lok Sabha polls. Here, the party's tally of seats which was 52 in the dissolved house dropped to 31. Its vote share dropped from 49.3 in the 1993 assembly poll to 43.3 per cent. The BJP's track record is no less interesting. While it had won two of the four Lok Sabha seats in the state in 1991, it drew a blank in 1996. Its vote share fell from 42.8 per cent in 1991 to 39.6 per cent in 1996. The 1998 election shafted this downslide of the BJP. Even though its vote share did not show any notable increase over 1996, it was able to capture three of the four Lok Sabha seats. The total rout of the BJP in 1996 and its spectacular come back in 1998 in terms of seats won, despite the fact that there was hardly any swing in its favour, is completely at variance with the general electoral pattern witnessed in the rest of the country. A close look at the electoral data of 1996 and 1998 also reveals that in many ways these two elections mark a clear departure from the earlier electoral trend where the popular verdict in the state, right since 1972, has

been very much in line with the pattern exhibited by the other state of the region, particularly by those of the Hindi heartland. It is necessary to explain the 1996 and 1998 variance by identifying the objective and subjective factors that account for it.

Before we do so, let us look briefly at some of the main determinants of electoral politics in the state: physiography, demography, history, socio-economic and politics. In physiographic terms most of Himachal Pradesh is mountainous and semi-mountainous, and bears close resemblance to the 'seven sisters' of north-east India;<sup>1</sup> only a small part of it is akin to the plains of Punjab. In common parlance the former is usually referred to as 'the upper area'; while the latter has come to be known as 'the lower area'. In demographic terms, 60 per cent of the state constitutes the 'non-tribal belt' and accounts for 96 per cent of its population; while the remaining 40 per cent area constitutes the 'tribal belt' and sustains only four per cent of the state's population. There is some overlap in the two categories (physiographic and demographic), and the upper areas do have some non-tribal population as well, although the converse is not true in that 'tribal belt' does not extend to the lower areas. As we shall argue later, the physiographic and the demographic factors have come to exercise considerable influence on the politics of the state particularly on its electoral politics.

In addition to these physiographic and demographic factors, the politics of Himachal Pradesh is strongly influenced, almost determined, by the socio-economic factors and historical antecedents to which a brief reference seems appropriate.

At the time of its birth on April 15, 1948 as a part 'C' state of the Indian Union, Himachal Pradesh consisted of about 30 Shimla Hills princely states. The political structure of these princely states was totally undemocratic, the society was highly feudal and the economy was extremely primitive,

almost tribal. People lived in abject poverty and servility scarred their psyche. Centuries of oppression had rendered them too weak and too passive to aspire to break their chains. They had very little interaction with the outside world except through soldiers supplied for the defence of British rule during and between the two world wars. It was only towards the late 1930s and early 1940s that the Praja Mandal movement for the liberation of these states from the feudal princely order began to gain ground. However, the movement was limited to only a microscopic minority of political activists. The movement never acquired a mass character. It was after the integration of princely states into Himachal Pradesh and the holding of the first general elections in 1952, that the people of Shimla Hills got the first representative government.

## II Profile of Himachal Pradesh

The state's journey on the democratic road, which began in 1952, was not smooth. The democratic process got a setback when the status of Himachal Pradesh was downgraded to that of a union territory without a legislative assembly, in the wake of the 1956 reorganisation of states. In fact the very survival of Himachal as a separate political unit was threatened. It was in 1963 that the legislature was restored. Three years later, in November 1966, the hilly areas of Punjab – Kangra, Kullu, Lahaul-Spiti, etc – were transferred to Himachal, at the time of the linguistic reorganisation of Punjab. The population and territory of the state nearly doubled with this transfer which ultimately paved the way for elevating the status of Himachal Pradesh once more from a union territory to a state in 1971.

It needs to be noted that the 'new areas' which were added in 1966 were quite different from the 'old areas', not only politically but also economically. They

had been part of Punjab province since its annexation in the British Empire during the mid-19th century. Consequently, they had had limited but continuous experience of democratic institutions during the British rule and more so after 1947. The level of political consciousness of the people of the 'new areas' was much higher than that of the 'old areas'. The freedom movement had had wide popular support in Punjab right since the days of the non-cooperation movement of 1920. Several leaders of the 'new areas' had played a very important role in the freedom movement under the auspices of the Indian National Congress and had rubbed shoulders with prominent leaders like Nehru and Gandhi. The transfer of 'new areas' brought together two sets of people who were not without prejudices about each other. Moreover, although the two could be said to be culturally somewhat similar, their political culture was quite dissimilar. These prejudices and the dissimilarity in political culture were often reflected in the politics of the state.

The transfer of 'new areas' has another dimension which has all along affected the state's politics. The transfer of 'new areas' has another dimension which has all along affected the state's politics. Before their merger with Himachal these areas were on the 'periphery' of Punjab not only in a physical sense but also in politico-economic sense. After their merger they came to the centre stage – at least so the leadership of these areas thought. However, it soon realised that enough political space was not readily available to it in the new set-up. Consequently, some tension developed between the political leadership of the two areas. The two developed divergent perceptions and competing political aspirations. While the leadership of 'new areas' usually boasted of its stellar role in freedom movement to justify its present clamour for a dominant role in the politics of the state, the leadership of the 'old areas' took advantage of its entrenched position in the state's power structure to keep the former at bay. To some extent, there developed a feeling of relative deprivation in the 'new areas'. It will hardly be an exaggeration to say that even today, 30 years after the merger of new areas, the politics of the state, in many important ways, is projected along the 'old-new' divide.

The economic factor has further accentuated this 'old-new' cleavage. Himachal Pradesh consists of two distinct agro-climatic zones: the horticultural and the agricultural. The two have hardly anything in common. While the 'new areas' are predominantly agricultural; the 'old

areas' have an extensive horticultural belt. For reasons of terrain and topography the agricultural zone is fit only for subsistence farming, while production in the horticultural zone is mainly for the market. The former is hardly able to generate any surplus, while the latter does so in considerable measure. Moreover, agriculture still continues to be labour intensive, while horticulture is increasingly becoming capital intensive. Infrastructural needs of the two economies are quite different. The two have different priorities and usually compete for state patronage, and resources. Over time, the two economies have created sharp economic differentials between the two regions – the horticultural region has moved ahead, while the agricultural region has lagged behind. This gulf continues to widen because agriculture is not half as remunerative as horticulture. The diverse historical antecedents of 'old' and 'new' and the economic cleavage of horticultural and agricultural zones reinforce each other rather than cut across each other.

Himachal Pradesh is predominantly a rural state. Hence there is no rural-urban cleavage. Similarly there is no communal cleavage because nearly 96 per cent of the state's population is Hindu. The remaining 4 per cent consists of Muslims, Sikhs, Buddhists and others. On the communal plane the situation in Himachal is so different from rest of the country that most analysts/social scientists find it difficult to fully reconcile themselves to this scenario. In addition to 'old-new', 'upper-lower' horticultural-agricultural and 'tribal-nontribal' cleavages, the other cleavage that gets reflected in politics is that on caste lines. But the character of this cleavage is quite different from caste cleavages in other states of the Hindi heartland. Table 1 shows the caste demography of Himachal Pradesh. Tables 3 and 4 show the caste and community composition of the elected representatives of the state.

Table 1 shows that the middle castes and the OBCs, who have come to play a decisive role in the politics of several other states of the country, are virtually non-existent in this hill state. Among the OBCs, it is only a small ghirath community which is concentrated around Nagrota which is of some political consequence but its overall influence in the state's politics is minimal. Among the middle-castes, it is the khatri community which has some political articulation in Kangra and Chamba. However, the total population of the OBCs and middle castes taken together would be only around 15 per cent. Nearly 30 per cent of the population consists of scheduled

castes and scheduled tribes. While the former are evenly scattered all over the state; the latter are concentrated in three identifiable belts. The majority of the state's population consists of the two upper castes: the rajputs and the brahmins. In fact, the rajputs constitute the most dominant caste, numerically as well as otherwise. Of course, within each upper caste there is a hierarchy of sub castes. The sort of de-Sanskritisation that has overtaken the other states has not touched Himachal Pradesh in any significant manner, at least not yet. The only notable demand which has been articulated by now and then is by the gaddies of new areas and the gujjars to get a scheduled tribe status. In sum, the struggle for power on caste lines is not there in the same intensity as in some other states. Whatever little of it is there, exists only between the two upper-castes. Here it needs to be remembered that in the 'old areas' the rajputs have a definite advantage in this race because, historically, they have been in the ruling position in the princely order. The other caste-group is in an advantageous position, in relative terms, is that of the khatries, whose economic clout has helped them to gain a foothold in the politics of the state.<sup>2</sup>

### III Two-Party System

It is these socio-economic factors coupled with the historical antecedents that have all along shaped politics in the state, particularly its electoral politics. The

TABLE 1: DEMOGRAPHIC COMPOSITION IN HIMACHAL PRADESH CASTE\*/COMMUNITY (DESCENDING ORDER BY SIZE)

Name	Per Cent Share
Upper Caste	56.0
Rajputs	28.0
Brahmins	20.0
Vaishyas/Khatris	8.0
OBC	10.5
Ghiraths	6.5
Gujjars	1.5
Others	2.5
Scheduled Caste	25.3
Chamars	15.0
Balmikies	3.0
Others	7.3
Scheduled Tribe	4.2
Kinnaurs	1.7
Lahaulas	1.0
Gaddies/Pangwals	1.5
Muslims	1.7
Sikhs	1.0
Buddhists and others	1.3

Note: \* Authentic figures about population of various castes are not available. Therefore the above figures should be treated only as approximate. They have been compiled from different sources, formal and informal.

most significant impact of these factors has been the emergence of a clear-cut two-party system. The contest for power is only between the Indian National Congress and the Bharatiya Janata Party. Although both of them are all-India parties, they have developed some sort of a localised character. Willy-nilly each comes to be identified with an economic zone. The support structures of the two are also demarcated in such a way that one is strong in the old areas; while the other has its stronghold in the new areas. So much so that each has also acquired a caste identity. In short, the electoral politics in the state revolves around the Congress and the BJP. There is no regional party and third parties like the CPI, CPM, JD, SP, BSP have only a very nominal existence. It is only recently that a regional outfit founded by Sukh Ram, former union communication minister, named Himachal Vikas Congress has acquired a strategic position in the politics of the state. In a situation where the Congress and the BJP are evenly balanced the HVC is capable of tilting the scales in favour of the one with whom it chooses to align itself on terms dictated by it. Given the fact that Sukh Ram has been, for three decades a powerful leader of the Congress in the state he is more likely to erode the electoral base of his parent party than that of the BJP. Further, given the fact that Sukh Ram was unceremoniously thrown out of Congress in the wake of the telecom scam, the chances of his joining hands with it are not as bright as that of his aligning with the BJP. However, it is too early to say whether such a personalised political party would become a permanent feature in the politics of the state. The chances are that it will gradually disappear and the two-party system will continue.

The evolution of the two-party system in the state can be traced to the fourth general elections held in 1967. Till then, Himachal, like other states of the country, had only the Congress Party. The Congress Party's vote share during the first three general elections to the Lok Sabha ranged between 47.3 and 68.7 per cent which enabled it to capture all the seats. In the vidhan sabha/territorial council elections, the party was able to win a clear majority and its vote share ranged between 47.3 and 63.8 per cent. On the other hand, the Jan Sangh failed to win a single seat in any of the three elections and its vote share ranged between 2.2 and 5.6 per cent. In the vidhan sabha/territorial council elections, next to Congress the second largest chunk of seats and votes was captured by independents. Even the Kisan

Mazdoor Praja Party (KMPP), Swatantra, All-India Schedule Caste Federation (SCF), Praja Socialist Party (PSP) and communists registered their victory but the Jan Sangh's performance could not match them. The 1967 general elections mark a watershed in the electoral history of the state. The Jan Sangh, for the first time, made an impressive showing. Even though it did not win any seat to the Lok Sabha it polled 19.1 per cent vote which was higher than the percentage of votes polled by any other political party except Congress. In the vidhan sabha elections, its performance was even better. With merely 13.9 per cent vote, the party was able to capture seven seats in a house of 68. Incidentally, this was the first election after the merger of new areas and five of the seven seats won by the party were from these areas. These are Shimla, Bhota, Mewa, Hamirpur and Sulah.

After 1967 the Jan Sangh further consolidated its position and the two-party system struck roots. One significant development in the electoral history of the state has been that, after 1967, there have been no simultaneous elections to the Lok Sabha and the vidhan sabha. All vidhan sabha elections have been held after the parliamentary elections. Consequently, the outcome of the latter have decisively influenced the outcome in the vidhan sabha elections. This is so because in a small and poor state like Himachal Pradesh, which has to heavily lean on central assistance, the normal tendency of the electorate is to put that party in power in the state which is ruling at the centre. The assumption is that this would ensure smooth flow of funds to the state. There appears to be sufficient justification for this assumption. Be that as it may, the fact remains that electoral verdict in all the vidhan sabha elections, after 1967, has replicated the electoral verdict of the Lok Sabha elections.

At the time of the 1971 Lok Sabha elections the popularity of Congress was very high, partly because of some radical measures initiated by Indira Gandhi and her slogan of 'Garibi Hatao'. In Himachal Pradesh there was a strong pro-Congress wave because in January 1971 it was accorded statehood. Consequently, the Congress polled an unprecedented 75.8 per cent vote. But even in the midst of this wave, the Jan Sangh was able to poll 10.6 per cent vote. The popularity graph of the Congress further improved because of India's role in the liberation of Bangladesh in late 1971. Consequently in the 1972 vidhan sabha poll, the Jan Sangh's vote share declined to 7.7 per cent but it was

able to win five seats in the assembly, including three which it had won in 1967 in the new areas. One can say that, by 1972, some assembly segments had clearly become strongholds of the Jan Sangh. However, the party was yet in no position to displace the Congress from its ruling position.

It was in 1977 that several non-Congress political parties came together to form the Janata Party. It swept the Lok Sabha poll in all the states of north India and the Congress Party drew a blank. In Himachal, the Congress vote fell to 38.6 per cent, the lowest ever. In the vidhan sabha elections, held a few months later, the Congress was completely routed. It could win only nine seats in a house of 68. The Janata Party secured a massive majority, winning 53 seats. The character of Janata Party in Himachal Pradesh was such that its major constituent was the Jan Sangh. Other constituents like Congress(O) and Congress for Democracy were only minor partners. Consequently, after the assembly poll, Shanta Kumar of Jan Sangh became the chief minister. However, his election as leader of the Janata legislative party was not without a contest. In fact, a lot of bitterness was created between Jan Sangh and non-Jan Sangh components of the party because of this contest. Caste and regional feelings were whipped up. Thereafter, the Janata Party in the state remained highly faction-ridden all along and the chief minister was repeatedly forced to seek a vote of confidence.

Two years of Janata rule were politically quite eventful. The Jan Sangh used this period to consolidate its support-base at the cost of other constituents of the alliance. One way chosen was to project itself as the dispenser of justice to the new areas, which stood discriminated against, at the hands of Congress governments. Secondly, this was done by inducting all the heavyweights of the Jan Sangh group in the council of ministers and by assigning them important portfolios. On the other hand, only lightweights of non-Jan Sangh components found berths in the ministry and they were given only the less significant departments.

When the Janata Party finally split under the weight of internal dissensions, the BJP was able to walk away with most of the organisational network. However, it could retain only 23 of the 53 party legislators and was reduced to a minority in the assembly. Despite its broadened support base, it was unable to retain any of the four Lok Sabha seats during the 1980 parliamentary elections even though it polled 36.4 per cent vote which was quite

impressive. With the Congress having polled 52.1 per cent vote, the two main political parties accounted for 88.5 per cent of the votes polled. The rump Janata Party's performance was very poor and its vote share was only 5.3 per cent in the parliamentary elections. In other words, the BJP was able to win over most of the Janata Party's electoral base. However, the failure of the BJP to win any Lok Sabha seat in the parliamentary elections from the state, coupled with the return of Indira Gandhi to power at the centre had its fallout and the Shanta Kumar government had to bow out. Soon the Congress was able to form its government. Although in 1977 it had won only nine seats in a house of 68, it managed to secure a majority by admitting large number of Janata Party legislators. The Congress continued to rule the state for about two years through this make-shift arrangement.

In the 1982 vidhan sabha elections, both the parties made a serious bid for power. However, the electoral verdict was unclear. It was a hung assembly. Both the parties were almost evenly balanced. While the Congress bagged 31 seats, the BJP got 29. The vote share of the Congress was 42.5 per cent, while that of the BJP was 35.2 per cent. The Janata Party was virtually wiped out and could win only two seats. Its vote was a miserable 4.2 per cent. It is interesting to note that 20 out of the BJP's 29 seats came from the new areas, while only nine came from the old areas. On the other hand, out of 31 seats won by the Congress only 10 were from the new areas.<sup>3</sup> The remaining 21 came from the old areas. The 1982 vidhan sabha clearly established the fact that the BJP had been able to sell the argument that the new areas were getting a step-motherly treatment from the Congress government and only the BJP could protect the legitimate interests of this region.

The 1984 Lok Sabha and 1985 vidhan sabha elections were held following the assassination of Indira Gandhi, which caused a strong sympathy wave in favour of Congress. Consequently, in the parliamentary poll, the Congress Party's vote in the state swelled to 67.6 per cent, while that of the BJP fell to 23.3 per cent. Interestingly, in the vidhan sabha elections, which came close on the heels of Lok Sabha poll, the BJP recovered some of the lost ground and its vote share rose to 30.6 per cent, while that of the Congress fell to 55.4 per cent. However, it was enough to ensure massive majority for the Congress. The BJP could win only seven seats, while Congress won 58 – an all-time high. The break-up of these 58 seats reveals

that the party retained 30 of the 31 seats that it had won in 1982. It lost only one, Thural. It snatched 22 constituencies where the BJP had won in 1982. Its remaining six victories were in constituencies where the Janata Party and independents had won in the earlier elections. Thus, the Congress fully recovered the ground that it had lost in 1977 and 1982 to the Janata Party and the BJP.

In terms of its support structure, the 1996 Lok Sabha poll shows that the BJP had little support among the youth. Its main electoral support came from 46-55 age group voters (Table 2). It also has a very weak base among women voters. The party seems to have improved its position among both these segments in 1998.

Similarly, among the scheduled castes and scheduled tribes, the BJP's influence marginal in 1996. But it improved its position in 1998 among these segments, particularly among the tribals. Its major support comes from the two upper caste groups, namely, the brahmins and the rajputs. The poor and the very poor are still within the Congress fold, while the BJP has considerable support in the middle class and the highly educated strata of the electorate. However, numerically this strata is very small. The illiterate and less educated voters are largely with the Congress. In terms of the regional spread of Congress and BJP's electoral support, one finds a paradox. The Congress which is a centrist party is strong in the old areas which had been under princely feudal rule before 1947. On the other hand, the BJP which is a rightist political outfit, is strong in those areas which were part of Punjab before 1966 and have had considerable experience of electoral politics.

#### IV

##### Recent Electoral Experiences

On the eve of the 1989 Lok Sabha elections in the country, the Congress was engulfed in intense intra-party factionalism. The Janata Dal as a national party was making waves. Credibility of the Congress leadership had been seriously eroded because of alleged kick-backs in the Bofors deal. All these factors had their fallout on the Congress party's electoral fortunes during the parliamentary poll. In Himachal, the party's performance was poor and it retained only one of the four seats. This was the Shimla reserved seat which falls in the old areas. All the remaining three seats which were general seats were won by the BJP. One of them, Mandi, falls largely in the old areas, while the other two – Kangra and Hamirpur – fall in the new areas. The Congress' loss

of the Mandi seat was primarily on account of wide-spread resentment generated due to rising prices and scarcity of sugar, for which the minister of civil supplies, Sukh Ram, who represented this constituency was blamed.

Emboldened by its impressive performance in the Lok Sabha elections; the BJP made a serious bid for power during the 1990 vidhan sabha elections. To avoid division of non-Congress vote it entered into electoral alliance with the state unit of the Janata Dal. As a part of this alliance the BJP contested only 51 (i.e., 75 per cent) seats and left the remaining 17 (i.e., 25 per cent) for the Janata Dal. This strategy paid expected dividends to the BJP which polled 41.8 per cent vote and won 46 of the 51 seats that it contested. The performance of the Janata Party was equally impressive. The party increased its vote share to 10.8 per cent and captured 11 of 17 seats contested. The Congress which had 58 seats in the dissolved house was reduced to a single digit, having won only nine seats. Thus, the party was pushed once again to its humiliating position of 1977 in the state. This was the only time after 1977 when there was some sort of electoral alliance between the BJP and the JD. In all the remaining elections, each political party contested the elections on its own.

However, having won a massive majority for itself, the BJP did not opt for a coalition government. Rather, it decided to form its own government. This decision of the BJP significantly affected the future pattern of politics in the state. The JD having won 11 seats seemed to be emerging as the third force. However, after the poll it was neither a part of the government nor a part of the opposition because it had been BJP's electoral ally. The JD remained afloat for a while but gradually most of its legislators gravitated towards and joined the Congress. Of course, this was done by the JD members more with a view to securing their political future than for any ideological reasons. They fully realised that they could exist only by aligning with one of the two principal parties of the state. However, the BJP, being a cadre-based party and sitting pretty with a massive majority in the house, was not in a mood to oblige them. On the other hand, the Congress was ready to admit them hoping that their admission would enhance the party's electoral chances, which it actually did. Thus, the Congress contributed in a big way to the development of a two-party system in the state. It did not allow the JD or the Janata Party to gain any foothold. Rather it facilitated their disintegration.



The 1991 Lok Sabha elections showed that the Congress and the BJP were almost evenly balanced. While the Congress bagged 46.2 per cent vote; the BJP got 42.8 per cent. With just 4 per cent addition to the tally of votes that it had polled in 1989, the Congress Party increased its tally of seats from one to two in 1991; while the BJP's loss of just 2.5 per cent vote cost it one of the three seats that it had won in 1989. The Congress victory was in constituencies in the old areas, while the BJP victories were in the new areas. Assembly segmentwise analysis of the two Lok Sabha constituencies, where the Congress won, reveals that the party led in 21 segments, while the BJP led in the remaining 13 segments. On the other hand, in the two Lok Sabha constituencies where the BJP won, it led in 21 segments while Congress led in 11. In the remaining two segments it was the JD candidate who led. This election revealed that in electoral terms the BJP was nearly as strong in the new areas as the Congress was in the old areas.

However, this equation radically changed during the 1993 vidhan sabha elections where the Congress polled 49.4 per cent vote and captured 52 seats. The BJP's vote declined to 36.1 per cent and its tally of seats dropped to eight. One reason for this unprecedented recovery by the Congress was the fact that the party was ruling at the centre and this fact tilted the balance in its favour in the state. But more important than this, it was due to wrong and unimaginative policies of the Shanta Kumar government that the BJP had to face the voters' wrath. Two powerful lobbies which the BJP government had annoyed during its rule were horticulturists and government employees. The BJP withdrew apple support price which the Congress governments had all along given to the growers. Instead, it came out with a market intervention scheme. This led to huge losses to the orchardists. The BJP government was also lukewarm on the issue of supply of various inputs to the fruit-growers and soft pedalled the provision of infrastructural support to them. When the orchardists agitated, there was police firing which resulted in some casualties. Thereafter, the whole fruit-growers' lobby turned against the BJP. Secondly, when the state government employees went on strike in support of their demands, the BJP government invoked the 'No Work No Pay' rule. Some employee leaders were dismissed, terminated and a large number were transferred to punishment stations. The BJP became so unpopular that Shanta

Kumar and several of his ministers had to face a humiliating defeat in 1993.

After coming to power in 1993, the Congress has followed a single point programme. It has been trying to weaken the BJP strongholds in the new areas. It has initiated several measures to squarely meet the charge of discrimination. Special attention was paid to undertake development programmes in these areas. Farmers in the new areas have been persuaded to take to cultivation of fruit and vegetables. Attempts have also been made to project Dharamsala, which falls in the new area, as the winter capital of the state. Several government departments have been asked to open their zonal office there. Two new radio stations, one at Dharamsala and the other at Hamirpur, have been commissioned. In matters of opening and upgrading educational institutions the new areas are being given preference.

The ruling party has also been trying to undo the injustice meted out to the employees by the previous BJP government. Dismissal and termination orders to some of them have been revoked. The strike period has been adjusted against leave. In the old areas the grievances of apple orchardists have been suitably removed. All these measures have pushed the BJP to the wall. There is no issue on which it may mobilise the electorate against the Congress government.

#### V Elections of 1998

The net outcome of these efforts of the Congress Party during three years of its rule in the state has been its 'unexpected' – though not-so-unexpected – success during the 1996 Lok Sabha poll. The party not only retained the two seats it had won in 1991 but also wrested the remaining two from the BJP. The party bagged 54.3 per cent of the votes polled; while the BJP got only 39.6 per cent. Thus the Congress victory in Lok Sabha elections in the state was both comfortable and convincing. The assembly segmentwise analysis of voting figures shows that the Congress led in 55 segments; while the BJP led only in 13. Out of these 13, as many as 10 are in the new areas and only three are in the old.<sup>4</sup> A comparison of the Congress Party's performance in 1991 and 1996 Lok Sabha elections shows that there are 33 assembly segments in which the party led in both the elections. These 33 are so distributed that 11 each lie in Shimla (reserve) and Mandi parliamentary constituencies, three in Kangra and eight in Hamirpur parliamentary constituencies. The Congress also snatched two segments from the JD. In

other words, the Congress was not only able to consolidate its electoral support in the old areas but also stabilised itself in the new areas. There is only one assembly segment (Nalagarh) where Congress had led in 1991 but which it lost to the BJP in 1996.

The failure of the BJP to retain any of the two Lok Sabha seats was the result of continuous efforts of the Congress to keep the anti-people measures of the BJP government fresh in public memory. In addition, the BJP defeat was also the result of some personal factors. In the Kangra parliamentary constituency, the BJP instead of fielding its sitting MP, D D Khanooria, decided to put up the former chief minister of the party, Shanta Kumar as its candidate. For a vast section of the Kangra electorate, the candidature of Shanta Kumar, was like a red rag to a bull. The employees' leaders jumped into the fray and openly campaigned against the BJP candidate. In Himachal, government employees constitute one of most articulate sections of the electorate and their stiff opposition was enough to seal the fate of the BJP candidate.

In Hamirpur parliamentary constituency, the BJP fielded its sitting MP, Prem Kumar

TABLE 2: WHO VOTED FOR WHOM IN  
HIMACHAL PRADESH, LOK SABHA, 1996

	INC	BJP	Others
Age (years)			
25 and below	73.3	26.7	
26-35	61.5	30.8	7.7
36-45	70.0	20.0	10.0
46-55	54.5	45.5	
56 and above	84.6	15.4	
Sex			
Male	63.9	30.6	5.6
Female	76.9	23.1	
Education			
Illiterate	86.4	13.6	
Primary and middle	62.5	33.3	4.2
Intermediate	72.7	27.3	
Graduate and above	20.0	60.0	20.0
Religion			
Hindu	68.3	23.3	3.3
Muslim			
Christian			
Sikh			
Others			
Caste			
Scheduled caste	75.0	25.0	
Scheduled tribe	100.0*		
ORC	100.0*		
Others	64.5	32.3	3.2
Locality			
Rural	69.4	27.4	3.2
Urban			
Class			
Very poor	66.7	22.2	11.1
Poor	73.7	26.3	
Middle	57.9	36.8	5.3
Upper	75.0	25.0	

Note: \* Number of cases is one.



Dhumal. He had carefully nursed this constituency since 1989. He was a formidable candidate and Congress needed all its political acumen to defeat him. The character of this constituency is such that it is spread over four districts. Of the 17 assembly segments which constitute it, three segments fall in Kangra district, four in Bilaspur and five each in Hamirpur and Una districts. Dhumal belongs to Hamirpur district, and was bound to sweep the five segments of the district. To counter it, the Congress decided to put up a candidate who hailed from Una district. The calculation was that as soon as the election campaign picked up, the interdistrict rivalry was likely to come into play. If the BJP could play up district identity to garner votes for Dhumal in Hamirpur, the Congress could do the same for its candidate in Una district. This is precisely what happened. While Dhumal led in four out of the five assembly segments that fall in Hamirpur district, the Congress candidate led in all the five assembly segments of Una district. The total lead of BJP in Hamirpur district was 12,561 which was more than neutralised by the lead of Congress in Una district which was 21,598.

There was another factor which went in favour of the Congress candidate. Hamirpur parliamentary constituency has a very large number of ex-servicemen voters. The BJP candidate, Dhumal, has no background as an ex-serviceman. On the other hand, the Congress put up a retired major-general as its candidate. This earned him a substantial portion of ex-servicemen votes. Moreover, the Congress candidate belonged to the dominant rajput caste. As against this, the BJP candidate belonged to the minority middle caste. The Congress kept the social demography of the constituency in mind while selecting the party nominee for the Lok Sabha poll. In sum, one can say that the BJP's decision not to nominate its sitting MP in Kangra parliamentary constituency and the Congress strategy of putting up a retired general in the Hamirpur PC which has number of ex-servicemen led to routing of the BJP.

In the wake of such impressive electoral outcome the Congress government in the state began with a fairly high popularity rating. It seemed that the BJP would find it difficult to make inroads in its support base. The Congress Party's chances of retaining power during the vidhan sabha elections which were scheduled to be held in November 1998 seemed good. Despite such a favourable situation, the Congress apple-cart up-turned during the 1998 Lok Sabha poll which was necessitated by the sudden fall of the United Front government

consequent to the withdrawal of support by the Congress Party. The performance of Congress was poor. It could retain only one of the four seats that it had won in 1996. It is a reserved seat and 15 of its 17 assembly segments are in the old areas. Looking at the state as a whole one finds that while the Congress had led in 1996 in 55 of the 68 assembly segments; in 1998 it led only 17. Its worst performance in this election has not only been in Kangra or Hamirpur parliamentary constituencies both of which fall in the new areas, but also in Mandi which falls mostly in the old areas. In this constituency, the Congress Party had led in all the 17 assembly segments in 1996, but in 1998, it could maintain its lead only in two (Rampur and Nachan), both of which are reserved and fall in the old areas. The BJP showing in the state as a whole has been quite impressive. While in 1996, it had led only 13 assembly segments, in 1998, it led in 51.

The performance of the Congress Party in the 1998 vidhan sabha poll was equally unimpressive. While the party's tally of seats decline from 52 to 31, its vote share dropped from 49.3 per cent to 43.3 per cent. Constituencywise analysis shows that out of 52 wins in 1993, 22 of which were in the new areas and 30 in the old, the party could retain only 27 (seven in the new areas and 20 in the old).<sup>5</sup> The party lost 15 in the new areas and 10 in the old. It won another four seats which it had lost in 1993.<sup>6</sup> Three of these were won in 1993 by independents and one (Theog) by the BJP. On the other hand, the BJP retained seven out of eight seats that it had won in 1993.<sup>7</sup> The BJP which had been groping for a substantive issue

on which it could challenge the ruling party suddenly rose to the occasion and made an impressive showing at the hustings.

Several factors contributed to this 1998 electoral somersault. Among them the most significant ones that need to be mentioned are the following.

*Vajpayee factor:* There was a general feeling in the country that in the Lok Sabha elections the BJP was most likely to emerge as the single largest party and was likely to form government at the centre, singly or in association with smaller parties. Given the fact that Himachal Pradesh suffers from acute financial crunch, the electorate usually votes for that party in the Lok Sabha and vidhan sabha elections whose chances of forming a government at the centre appear the brightest, for, that makes the flow of funds from centre to the state in the form of special grants possible.<sup>8</sup> This factor weighs heavily with the electorate of the state. It was this consideration that prompted Virbhadra Singh to recommend the dissolution of state legislature one year in advance. And it did pay rich dividends to the party and it lost power to the BJP only by a whisker. It may be recalled that Congress won 31 of the 65 seats for which polling was held in February 1998. If the elections to the state legislature were held on schedule in November 1998 after the installation of a BJP government at the centre the chances were that the Congress tally would have been reduced to a single digit. This is amply borne out by the fact that the Congress lost all the three tribal assembly seats for which elections were held (in the second phase in June 1998) after the installation

### Call for Papers

The INDIAN STATISTICAL INSTITUTE—Delhi Centre is organizing its Annual Conference on Economic Theory and Policy during November 29–December 1, 1999. Scholars are invited to submit completed research papers, which should reach the I.S.I. by **September 30, 1999**. Contributions will be refereed and decisions communicated to the authors by October 15, 1999. Participants will be paid AC 3 tier Rajdhani fares (return) and be provided local expenses and accommodation.

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of Vajpayee government at the centre. Not only that, in the Lok Sabha poll held in June for the Mandi parliamentary constituency, the Congress conceded lead to the BJP in 15 of the 17 assembly segments, while the February 1998 vidhan sabha poll, the party had led in six of the 14 seats elections to which were held then.

**Sukh Ram factor:** The second factor that decisively upset the Congress apple-cart may be called the Sukh Ram factor. The former union communication minister, after his ouster from the Congress Party in the wake of telecom and other scams, floated a local political outfit called the Himachal Vikas Congress. Its presence made the electoral contest in the state virtually triangular. It was able to split the Congress support base. Although it could win only five seats it led to the defeat of Congress candidates in at least nine other assembly constituencies falling in three different parliamentary constituencies. The most impressive showing by the HVC was in the Mandi parliamentary constituency. In this constituency, polling for 14 assembly seats was held in the first phase in February 1998. Out of them the HVC won four (Mandi, Karsog, Dharampur and Balh). The BJP won four (Kullu, Banjar,

Chachisot and Sundernagar) and the Congress six. In the other three segments which are part of Mandi parliamentary constituency, the polling for vidhan sabha was held in the second phase in June and the BJP won two and the HVC one. Polling for the whole Mandi Lok Sabha seat was held in all the 17 assembly segments during the second phase. Here the BJP won in 15 and Congress in two (Raipur and Nachan). (Sukh Ram who was contesting the Lok Sabha election as the HVC candidate, retired from the contest in favour of the BJP candidates.) It is interesting to recall that in 1996, the Congress candidate, Sukh Ram, had led in all the 17 segments and in 1991 the Congress candidate had led in eight and the BJP in nine. Thus in 1998 Congress' performance was the worst ever in this constituency. The political clout of Sukh Ram which borders now on a sympathy wave has been so immense in his home district that the HVC which polled only 8 per cent vote on the whole, secured as high as 29 per cent votes in this district. The Sukh Ram factor alone can be said to have led to loss of power by the Congress in the state.

**Dhumal factor:** Third factor revolves round the candidature of Prem Kumar Dhumal. The decision of the BJP leadership to project him as its chief ministerial candidate instead of Shanta Kumar, proved quite productive. He had represented the party in the Lok Sabha from Hamirpur during 1989-91 and again during 1991-96. Unlike Shanta Kumar, he faced no hostility from any segment of the electorate. The fact that he belonged to the lower area as against his Congress counterpart become an important election issue in the lower areas, particularly in Hamirpur district where the BJP's vote share swelled to 56 per cent, 17 per cent higher than the state average. (Of course, the same is true of Congress vote share in the Shimla district which rose to 58 per cent, 15 per cent higher than the state average.)

**Feudal factor:** Another factor of which mention may be made, is the presence of several feudal elements in the Congress camp. The HVC and the BJP, particularly the former, projected Congress Party in the state as a feudal outfit. Although the BJP's Lok Sabha candidate from the Mandi parliamentary constituency (Maheshwar Singh) and vidhan sabha candidate from Banjar (Karan Singh), both belong to the erstwhile princely house of Kullu, they paled into insignificance when compared to the long list of Congress candidates in the fray which included the Raja of Rampur Bushehar (Virbhadra Singh), the Raja of Nalagarh (Vajinder Singh), the Rana of

Jubbal (Yogendra Chandra), the Raja of Kutlehar (Mahendra Pal), the Rani of Chamba (Sha Kumari) and Aishwarya Katoch (of a small fiefdom of Kangra). In addition, Pratiba Kumari (wife of Virbhadra Singh) was the Congress candidate from Mandi. The HVC supremo Sukh Ram during his election campaign articulated the view that his fight was against 'rajwadashahi'. In sum, one can say that discrimination against the lower areas, the entry of Sukh Ram's HVC into the electoral fray and the call given by him to overthrow rajwadashahi determined the outcome of the 1998 poll. The Congress articulated two issues: the issue of stability and the issue of equal development of upper and lower area. Of these two, the first did sell but not the second.

## Notes

- 1 HP has only 0.6 per cent of the total population of the country and only 1.7 per cent of the total area. Nevertheless, populationwise it is larger than Sikkim and six of the seven sisters of north-east (Assam being the only exception), and areawise it is larger than several states - Goa, Haryana, Kerala, Manipur, Meghalaya, Nagaland, Punjab, Sikkim and Tripura.
- 2 One must also keep in mind the pacifist nature of politics in Himachal Pradesh. It is quite unlike other hill states or hilly regions of the country which are often in the news for violent movements/agitations demanding greater autonomy. Sometimes these movements acquire secessionist overtones. However, Himachal in this respect continues to be a 'no news' state although it is no less strategically located. Because of the pacifist nature of its politics some of its very genuine and legitimate demands also get ignored as much by the centre as by the neighbouring states. There is also a tendency to treat the state as a fiefdom.
- 3 Constituencies in the new areas where the BJP won are Nadaun, Hamirpur, Gagret, Gangath, Jaswan, Pragpur, Palampur, Sulah, Nagrota, Dharamsala, Kullu, Shimla, Bamsan, Una, Jawah, Jawalamukhi, Kangra, Banjar, Ani and Nadaunta. Constituencies in the new areas where the Congress won are: Chintpurni, Nurpur, Nalagarh, Mewa, Thural, Santokhgarh, Bajgir, Guler, Baijnath and Lahaul-Spiti.
- 4 These ten are: Shimla, Nalagarh, Thural, Palampur, Sulah, Hamirpur, Bamsan, Mewa, Nadaunta and Pragpur. The three segments in the old areas are Gehrwin, Banikhet and Bhattiyat.
- 5 Seven in the new areas are: Gagret, Una, Jaswan, Baijnath, Guler, Palampur and Ani.
- 6 These are Chopal, Nagrota, Nachan and Theog.
- 7 These are Bilaspur, Hamirpur, Mewa, Kutlchar, Pragpur, Thural and Dharamsala.
- 8 This expectation of the electorate has been substantiated more than once. In fact the present Vajpayee government within three months of its installation sanctioned to the state a special grant amounting to Rs 2 billion.

TABLE 3: SOCIAL COMPOSITION OF MPs IN HIMACHAL PRADESH

Caste	Per Cent Share
Upper caste	75.0
Brahmins	25.0
Rajputs	25.0
Khatries	25.0
OBC	X
Scheduled caste	25.0
Chamars	25.0
Scheduled tribe	X

TABLE 4: SOCIAL COMPOSITION OF MLAs IN HIMACHAL PRADESH

Caste	Per Cent Share
Upper caste	63.2
Rajputs	42.6
Brahmins	14.7
Khatri/Vaishyas	5.9
OBC	7.4
Ghiraths	4.4
Gujjars	1.5
Others	1.5
Scheduled caste	23.5
Balmikies	2.9
Chamars/Kabirpanthis etc.	19.1
Dhimans	1.5
Scheduled tribe	4.5
Kinnaurs	1.5
Lahaulas	1.5
Gaddies	1.5
Others	1.5
Sikhs	1.5

Note: Exact caste identification in some cases has been very difficult.

# New Phase in Backward Caste Politics in Bihar

## Janata Dal on the Decline

Sanjay Kumar

*The process of realignment of social forces began in Bihar in the 1970s prompted by the aspirations of the middle caste groups for a share in political power. This process was most evident in the first half of 1990. The changing social composition of political representation today is a clear indicator that these caste groups have come to play a major role in state politics. However, 'backwardism' may not be the nature of politics in Bihar in the future, with the assimilation of larger social groups.*

BIHAR, economically, educationally and socially one of the most backward states of India, is also politically one of the most important not only because this Hindi heartland state accounts for 54 Lok Sabha seats, but also because the long process of democratisation has inculcated a sense of great empowerment among the people. The backward castes started sensing this empowerment as early as in the mid-1970s – a feeling which, in a way, fully bloomed in the early 1990s with the advent of Laloo Yadav as the chief minister. When he implemented welfare programmes for the lower sections of society, especially the dalits. In a state where traditionally, political power had remained with the upper-castes for a long time, this desire among the middle-caste groups for a share in power was bound to bring forth a process of social and political change leading to the realignment of newly emerging social forces. This process of realignment started in Bihar in the mid-1970s, initially a bit falteringly, but came into its full form in the first half of the 1990s, giving way very soon, to the process of 'dealignment' of these social and political forces.

This process of democratisation was not something which emerged suddenly, but was the culmination of long drawn political movements in the state, which date back to the pre-independence period. With nearly 80 per cent of the population depending upon it for their livelihood, agriculture formed the mainstay of Bihar's economy. But agricultural land remained monopolised by the three upper-castes – the rajputs, the bhumihars and the brahmins. The people belonging to the upper layer of the backward castes namely the yadavs, the kurmis or the koeris were left with very little land. But for some exceptions, other lower castes were mainly landless. During the pre-Independence period, the movement for land reforms was led by people like Swami Sahajanand Saraswati and Karyanand Sharma under the leadership of the Kisan Sabha. Since it was mainly the upper-castes who owned

land and were masters of social and political power, such movements got inevitably directed against them. It was mainly the backward castes owning some land, who formed the backbone of the movement, as they perceived a direct benefit from such reforms. Though it could not be carried to its desired results, some redistribution of land as a result of the Bhoodan Movement led to the breaking of the hold of the upper-castes over the land to a great extent.

With a bit of land and with the diversification of their occupational patterns, these backward castes were able to improve their economic status and emerged as a newly-rich rural agrarian class, popularly known as the 'kulaks', and started to play an important role in the social and the political sphere. On the other hand, such struggle also sowed the seeds of a sense of empowerment among the people. This assertiveness kept growing in some form or the other with various social and political movements, but took on a particularly intense form in the mid-1970s with the movement led by Jai Prakash Narayan in which, though it was an all-India movement, Bihar played a leading role and provided the backbone. This long-drawn movement ultimately led to the change of guard at the centre. As a fallout, these newly emerging 'kulaks', at least in Bihar, played an important role in this change of scenario.

The social struggle in the mid-1980s and in the 1990s, particularly in central Bihar, it has certainly inculcated a sense of empowerment among the deprived people actively associated with it though it could not bring about major changes in the social, political and economic spheres. This has been reflected in the various elections held in recent years. The increasing number of contestants in the successive Vidhan Sabha and Lok Sabha elections, and the increasing turnout over the years, bears testimony to it. The total number of contestants which was 1,602 during the 1952 Vidhan Sabha election

has gone up to 8,463 in 1995. In the same way, from 198 contestants during the 1952 Lok Sabha elections, the number has gone up to 1,448 in 1996 but declined to 451 in 1998 because of several restrictions imposed for contesting the election. The turnout of voters has also increased phenomenally, during this period. From 39.7 per cent during the 1952 Vidhan Sabha election, the turnout has gone up to 61.8 per cent in 1995. The 1998 Lok Sabha election witnessed a 64.6 per cent turnout as compared to 59.5 per cent turnout during the 1996 Lok Sabha election. The state which witnessed only 39.7 per cent turnout in 1952 Lok Sabha election, has certainly moved ahead towards the process of democratisation. Such struggles by different sections of the society has led to the process of alignment, realignment and even dealignment of various social forces which is reflected on the political map of the state.

Though the country began to see some political change as early as in mid-1960s, reflected in the form of various non-Congress governments coming to power in different states in 1967 (Bihar being one of them), it was in 1977 that the monopoly of the Congress Party was broken at the centre for the first time and the Janata Party came to power. Non-Congress governments were installed in a large number of states as well, with thumping majorities. This central government did not last long and the Congress returned to power in 1980. It was only nine years later that once more, a new formation in the shape of the Janata Dal came to power at the centre. In the formation of these two non-Congress governments, Bihar played a major role, returning a large number of non-Congress representatives to the parliament during these two Lok Sabha elections. The Congress drew a blank and its vote went down to 22.9 per cent during the 1977 Lok Sabha election as compared to 39 seats won and 40.1 per cent votes polled during the previous Lok Sabha election held in 1971. In the Vidhan Sabha

election held in 1977, the Congress representation was reduced to 57 seats as compared to 168 seats won during the 1972 Vidhan Sabha election. The Congress lost nearly 10 per cent votes during these two elections as its vote went down to 23.6 per cent in 1977 as compared to 33.1 per cent in the 1972 Vidhan Sabha election. The Congress regained much lost ground in the 1980s but again during the 1989 Lok Sabha election, it suffered a major setback. As compared to 48 seats and 51.8 per cent vote in 1984, the party managed to win only four Lok Sabha seats and its vote went down to 28.1 per cent during the 1989 Lok Sabha election, while the Janata Dal won 31 seats with 36.4 per cent vote and the CPI and CPI(M) won four and one seat respectively, with 7.9 and 1.4 per cent vote.

Traditionally a Congress stronghold, the success of a large number of non-Congress representatives in the state, was possible mainly because of the realignment of the backward castes who generally voted against the Congress in both these elections. So the process of realignment which started in the mid-1970s and took the full shape in early 1990s, is now giving way to a process of de-alignment among the forces of the of backward castes. This is reflected in the form of the consolidated backward castes further breaking apart and a section of them aligning with the upper-castes to put up a challenge to the dominance of one section of backward castes represented by the yadavs.

#### ASSERTION OF THE 'BACKWARD CLASSES'

The real shift in the political sphere was reflected in the outcome of the 1995 Vidhan Sabha polls. It witnessed the assertion of backward caste politics in Bihar and ushered in a scenario which may stay for sometime to come. The state went to the polls in a polarised situation of a unique type. The polarisation was not on the lines of the upper and the backward caste divide, but it was around the two axes of backward caste politics. Laloo Yadav after completing his term in office even with a minority government went to polls in a situation where an anti-incumbency wave was sweeping the country. The consolidated backward castes had fragmented into two blocs, one represented by the yadavs in the form of the Janata Dal and the other represented by the kurmis and koeris represented by the Samata Party. For the first time, the upper-castes felt totally marginalised in the state's politics since the support base of their natural ally, the Congress, has been completely eroded, while the BJP was unable to make much inroads among the voters.

The Janata Dal contested the elections with its traditional alliance partners, the CPI, CPI(M) and JMM whereas the BJP, Congress and BPP contested alone, leaving only the Samata Party and the CPI(ML) to enter into an alliance. The results of the 1995 Vidhan Sabha election came as a surprise to many. Belying many expectations, the Janata Dal returned to power with an absolute majority winning 166 of the total 324 seats with 27.9 per cent votes, with its alliance partner CPI getting 26 seats with 4.8 per cent votes, CPI(M) getting 6 seats with 1.3 per cent votes and JMM capturing 16 seats with 3.7 per cent votes. Continuing the row of surprises, the BJP won 41 seats with 12.9 per cent votes and acquired the position of the opposition party relegating the Congress to the third position. The Congress could only manage to win 29 seats with 16.4 per cent votes.

The Janata Dal's performance was an all round success. Except for some poor performance in the south where it could just manage to win 13 seats with 14.8 per cent votes, its performance in North and Central Bihar was spectacular. Of the total 138 seats in north Bihar, the Janata Dal won 97 seats with 34.9 per cent votes. In central Bihar, it won 54 seats with 20.1 per cent votes, out of a total of 92 seats. The BJP did well in south Bihar winning 21 of the total 94 seats in the south, with 18.3 per cent votes. The performance of the Congress was bad throughout the entire state.

The success of the Janata Dal and its allies was due to the fact that the alliance drew large measure of support from the numerically strong, poor and deprived sections of society. A survey conducted by the CSDS, in a representative sample of 16 assembly constituencies spread across all the three regions of Bihar, reveals massive support for the Janata Dal and its allies specially among the dalits, the backwards, the Muslims, the illiterate, the landless and among agricultural labourers. Nearly 48.7 per cent of the dalits, 49.8 per cent of the backwards, and about 57.3 per cent of the Muslims voted for the Janata Dal and its allies. It remained the most popular party among the downtrodden as 47.3 per cent of the illiterate and 43.8 per cent of the landless also voted for it. The support base of the Congress has eroded in general, but still it seems to be a popular party among upper-castes. Of the upper-caste voters, 39.1 per cent voted for the Congress while only 20.9 per cent of them voted for the Janata Dal. Though the BJP managed to win 41 Vidhan Sabha seats, it still lacks a broad support-base in Bihar.

Except for 19.0 per cent votes among the tribals, 16.5 per cent votes among the upper-castes and 18.3 per cent votes among the people living in 'pucca' houses (a denominator of urban habitat), its support base among the other sections remained still very low.

The biggest surprise was that even though Laloo Yadav has been constantly blamed for neglecting developmental work, he still drew large support from the largest sections of society. If one takes a deeper look into the functioning of the Laloo government, during the past five years one can understand why the poor and the dalits,

TABLE 1: CANDIDATES AND PERFORMANCE :  
ASSEMBLY ELECTION 1952-95

Year	Total Number of Candidates	Average Number of Candidates Per Constituency	Candidates Forfeited Deposit ( Per Cent)
1952	1602	5.0	53.3
1957	1394	4.3	46.9
1962	1529	4.8	53.0
1967	2025	6.3	64.5
1969	2154	6.7	63.4
1972	1982	6.2	62.9
1977	2973	9.1	73.7
1980	2959	9.1	74.6
1985	4238	13.0	83.2
1990	6439	19.8	91.5
1995	8463	26.1	—

Source: Up to 1985, V B Singh and Shankar Bose, *Elections in India*, Sage Publications, 1988; 1990 *Statistical Report on the General Elections to the Legislative Assemblies 1989-90*, vol 1, Election Commission of India, New Delhi; 1995 Provisional Report from State Electoral Office, Patna.

TABLE 2: CANDIDATES, INCREASING NUMBER AND PERFORMANCE: LOK SABHA ELECTION 1952-96

Year	Total Number of Candidates	Average Number of Candidates Per Constituency	Candidates Forfeited Deposit ( Per Cent)
1952	198	3.6	33.8
1957	189	3.5	40.2
1962	233	4.3	46.3
1967	315	5.9	61.2
1971	421	7.9	71.0
1977	340	6.2	70.2
1980	594	11.0	76.9
1984	676	12.5	82.9
1989	711	13.1	81.0
1991	1246	23.0	90.3
1996	1448	26.8	91.5
1998	451	8.5	72.2

Source: Up to 1984, V B Singh and Shankar Bose, *Elections in India*, Sage Publications, 1986; 1989-1991, V B Singh *Election in India 1994-96*; *Statistical Report on General Election to the Eleventh Lok Sabha Election*, 1996 and 1998 Election Commission of India, New Delhi.

have voted for the Janata Dal. The dalits in general overwhelmingly supported Laloo Yadav. They were not satisfied with his performance for, besides constructing some houses under the Indira Awas Yojana for the musahars, the poorest among the poor dalits, nothing much has been done for them. But for many, it was the only occasion in their lifetime when they could vote. They reiterated that for them 'azadi' came only during Laloo's regime as now they enjoy a sense of self-pride and that upper-caste people do not encroach upon their independence now.

The backward castes, particularly the yadavs, had reason to vote for Laloo, since they did not want to let the power they had gained after a long struggle slip from their hands. Though during this election the two dominant backward castes, the kurmis and yadavs contested the electoral battle against each other, the Samata Party was blamed for fighting a proxy war for the upper-castes in the name of fighting the casteist politics of Laloo Yadav. Such a feeling consolidated the other backward castes, besides the kurmis and koeris, behind the Janata Dal. The Muslims, except for a few instances where personal affiliation with the candidate or his otherwise very clean image mattered, voted largely for the Janata Dal. The instance of the Bhagalpur riots was still fresh in the minds of the Muslims. Further, the arrest of the BJP leader, Lal Krishna Advani at Samastipur by Laloo Yadav at the time of his 'rath yatra' seems to have made Laloo Yadav a great hero among them, generally. Besides, in the aftermath of the demolition of the Babri Masjid, when the whole country was reeling under the monster of communal violence, and a large number of people were killed in riots which continued unabated for almost five days, it was Laloo Yadav, who stood for the protection of the Muslims in his state. When the whole country witnessed mad riots, there was not a single riot or instance of violence in Bihar. The kind of protection given to Muslims during Laloo raj was unprecedented, and ever since the Muslims clearly identify themselves with the Janata Dal.

The result of the 1995 assembly election in Bihar set the trend for backward caste politics. It was the first time the backwards fought against backwards and the upper-castes at best remained at the margins of the political struggle. The backwards managed to have a firm control over political power. It was the type of political struggle which Bihar witnessed then that set the trend for backward caste politics for the next few years. One of the major

achievements and change this time was that most of the most deprived sections, the dalits, were allowed to vote for the first time. Though the yadavs took the driver's seat in the matter of governing the state, the other backwards, and the dalits remained aligned with the Janata Dal. They feel that whatever else may happen, they do have share in the political power in the state. During the Congress regime, power remained monopolised by the upper-castes and never was a serious attempt undertaken to incorporate the aspirations and the demands of the dalits and backwards within the general governance of the state. A share in power was a distant dream for them during the Congress regime.

The period since the mid-1990s, witnessing the process of rapid de-alignment of electoral forces, led to a major shift in the politics of the state as indicated earlier. The results of the 1996 Lok Sabha elections demonstrate that a new beginning has been made in the politics of Bihar. The Janata Dal and its allies suffered major setback in these Lok Sabha elections which provide more than one indicator. First they clearly point towards the limits of the sectional politics in a multicultural society. Further, they demonstrate the constraints for a ruling party in a multi-party democracy, when the index of opposition unity is greater than expected. In a multi-party democracy, where a political party captures political power with barely 30 percent votes, it is exposed to severe limitations once the divided opposition unites against the ruling party.

The results of these elections, clearly followed from such a scenario. During the Vidhan Sabha election held only a year back, the Janata Dal and its allies CPI, CPI(M) and JMM(S) fought a badly divided opposition. Though the Samata Party had some understanding with the CPI(ML), but mainly it was the BJP, the BPP, the Congress and a few other smaller parties, who opposed the Janata Dal and its allies separately. With a badly divided opposition, the net result was that with merely 27.9 per cent vote, the Janata Dal managed to get an absolute majority with 166 seats, and its allies CPI, CPI(M) and

JMM(S) won 26, 6 and 16 seats respectively, with merely 4.8, 1.3 and 3.7 per cent votes. The divided opposition, with sectional support, was badly trounced in the electoral battle during the Vidhan Sabha election. A lot of people had great faith in the Samata Party, which had just been formed on the eve of elections. It was generally thought that this party may provide an alternative to the ruling Janata Dal. A party formed mainly by the defectors of the Janata Dal and with Nitish Kumar as its leader, it was expected that the party will draw large support from the kurmis and the koeris. But the party performed badly winning only seven seats with merely 6.9 per cent votes. The Congress with the support of just the upper-castes, went down to a mere 29 seats with 16.4 per cent votes. The BJP, though it managed to improve its tally, winning 41 seats with 12.9 per cent votes, however, remained far behind its dream of calling the shots in Bihar.

After the success in the Vidhan Sabha election, Laloo Yadav had been bubbling with confidence and it seemed as if the Janata Dal has become an invincible party in Bihar. The political parties opposing the Janata Dal realised their weaknesses and very soon after the Vidhan Sabha election after various round of talks, the Samata Party and the BJP entered into an alliance. Though both the political parties had different support-bases and ideological perspectives, the Samata Party largely desiring the support of the kurmis and koeris and having a socialist perspective and the BJP, a right wing party, popular among the upper-castes, entered into an alliance where BJP contested for 32 seats leaving 22 seats for the Samata Party. Leaders of both the political parties welcomed this alliance, but the leaders of the Samata Party particularly George Fernandes and Nitish Kumar who swore by the socialist tradition were put to severe criticism on account of their alliance with a communal party. These leaders termed it a special arrangement needed for a special time in a special state. They termed it 'the need of the hour' in Bihar if one has to put up a challenge to the casteist politics of Laloo Yadav. Earlier, the Bihar People's

TABLE 3: ELECTORAL PERFORMANCE IN NORTH BIHAR, LOK SABHA ELECTION 1991-1998

Year	Turn out	Congress			BJP+			JD+			RJD		
		Contested	Won	Vote Per Cent	Contested	Won	Vote Per Cent	Contested	Won	Vote Per Cent	Contested	Won	Vote Per Cent
1991	64.4	25	0	22.8	24	0	13.0	25	25	53.9	-	-	-
1996	61.0	26	1	12.1	24	6	33.8	27	18	45.4	-	-	-
1998	66.6	10	2	5.5	25	8	35.0	28	1	18.3	20	14	29.4

Note: Total Seats 26.

Source: CSDS Data Unit.

Party of Anand Mohan Singh which had been completely routed in the Vidhan Sabha election, merged with the Samata Party. Since it drew some support from the upper-caste Rajputs, it was perceived that this alliance may broaden the base of the Samata Party much beyond the support of only the backward caste. Entering into an alliance with the BJP certainly was a step towards forming a front against the Janata Dal. The other opposition party, the Congress, which has been marginalised to a great extent, contested the election alone, like the splinter groups of the JMM parties. The Janata Dal on the other hand, contested along with its traditional partners CPI and CPI(M). But as compared to earlier elections, the only change reflected was in terms of seat sharing as Laloo completely dominated over his alliance partners, the CPI and CPI(M). Of the total, Janata Dal contested 44 seats leaving only eight for the CPI and 2 for the CPI(M).

Though Laloo Yadav seemed confident of winning most of the seats in Bihar, he was put on the defensive by the opposition parties which carried a virulent campaign against the fodder scam unearthed during the period of the Janata Dal government. On the other hand, the Janata Dal championed the cause of the upliftment of the backwards and the poor and stood on the platform of social justice. It called upon the people to vote for Janata Dal and its allies and to save Bihar from the threat of the communal party namely, the BJP. On the other hand, the BJP and Samata combine accused Laloo Yadav of perpetuating casteist politics in Bihar in the name of social justice. They blamed the government for the fodder and other scams that occurred during the Laloo regime. Though the hawala issue could not make a dent as an election issue among the poor rural masses of Bihar, the fodder scam popularly termed as 'gawala' scam received a wide publicity among the people. In the beginning it seemed as if this scam will have little bearing on the minds of the people and may not affect the electoral prospects of the parties. Two rounds of pre-election surveys conducted by CSDS showed that the Janata Dal still remained the most popular party among the people. Of the total respondents 32.9 and 40.3 per cent intended voting for the Janata Dal in the first and the second round respectively, whereas the support base for the BJP was 7.9 and 9.9 per cent only.

But things changed very fast as soon as the election approached nearer. The virulent attack on the Janata Dal and its policies by the BJP and its alliance led to a last minute change in the mood of the

people at large. The kurmis and koeris had already responded and reposed full faith in the BJP-Samata alliance, but the brahmins and other upper castes, which traditionally used to vote for the Congress changed their loyalty very fast and shifted support to the BJP-Samata alliance. Such a last minute shift of the voters led to some surprise results.

The party which won an absolute majority in the Vidhan Sabha election barely a year ago, was cut to size, even though its leaders had been bubbling with confidence, claiming that they would win all seats. The Janata Dal managed to win only 22 seats as compared to 33 seats won during the 1991 Lok Sabha election. Its vote went down by nearly 2.2 per cent as it could just manage to get 31.9 per cent votes as compared to 34.1 per cent vote in 1991 Lok Sabha election. Its alliance partners, the CPI and CPI(M), also suffered major losses. The CPI lost more than half of the seats and won only 3 Lok Sabha seats as compared to eight seats won during the 1991 Lok Sabha election. Its vote was drastically reduced from 7.6 per cent to 5.1 per cent in 1996. The CPI(M) could not even retain its lone Lok Sabha seat won during 1991 Lok Sabha election.

The BJP, in alliance with the Samata Party, became the major gainer. The BJP won 18 Lok Sabha seats with 20.5 per cent votes as compared to five seats won during the 1991 Lok Sabha election with 15.9 per cent votes. But actually the increase in the vote of the BJP is much higher than it appears since, in the 1996 Lok Sabha election, it contested only 32 Lok Sabha seats as compared to 51 seats contested during 1991 Lok Sabha election. The Samata Party won six Lok Sabha seats contesting 22 seats and its vote went up by nearly 7.6 per cent as compared to its votes during the 1995 assembly election. Though the Congress doubled its tally from one to two, its vote went down from 24.2 per cent in 1991 to 13.0 per cent in 1996. The JMM which won six seats during 1991 Lok Sabha election suffered a major loss. Though the party lost much ground in its traditional tribal belt of south Bihar, it also suffered a loss because its various factions fought against each other, result-

ing in the split of the votes. The JMM(S) only managed to win a lone Lok Sabha seat with a slender margin of only 5,000 votes.

#### LOK SABHA ELECTION 1998

The premature dissolution of the Lok Sabha pushed the country towards another Lok Sabha election much sooner than expected. Even in this short duration, the political scenario in Bihar had taken a major turn. The mounting pressure on Laloo Yadav, from the left parties and even from within his own party, to step down from the post of party president and the chief minister of the state was resisted and rebutted by Laloo Yadav. This resulted in the split in the Janata Dal leading to the formation of Rashtriya Janata Dal by Laloo Yadav before the 1998 Lok Sabha election. Formation of the new party led to the possibility of fresh realignment among various competing political parties.

Though there was no major shift in the already existing alliance among the dominant political parties, the BJP maintained its alliance with Samata Party and the left-over Janata Dal still retained its alliance with the CPI and the CPI(M). The Congress, which performed badly during past few elections was desperately looking for ways towards revival. Though Laloo Yadav tried to pretend confident of achieving big success in the election, in reality he knew that it is not going to be too easy for him in this election. Three major factors seemed to be working against Laloo Yadav. Firstly, he feared possible division in the Yadav vote which may indirectly help BJP in winning more seats; secondly, he knew it would not be too easy to make people familiar with the new symbol 'lamp' allotted to Rashtriya Janata Dal. Thirdly, he realised that the absence of a party organisation at the local level may add to the problems for his new party. Because of these considerations Laloo Yadav was looking for an alliance to at least minimise the split of vote. He naturally found the desperate Congress which was also in search of an alliance partner. The Jharkhand Mukti Morcha (JMM), a party that was very strong in the south Bihar region in the 1991 Lok Sabha election,

TABLE 4: ELECTORAL PERFORMANCE IN SOUTH BIHAR, LOK SABHA ELECTION 1991-1998

Year	Turnout	Congress		BJP+		JD+		JMM	
		Con-t Won	Vote	Con-t Won	Vote	Con-t Won	Vote	Con-t Won	Vote
		ested	(per cent)	ested	(per cent)	tested	(per cent)	ested	(per cent)
1991	49.9	14	0 17.9	14	5 32.9	7	3 12.5	8	6 21.4
1996	54.8	14	1 16.0	14	12 34.0	14	0 24.3	14	1 12.2
1998	59.7	7	2 15.7	14	12 45.5	10	0 6.2	8	0 10.5

Note: Total Seats 14

Source: CSDS Data Unit.



performed badly during the 1996 elections because of division in the party, was also searching for an alliance. Laloo Yadav knew his party has very little presence in south Bihar and wisely so, entered into an alliance with the JMM.

With this alliance pattern, Bihar seemed to be heading towards a three-cornered contest. With the split in the party, the Janata Dal was put to a severe test, as also the assumption that the division of votes will result in a major loss for the party. The Rashtriya Janata Dal (RJD) and primarily its leader Laloo Yadav was to be tested for his personal charisma. Many believed that the RJD may not be successful as Laloo Yadav after his involvement in the fodder scam has become a spent force in the state's politics and it would be hard for the party to win some seats. With the alliance with the Congress and the JMM, Laloo Yadav hoped to put up a contest in north Bihar on account of the shift of the traditional Congress voters still with the party towards the RJD. With 12.2 per cent vote polled by JMM and 16.0 per cent vote polled by the Congress in the south Bihar region in the 1996 Lok Sabha election, the alliance hoped to put up a formidable contest in south Bihar. The BJP-Samata combine hoped to hold together and gain most from the three-cornered contest resulting in a split in the anti BJP vote.

The results came as a major surprise for many a political speculator. Though the Bihar elections were speculated by many to be a three-cornered contest, they actually turned out to be a direct contest between Laloo's RJD and the BJP-Samata combine, with the Janata Dal and its allies putting up no contest at all. But the results reveal that the 1998 Lok Sabha election was more keenly contested than the past few elections. The last three Lok Sabha elections in the state have witnessed a narrowing down of the victory margin in a large number of constituencies. As compared to only six and 10 constituencies where the results were decided within the margin of less than 5 per cent vote in 1991 and 1996, in 1998 Lok Sabha election in as many as 18 constituencies the victory margin was less than 5 per cent and in another 16 constituencies the victory margin was between 5 to 10 per cent. The narrowing gap of the victory margin in the 1998 Lok Sabha election indicates that the state witnessed more competitive politics as compared to past few elections.

The 1998 Lok Sabha election virtually witnessed an end for the Janata Dal in the state. Ram Vilas Paswan was the only Janata Dal candidate who won from the Hajipur Lok Sabha constituency. The party

only managed to get 8.3 per cent vote as compared to 31.9 per cent it polled during the 1996 Lok Sabha election. Its alliance partner the CPI and the CPI(M) could not win a seat and polled as low as 3.1 and 2.1 per cent vote, respectively. Belying the popular expectations, the RJD won 17 seats and polling 25.2 per cent vote still emerged as the largest party in terms of the vote. Though the Congress got only 7.2 per cent vote, nearly 6 per cent less than it polled during the 1996 Lok Sabha election, it managed to win five seats and regained some of its lost ground. The fewer votes for the party is largely attributed to the fewer seats it contested in the election on account of the alliance with RJD. In spite of the triangular alliance, the JMM could not open its account and polled 3 per cent vote. As an alliance, BJP-Samata combine turned out to be the major gainer in the 1998 Lok Sabha election. With the BJP getting 19 seats with 23.1 per cent vote and Samata winning 10 seats with 15.8 per cent vote, the alliance won 29 seats improving its tally of 24 in the 1996 Lok Sabha election.

The overall result of these elections indicates that Janata Dal which witnessed decline over past few elections has been nearly wiped out in the 1998 Lok Sabha election. The BJP-Samata alliance is getting stronger and stronger over past couple of elections. In order to look at the strength of these parties it is better to have a look at the performance of different parties in the three distinct geographical regions i.e., the north, central and the south Bihar.

The poverty stricken, flood prone terrain of north Bihar accounting for 26 Lok Sabha seats, is politically the most important region of Bihar. It has been a stronghold of the Janata Dal during the past few elections. During the 1991 Lok Sabha election, the Janata Dal won 22 seats from this region with 48.3 per cent votes, and with CPI winning three seats, the combined tally for the alliance was 25 seats. But in the 1996 Lok Sabha elections, the Janata Dal suffered a loss of six seats in this region. It won only 16 seats with 40.3 per cent votes. The CPI won two seats bringing the combined tally to a total of 18 seats.

The BJP, which drew a blank here in the 1991 elections, with its alliance partner Samata Party managed to win six seats with 33.8 per cent votes. The 1998 Lok Sabha witnessed further gains for the BJP-Samata combine in the region as the alliance managed to win eight seats and polled 35 per cent vote. The Janata Dal and allies overall performed badly in the state, but could still manage to save face in the north Bihar polling 18.3 per cent vote and won its lone seat from this region. The RJD virtually swept the polls in this region, winning 14 seats and polling 29.4 per cent vote. The success of the party gives the indication that Laloo Yadav still remains a major force in the politics of the state. With the division of vote, though the Janata Dal managed to get a reasonable vote in the region, Laloo's popularity affected it adversely in a significant manner. The alliance with the RJD helped the Congress to win two seats in the region while it polled only 5.5 per cent vote.

The mineral rich hilly terrain of south Bihar, accounting for 14 Lok Sabha seats, is the region where the BJP has a strong presence. The BJP has not only remained the most dominant party in South Bihar, but it virtually swept the polls in the entire region during last two Lok Sabha elections. As compared to the five Lok Sabha seats it won during the 1991 Lok Sabha election, BJP managed to win 12 of the total 14 seats from this region both in 1996 and 1998. But this does not mean that there was hardly any change for BJP in south Bihar. The BJP increased its votes share enormously in this region. As compared to 34 per cent vote in 1996 Lok Sabha election, the party polled 45.5 per cent vote during 1998 Lok Sabha election. The alliance of the RJD with the Congress and the JMM was expected to spring few surprises in this region, but the alliance could hardly make its presence felt. The JMM which has won the lone Dumka seat in 1996, where the party president Shibu Soren won by a slender margin of about 5,000 votes, drew blank and its vote also went down from 12.2 per cent in 1996 to 10.5 per cent in 1998. The RJD also could not open its account and polled only 9.2 per cent vote. It was the Congress which

TABLE 5: ELECTORAL PERFORMANCE IN CENTRAL BIHAR: LOK SABHA ELECTION 1991-1998

Year	Turnout	Congress			BJP+			JD+			RJD		
		Cont- ested	Won Vote (per cent)		Cont- tested	Won Vote (per cent)		Cont- ested	Won Vote (per cent)		Cont- ested	Won Vote (per cent)	
1991	62.9	13	1	31.5	13	0	8.4	14	13	46.5	-	-	-
1996	61.1	14	0	12.1	14	6	37.9	13	7	35.8	-	-	-
1998	68.1	4	1	3.5	13	9	42.8	15	0	8.0	12	3	35.9s

Note: Total Seats 14.

Source: CSDS Data Unit.



registered some gain in this region. Contesting for all 14 seats the party won only one seat and polled 16 per cent vote in 1996. In sharp contrast the Congress contested only seven seats in 1998 but managed to win two seats and polled 15.7 per cent vote. If we compare the 1991 and 1996 Lok Sabha elections we find that the Janata Dal with its allies increased its vote from 12.5 per cent to 24.3 per cent in 1996, but in the 1998 Lok Sabha election the alliance suffered a major loss and its vote plumped down to only 6.2 per cent.

The agriculturally rich central Bihar, accounting for 14 Lok Sabha seats, is the region which has witnessed numerous agrarian struggles during the post-Independence period. These struggles of the poor and the landless farmers have mainly been led by the various factions of the Left parties. The Janata Dal and other Left parties are particularly strong in this region. Though the Janata Dal remained the dominant party in this region, it faced a stiff challenge from the BJP-Samata combine during the 1996 Lok Sabha election. The Janata Dal and its allies who had won 13 of the total 14 seats from this region during the 1991 Lok Sabha election suffered a major loss as the alliance got only seven seats (JD-6, CPI-1) in 1996 with the Janata Dal getting 25.1 per cent and the Left parties getting 10.6 per cent votes. During the 1998 Lok Sabha elections, the JD and its allies lost heavily even in the traditional stronghold of the left. The alliance not only drew a blank but even its vote went down to only 8.0 per cent. The BJP-Samata alliance remained the biggest gainer even in this region during the last two Lok Sabha elections. The BJP which drew a blank in 1991, in alliance with Samata party managed to win 6 seats with 37.9 per cent votes in 1996. The alliance further improved its tally to 9 seats and its vote increased to 42.8 per cent during the 1998 Lok Sabha election.

#### CHANGING SOCIAL BASE OF POLITICAL PARTIES

A comparison of last four elections shows that the Janata Dal which remained the most dominant party till the 1996 Lok Sabha has been nearly wiped out during the 1998 polls. During the 1996 elections, the JD polled 31.9 per cent vote as compared to 34.1 per cent in the 1991. The erosion of the vote for the party during the 1998 polls was so much that it polled only 8.1 per cent vote. It was RJD which made inroads among the voters of the Janata Dal. The BJP which polled 15.9 per cent vote during the 1991 Lok Sabha

election has made heavy inroads in Bihar politics during and after the 1996 Lok Sabha election after entering into an alliance with Samata Party. The party polled 20.5 and 23.1 per cent vote during the 1996 and 1998 elections. This increase is marked even though the party contested 20 seats fewer than it did in 1991. The Janata Dal drew reasonably higher support from the backwards, the dalits and the Muslims, than other sections of society, while the BJP has made inroads particularly among upper-caste voters. But a comparison between three surveys (1995 assembly election, 1996 and 1998 Lok Sabha elections) conducted by the Centre for the Study of Developing Societies gives a clear picture that the social groups which had earlier supported the Janata Dal have started deserting the party in the recent years.

The increasing presence of the BJP in Bihar is largely credited to its growing popularity among the upper caste voters. Traditionally Congress supporters, they have moved towards the BJP and its alliance partner, the Samata in a big way during the past two Lok Sabha elections. Table 6 shows that the BJP which got only 28.7 per cent of the upper caste votes in 1995, has got 77.6 per cent of their vote in 1998. The popularity of the Congress among the upper caste voters has declined considerably. The JD and its allies have never been a popular choice among the upper caste voters. During the 1998 election, even RJD could hardly get substantial support from the upper caste voters.

The OBCs have come to play an important role in the politics of the state during the last decade. The Congress has not been very popular among the OBC and traditionally they have supported the socialist formations. The formation of the Janata Dal before the 1989 Lok Sabha election saw a large section of the OBC voters moving towards the party. The two surveys of 1995 and 1996 show that they voted in large numbers for JD and its alliance. The alliance of the BJP with the Samata Party before the 1996 Lok Sabha

election witnessed a shift among the OBC voters towards this alliance. During the 1998 election, 42.5 per cent of the OBC voters voted for the BJP alliance, while support for the JD alliance went down from 50.3 per cent in 1996 to 17.3 per cent in 1998. The RJD also managed to poll 28 per cent of the OBC vote. The support for the Congress among OBC voters which was just 13.7 per cent in 1995 further went down to 7.9 per cent in 1998.

The past decade has witnessed decline of support for the Congress among the Muslims. The alienation of the Muslim from the Congress began soon after the Bhagalpur riots and continued further after the demolition of the Babri masjid. Disenchanted with the Congress, the JD and allies became the natural force towards which the Muslim vote in the state gravitated. Figures from the last three surveys indicate enormous support for the alliance during the 1995 Vidhan Sabha

TABLE 6: SHIFT AMONG UPPER CASTE VOTERS, 1995-1998

Party	1995	1996	1998
Congress	39.1	10.1	8.7
BJP+	28.7	59.5	77.6
JD+	20.9	29.1	11.6
RJD	-	-	Negligible

Source: Bihar Survey 1995, National Election Study 1996 and 1998.

TABLE 7: SHIFT AMONG OBC VOTERS, 1995-1998

Party	1995	1996	1998
Congress	13.7	9.9	7.9
BJP+	26.2	36.2	42.5
JD+	49.8	50.3	17.3
RJD	-	-	28.0

Source: Bihar Survey 1995, National Election Study 1996 and 1998.

TABLE 8: SHIFT AMONG MUSLIM VOTERS, 1995-1998

Party	1995	1996	1998
Congress	21.9	23.3	14.9
BJP+	7.5	5.6	4.2
JD+	57.3	68.9	19.0
RJD	-	-	59.6

Source: Bihar Survey 1995, National Election Study 1996 and 1998.

TABLE 9: VOTING PATTERN OF JATIS WITHIN OBC AND MUSLIM: LOK SABHA ELECTIONS (1991-98)

Jati	Congress			BJP+			JD+			RJD
	1991	1996	1998	1991	1996	1998	1991	1996	1998	
Yadav	8.2	1.6	7.9	4.1	16.1	18.4	87.8	80.6	7.9	65.8
Kurmi+koeri	28.0	5.3	24.0	40.0	73.7	56.0	28.0	17.5	*	18.0
Other OBC	31.6	2.4	*	26.3	40.5	23.1	31.6	50.0	7.7	23.1
Lower OBC	28.6	10.7	8.0	20.2	42.0	57.3	36.9	35.5	21.3	12.0
ST	26.9	24.0	70.2	*	34.0	8.5	7.7	28.0	6.4	*
Lower Muslim	39.1	31.0	31.0	-	6.7	6.9	47.8	57.8	20.7	37.9
Upper Muslim	33.3	16.7	15.7	-	3.3	5.9	61.1	80.0	17.6	58.8

Note: \* Negligible Vote.

Source: National Election Study 1996 and 1998.

and 1996 Lok Sabha elections among the Muslim voters. But the split in the Janata Dal has led to the erosion of support for the party among the Muslims. From 68.9 per cent vote among the Muslims in 1996 Lok Sabha, the alliance got only 19 per cent while 59.6 per cent Muslims voted for the RJD. Even in alliance with the Samata Party, the BJP has hardly been able to attract the Muslim voters.

The survey data presented in Tables 6, 7 and 8 do reflect that during last few elections there is a shift among the upper caste voters towards the BJP while the majority of OBC and Muslim voters still favoured the Janata Dal till 1996 and RJD in 1998 Lok Sabha election. But does it mean that the various 'jatis' within these caste groups vote in a similar pattern?

Neither the upper castes nor the OBC constitute one monolithic group but comprise various jatis. While the rajputs, the bhumis, the brahmins and the kayastha constitute the upper caste, there are larger number of jatis which are categorised as the OBC. The yadavs, kurmis and koeris constitute the upper OBC while the kahar, kumhar, lohar, tatwu, teli, dhanuk, etc, constitute the lower OBC. Even among the Muslims, there is the hierarchy of upper and lower jati. Is the voting pattern of various jatis within these three caste groups, ie, the upper caste, the OBC and the Muslims similar when there is immense social and economic disparity among them? The detailed analysis of the survey shows the voting pattern of various jatis within the same caste group.

The detailed analysis of the data reveals that unlike the four upper castes, there is a great internal variation in the voting pattern among the various jatis of the OBC. The Janata Dal was very popular among the yadavs till the 1996 Lok Sabha election, but after the split of the party, it is the RJD which cornered a majority of the yadav vote. It is important to note that the yadavs were extremely polarised in favour of the JD till the 1996 Lok Sabha election, but the 1998 Lok Sabha election has also marked the split of the yadav vote between the JD, the RJD and the BJP-Samata alliance. Interestingly the BJP-Samata alliance got more yadav votes than the JD.

The voting pattern of the kurmi-koeri combine is quite in contrast to that of the Yadavs. While during the 1991 Lok Sabha election, although the BJP got the largest support from these jatis, still the Kurmi-Koeri vote was split among the Congress and the JD and its allies. The 1996 Lok Sabha elections witnessed a sharp polarisation of the support base. Both the

Congress and the JD and allies lost support among these two jatis while the BJP-Samata combine consolidated support among the kurmis and koeris. During the 1998 Lok Sabha election, some of these voters moved away to the Congress and the RJD.

Over last few elections, the lower OBC castes have displayed a divided loyalty towards different parties. In spite of a clear pattern of their movement towards BJP-Samata alliance, only a little over half the voters of these jatis opted for the BJP-Samata alliance during the 1998 Lok Sabha election. The JD and allies are still popular among these jatis. The popularity of the Congress has declined to a great extent among the jatis belonging to the lower OBC caste group. There is also differential support structure for the political parties among the upper caste Muslim and those belonging to the lower caste. It is true that over the years the Congress has lost support among the Muslim voters, but the party is still popular among the lower caste Muslims. The support for the party in category has declined marginally during the past three Lok Sabha elections. The JD and allies has been very popular among the Muslim voters up till 1996 Lok Sabha elections, but the split in the JD also resulted for the split among the Muslim support for the party. A majority of both the upper caste and the lower caste Muslims supported the RJD in the 1998 Lok Sabha elections while the JD and allies lost support among the Muslim voters to a great extent. The survey shows that the support for the RJD is more among the upper caste Muslim as compared to the lower caste Muslims. The data also indicates a shift among the Muslim voters towards the BJP-Samata alliance. The small sample size in this category does not facilitate further analysis, but the shift among the Muslims may be attributed to the alliance of the BJP with the Samata Party during the last two Lok Sabha elections. The small sample size of the voters belonging to other OBC castes and the STs does not permit a reliable inference about their voting pattern.

There is also considerable shift among the dalit voters over past few elections. Traditionally Congress voters, nearly half of the dalits have preferred voting for JD and its allies while 23 per cent voted for the Congress during the 1995 Vidhan Sabha election. The BJP was a popular choice of the dalit voters during that election. But things started to change thereafter. The state witnessed a slow but constant movement of the dalit voters from the Congress to other parties. While a

TABLE 10: SHIFT AMONG DALIT VOTERS, 1995-1998

Party	1995	1996	1998
Congress	23.0	19.0	13.7
BJP+	15.0	24.8	24.5
JD+	48.7	31.4	28.4
RJD	-	-	23.5

Source: Bihar Survey 1995, National Election Study 1996 and 1998.

TABLE 11: SHIFT AMONG ILLITERATE VOTERS, 1995-1998

Party	1995	1996	1998
Congress	19.8	11.6	15.0
BJP+	20.1	38.7	33.2
JD+	47.3	40.4	17.0
RJD	-	-	18.6

Source: Bihar Survey 1995, National Election Study 1996 and 1998.

TABLE 12: SHIFT AMONG EDUCATED VOTERS (GRADUATE AND ABOVE), 1995-1998

Party	1995	1996	1998
Congress	30.1	20.0	Negligible
BJP+	34.3	56.0	55.0
JD+	20.5	20.0	15.0
RJD	-	-	20.0

Source: Bihar Survey 1995, National Election Study 1996 and 1998.

TABLE 13: SOCIAL COMPOSITION OF BIHAR LEGISLATURE (PER CENT)

Category	1967	1969	1985	1990	1995
Upper Caste	41.8	38.3	36.4	32.5	17.1
Backward Caste	24.2	26.7	24.6	29.7	45.0
Muslim	5.6	5.9	10.1	6.1	7.1
Women	3.4	1.2	4.0	4.0	2.8

TABLE 14: CASTE COMPOSITION OF BIHAR ASSEMBLY, 1995

Caste	Share in Population (Per Cent)	Share of Seats (Per Cent)	Quotient
Upper Caste	13.0	17.1	1.3
Rajput	4.2	6.8	1.6
Brahmin	4.7	3.4	0.7
Bhumihar	2.9	5.3	1.8
Kayastha	1.2	1.5	1.2
Middle Caste	19.3	45.0	2.3
Yadav	11.0	26.0	2.3
Kurmi	3.6	6.1	1.6
Koeri	4.1	8.7	2.1
Vaishya	0.6	6.1	10.1
Low Backward Caste	32.0	7.5	0.2

Note: Quotient refers to the proportion obtained by dividing the percentage of share in Assembly by percentage of share in population. A Quotient of 1.0 indicates perfectly proportionate representation. Quotient of less than 1 means less than proportionate representation.

large number of them preferred voting for JD and its allies, a sizeable number of them even shifted their loyalty towards BJP and its allies. During 1998 elections witnessed a three-way division among the dalit voters. While vote for the Congress among the dalits went down from 19 per cent in 1996 to 13.7 per cent in 1998, the BJP and allies got almost similar support among the dalits during the last two Lok Sabha election. The JD and allies lost heavily among the dalits, and attracted only 28.4 per cent of their vote while the RJD got 23.5 per cent.

The BJP and allies have not been very popular among the illiterate voters who largely support the JD. But the survey indicates a shift among the illiterate voters towards the BJP and its alliance partner, the Samata Party. As compared to only 20.1 per cent of the illiterate voting for the BJP in 1995, as many as 33.2 per cent voted for the alliance. The JD and allies which got 47.3 per cent of their vote managed to get only 17 per cent vote from the illiterate voters. Nearly 18.6 per cent of them voted for the RJD during the 1998 Lok Sabha election. The past decade has also witnessed a loss of support for the Congress among the illiterate voters which has gone down from 19.8 per cent in 1995 to 15 per cent in 1998.

The BJP and allies have been a popular party among the educated voters. More than half of the educated voters opted for the alliance in 1998, as compared to 34.3 per cent of them in 1995. The increase of support among the educated for the BJP allies has been largely at the expense of the Congress. The survey figures give clear testimony of this. The JD and allies have never been popular among the educated voters. The RJD has also managed to get some support from the educated voters.

#### CHANGING SOCIAL PROFILE OF ELECTED REPRESENTATIVES

The 1990s marked a sharp change in the politics of Bihar. Though the backward castes, which are numerically strong have occupied an important place in the state's electoral struggle, never before, except in 1977, were they able to guide its politics. At best, they have been able to play a secondary role in Bihar politics.

The implementation of a new reservation policy for the backward classes, based on the recommendations of the Mandal Commission report, witnessed strong opposition nationwide, by different upper-caste sections of society. Whereas in most parts of the country the backwards generally supported the policy, they nevertheless

remained mute onlookers to the violent opposition of this policy. In Bihar, by contrast, the backwards mobilised and put up a stiff challenge to the anti-Mandal agitationists. This led to a prolonged and violent struggle on the streets between the anti-reservationists, mainly upper-caste youth, and the pro-reservationists comprising mainly of the backward-caste youth. The violent struggle between these two sections led to the externalisation of the undercurrent of age-old and deep-seated hatred between the forwards and backwards. Earlier, apart from a few instances, it was the forwards who generally dominated the backwards but this was a rare occasion when the divided backwards joined together to challenge the opposition of the Forward castes. One may blame the Mandal Commission of sowing the seeds of deep-seated casteism, but it also led to a consolidation of castes along only two axes, the forwards and the backwards, erasing for the time being, numerous internal differences between the two. Such social change was bound to find reflection on other aspects as well and its immediate fallout was on the nature of political representation in the state. Political representation in Bihar which had been typically upper caste dominated, started changing and more backwards came to the fore as people's representatives.

Over the years the social composition of the Bihar legislature has changed a great deal. There is a slow and steady decline in the representation of upper castes which has gone down to 17.1 per cent in 1995 as compared to 41.8 per cent in the 1967 Bihar assembly. The representation of the backwards had more or less remained the same till recently, ranging from 24.2 per cent in 1967 to 29.7 per cent in 1990.

The 1995 Vidhan Sabha election completely altered the nature of social composition of the assembly. In a sharply polarised situation not only did the representation of the backward castes go up to 45 per cent but the backwards for the first time outnumbered the upper castes in terms of political representation. The backwards who normally used to be fewer than the upper castes, are more than twice their number in the present Vidhan Sabha. The yadavs, who comprise about 11 per cent of the total population have a share of about 26 per cent of the seats in the Vidhan Sabha. The two other dominant backward castes, the kurmis and the koeris are also well represented in the house. Even if the representation of the upper castes has gone down significantly from earlier elections, except for the brahmins, the other upper castes like the rajputs, the

bhumihars and the kayasthas are well-represented. However, it is important to note that the low backward castes which comprise about 32 per cent of the population are still extremely under-represented.

The social composition of the representatives to the Lok Sabha from Bihar has also changed during the past few elections. The Lok Sabha election held during the post-Mandal period altered the social composition of the representatives. During the 1989 Lok Sabha election, 33.3 per cent representatives were upper caste – a figure which came down to 18.9 per cent in 1991, whereas the representation

TABLE 15: CASTE COMPOSITION OF BIHAR: LOK SABHA MEMBERS, 1996

Caste	Share in Population (Per Cent)	Share of Seats (Per Cent)	Quotient
Upper caste	13.0	27.7	2.1
Rajput	4.2	14.8	3.5
Brahmin	4.7	7.4	1.5
Bhumihar	2.9	3.7	1.2
Kayastha	1.2	1.8	1.5
Middle caste	19.3	35.0	1.8
Yadav	11.0	20.3	1.8
Kurmi	3.6	5.5	1.5
Koeri	4.1	5.5	1.3
Vaishya	0.6	3.7	6.1
Low backward caste	32.0	3.7	0.1
Muslim	14.8	7.4	0.5

Note: Quotient refers to the proportion obtained by dividing the percentage of share in Lok Sabha seats by percentage of share in population. A Quotient of 1.0 indicates perfectly proportionate representation. Quotient of less than 1 means less than proportionate representation.

TABLE 16: CASTE COMPOSITION OF BIHAR LOK SABHA MEMBERS, 1998

Caste	Share in Population (Per Cent)	Share of Seats (Per cent)	Quotient
Upper Caste	13.0	24.0	1.8
Rajput	4.2	11.1	2.6
Brahmin	4.7	5.5	1.1
Bhumihar	2.9	3.7	1.2
Kayastha	1.2	3.7	3.0
Middle Caste	19.3	20.0	1.0
Yadav	11.0	14.8	1.3
Kurmi	3.6	7.4	2.0
Koeri	4.1	7.4	1.8
Vaishya	0.6	5.5	9.2
Low Backward Caste	32.0	3.7	0.1
Muslim	14.8	11.1	0.7

Note: Quotient refers to the proportion obtained by dividing the percentage of share in Lok Sabha seats by percentage of share in population. A quotient of 1.0 indicates perfectly proportionate representation. Quotient of less than 1 means less than proportionate representation.

of backward castes went up to 43.1 per cent in 1991 as compared to 30.6 per cent in 1989. It was mainly possible because the backward castes were largely consolidated behind the Janata Dal. The 1996 Lok Sabha election was a unique one of its kind, held against the backdrop of an almost wash-out of the Congress from the political scene of Bihar. The upper castes in particular, were looking for a pillar to gather around and found in the BJP a natural focus. The Samata Party which draws support largely from the kurmis and koeris, and which unsuccessfully contested the 1995 Vidhan Sabha election, entered into an alliance with the BJP. So, in a sense the upper castes under the banner of BJP were putting up a challenge to the Janata Dal with the support of two backward castes, the kurmis and koeris. The division among the backward castes naturally has an adverse effect on their representation. The representation of the backward castes in the 1996 Lok Sabha election went down to 38.7 per cent as compared to 43.1 per cent in 1991. But, it is still higher than 27.7 per cent of the upper castes in the Lok Sabha from Bihar. The yadavs still have much higher representation as compared to their proportion in the population. The other backward castes like the kurmis and the koeris still have a 'proportionate representation'. The upper castes are also adequately represented as compared to their share of population. It is the lower backwards who normally bear the brunt of this intense competitive politics.

The 1998 Lok Sabha results further changed the social composition of the elected representatives. The election was held after Janata Dal had witnessed a split in the party and Laloo Yadav has formed his own regional outfit, the RJD. The division of votes of the backward castes had already started with the kurmis and the koeris moving towards the Samata in the 1996 Lok Sabha elections. This movement got a further fillip when some of the other backward castes deserted the Janata Dal and voted for the RJD. This election also marked the beginning of division in the yadav vote generally between the JD and the RJD. This was bound to be reflected in the number of representatives to be elected from various social groups. This witnessed decline in the representatives from the yadav caste from 20.3 per cent in 1996 to 14.8 per cent in 1998 Lok Sabha election. The success of the two backward castes the kurmis and the koeris – who sided with the Samata Party in 1996 Lok Sabha election – led to their further consolidation as a political

force. It naturally resulted in the increase in their representation from 5.5 per cent in 1996 to 7.4 per cent in 1998. The representation of the upper castes also declined marginally from 27.7 per cent in 1996 to 24 per cent in 1998. The clamour for the sizeable Muslim vote, which can make or mar the prospect for a party in various constituencies, resulted in sizeable increase in the number of Muslim contestants actually resulting in an increase in their representation.

The changing social composition of political representation is a clear indicator of the fact that backwards have come to play a major role in Bihar politics. Some may argue that the change in social composition of political representatives is largely due to the change in the party in power, and the recent results have demonstrated that parties may change hands in the share of the political power but it is hard to visualise a scenario in the days to come when the backwards would be denied their share in power. Unless the backwards get their share in political representation, no aspiring ruling party is going to get their support in return. The BJP which is visualised as a party of the upper caste, was successful in the 1996 Lok Sabha election winning 18 seats. But this was largely possible with the overwhelming support of the two backward castes, the kurmis and koeris. Even if representation of the backwards in 1996 Lok Sabha election went down to 37.1 per cent as compared to 43.1 per cent in 1991, it is still higher than the 27.7 per cent of

the upper castes. This phenomena is here to stay in Bihar politics in the days to come. The backwards have come to play a decisive role in Bihar politics but 'backwardism' may not be the nature of politics in the future. Assimilation of larger social groups may be attempted.

### Notes

- 1 All the three surveys have been conducted by Centre for the Study of Developing Societies, Delhi during the 1995 Vidhan Sabha, 1996 Lok Sabha and 1998 Lok Sabha elections, respectively. The survey during 1995 Vidhan Sabha election was conducted in 16 assembly constituencies spread across all three regions of the state. Total number of completed interviews are 817
- 2 The 1996 and 1998 surveys were conducted during the Lok Sabha election retaining the same set of sample. The survey was spread across 44 polling booths of 22 Vidhan Sabha segments of 11 Lok Sabha constituencies selected through the Stratified Random Sampling adopting the Probability Proportionate to Size (PPS) method. Total number of completed interviews are 880 in 1996 and 833 in 1998.
- 3 During the 1995 Vidhan Sabha election the Janata Dal had an alliance with CPI and the CPM. The BJP and Samata Party contested election separately. For a meaningful comparison with the 1996 and 1998 elections both the parties have been looked as an alliance even for the 1995 Vidhan Sabha election.
- 4 During the 1991 Lok Sabha election the Jharkhand Mukti Morcha had an alliance with the JD, but the alliance broke down during subsequent elections.
- 5 During the 1998 Lok Sabha election the BJP and the JD maintained their alliance while the RJD entered into a half alliance with the Congress and also with the JMM.

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# General Elections 1996, 1998

## Community Loyalties and Regional Outlook

Rajesh Dev

*In its transition to modern representative democracy, the electoral agenda in Meghalaya is still largely determined by clan and kinship loyalties entrenched in majority tribal communities. As a result, besides various regional parties having a substantial presence in the electoral arena, even the national parties like the Congress and the BJP, have to fine tune their manifestos to suit regional aspirations.*

The Object of our Deliberations is to promote the good purposes for which elections have been instituted, and to prevent their inconveniences.

— Edmund Burke

### I Historical Background

MEGHALAYA carved out of Assam in 1972, sent its first representative to the Lok Sabha only in 1977. The state comprises three main tribal communities – the Garos, the Jaintias and the Khasis. The 'non-tribals' constitute only 14.5 per cent of the total population of 17,74,778. The state has witnessed seven elections for the two Lok Sabha seats since 1977, and six for the 60-member state legislature. The Khasis and the Jaintias inhabiting two contiguous hill areas and belonging to the Khasi-Pnar ethnic group are represented through 36 seats, while 24 seats in the legislature represent the Garos inhabiting another hilly area. In the Lok Sabha the two ethnic groups are represented by one seat each.

The main issue that has dominated elections in the north-east is the concern for identity. Meghalaya also registers this trend, in the sense that there is a sustained awareness about the effect of non-indigenous communities' influence on the social psyche of the indigenous communities and the impact on their fragile socio-economic fabric.

Another parameter that Chaube (1985) identifies as effectively deciding the course of electoral politics in the north-east is the weakness of the all-India parties in the hill areas. However, this is only partially true today, since parties like the Congress have a significant support base in the hill areas and other national parties like the BJP are slowly penetrating into these areas, although primarily it is the regional parties that have together decided the outcome of elections. Meghalaya is no exception to this rule and the regional parties, either jointly or in consort with the Congress figured in all

the post-election ties for governance. In other words, electoral politics in the north-east India reflects a clear intersection of regional variations with that of national election trends, in the sense that even those political parties characterised as 'national' like the Congress participate in the election process with identifiable regional issues and principles like 'preservation of tribal culture', 'preservation of local self-governing institutions and more rights for the indigenous communities in determining their destiny'. Sengupta (1997) has pointed out an interesting feature of the party system in Meghalaya. She says that in Meghalaya a national party like the Congress calls itself a national party with a regional outlook and regional parties such as the APHCL, call themselves a regional parties with a national outlook. The Congress has held the reins of government in Meghalaya for a longer period, sometimes with the support of independents and defectors, and sometimes in alliance with the opposition forum comprising the various regional parties.

There are numerous regional political parties in Meghalaya and there seems to be an increase in their number prior to every election, particularly assembly elections. The main regional parties in the state have been the APHCL, the HSPDP, the PDIC, the HPU, a breakaway group of the APHCL, recognised as a regional party in 1996, and the UDP formed during the 1998 elections through a merger of the HPU and some splinter regional parties. There have been various parties like the Hynniewtre National Front in 1978, the Democratic Hills Movement in 1983, the Alliance for the Reconstruction of Meghalaya in 1988, the Youth Democratic Front in 1993 and the Peoples Democratic Movement (PDM) in 1998. Apart from the PDM, which won three seats in the assembly elections in 1998 all the others have failed to convince the electorate, faring poorly at the hustings [Government of Meghalaya 1978-1996].

### II Sociological Background

Meghalaya, like some other 'tribal' north-eastern states, offers an interesting case for the study of problematic relationship of modern liberal multi-party democracy and a traditional society. The clan and kinship loyalties of the indigenous communities place effective restrictions on the free political participation and dialogue of the 'individual' with the framework of diverse institutional settings. In Meghalaya too, modern representative democracy has been adjusted with an existing 'tribal' society with non-liberal political values, in a way that is not free of tensions. The society faces a central problem so far as political modernisation involves the transition of this traditional society into a modern liberal society. The crisis emerging from this fracture between tradition and modernity becomes clear from the fact that societal values are still stimulated by traditional mores and methods. However, there has been a change of character in the method of representation of these traditional values and mores in the process of their adjustment with the modern representative democracy. For instance, the traditional chiefs who, according to traditional norms, come from a particular clan, still determine the manner of an individual's participation and role in the affairs of the community, without any consideration for the individual's regard or disregard for the matter. In an era of representative democracy, the traditional social and political institutions survive however, as mentioned, with modifications and often in tension with the institutions of modern liberal democratic society.

The tribal chief or the local headman still remains the main link between the community and the outside world. Even today, permission of the local headman or the council of chiefs is necessary to conduct surveys which require inter-personal contact with individuals. This reflects the

limited amount of individual freedom that the society grants. Most headman of *darbaars* want the police to seek prior permission from them to even apprehend criminals. The presence of the state is rather weak in these communities except as a source of patronage. Hence the influence of these chiefs on electoral outcomes, mainly in rural areas can hardly be exaggerated. Further, the organisation of social bodies like that of students and others reflects exclusive insular bias along communitarian considerations.

In short, social relations in Meghalaya are guided clearly by a sense of clan and tribal necessities specially vis-a-vis the other groups and communities, and this is reflected in the preference for regional parties which stand for the preservation of 'indigenous ethnic identity'. The political process in the state seems to imitate similar patterns that caste and religion play in the electoral politics of India though here caste and religion are transplanted by ethnic considerations and questions of 'tribal-non-tribal' divide.

So far as the economy is concerned, it reflects the same contradictions with an added fact that there has been no formation of local 'bourgeoisie', though there has been a growth of a new set of people with increased access to capital. Again, because there is a tension in the way the economic structure is adjusted with the social relations that are mainly based on kinship, it does not stimulate any corresponding valuational changes that can help to consolidate a modern liberal democratic structure.

The society in Meghalaya is structured along matrilineal lines, and women, by virtue of this fact, are supposed to have a hold over the family. However, in reality, women play very little part in determining the symmetry of power or the actual decision-making process. This is evident also from the fact that very few women members have represented the people in the institutions of modern representative democracy. They play an insignificant part in the traditional political institutions also [Malngniang 1996].

Electoral outcomes and their trends in the hill states of north-eastern part of India have to be discussed and analysed in the backdrop of the prevailing insurgency in the region, though in Meghalaya insurgency is at a very nascent stage and its influence in determining electoral outcomes is still limited. Insurgents here do not overtly play any role in influencing the election mechanism, but unverified reports observing a tacit participation of insurgents in influencing electoral victories

are not uncommon (*India Today*, March 23, 1998).

The indifferent attitude of the insurgent groups in Meghalaya to competitive elections seemingly reflects that insurgency is merely an alternate form of radical political action and does not pose a threat to the integrative capacity of the federal state. Even the fact that the insurgents play a significant role and wield considerable influence in the post-election scenario – even in determining the character and nature of the new government emphasises this fact.

### III Political Background

This background needs to be kept in mind while analysing the elections in Meghalaya. The Lok Sabha elections generally fail to evoke much enthusiasm among the electorate. There is very little competition among candidates for securing party tickets for the Lok Sabha. The electorate is more concerned with politics at the state level. In fact the CSDS data reveals that almost 61.2 per cent of the people are interested in the state governments only. Parliamentary elections have mainly been a sort of safety valve for candidates seeking a departure from state politics. At times candidates elected to parliament acquire national standing and they remain fixated to the parliamentary elections for instance, G G Swell and Purno Sangma.

Subrata Mitra's contention (1996) that the nature of the party system typically follows the complexity of social cleavages and a multi-party system is based on an effective linkage between social cleavages and political parties, does not seem to apply to the state. Meghalaya represents a typical case wherein social cleavages at a primary level are based mainly on ethnic considerations of 'tribe' and 'non-tribe', and though there exist other social cleavages based on age, literacy, gender and occupation, they are mainly of a secondary nature. There is also no cleavage in Meghalaya based on social 'class', because class formation process is at a very nascent stage even now.

The statehood movement spearheaded by the All Party Hills Leaders Conference (APHLC) ultimately secured a separate legislature, which was, for the dominant communities, the power to define their own destiny. However, very soon the process of defection was initiated and a major part of the APHLC joined the Indian National Congress in 1976.<sup>1</sup> This provided the Congress with its first foothold in the new state, which it steadily extended. The

other parties are regional and are breakaway factions of the parent APHLC. It may be contended without ambiguity that despite the presence of numerous parties, there is not much ideological difference among them. There also seems to be inter-party consensus, not on issues concerning development of the state, but on post-poll alignments for governance.

The Congress, which has always been a catchall party, has seen a slow decline in the percentage of its vote share in the Lok Sabha elections in Meghalaya. From a high of 74.3 per cent in 1980, the Congress climbed down to 53.6 per cent in 1996 [Government of Meghalaya 1978:1996], though there has been a steady increase in the turnout of voters. In fact there seems to be an inverse relationship between the Congress's decline and the regional parties' ascendancy. However, this has not effected much fluctuation in the vote-seat ratio and the Congress has most of the times won both the Lok Sabha seats representing in the state. The Congress, by virtue of its being a national party has always been perceived as the recipient of the support of the non-tribal population and has been looked upon with distrust by a major section of the tribal population primarily in the hills of the Khasis and the Jaintias. This distrust, which is mutual, is also exhibited in the fact that membership in the regional parties is restricted mainly to people of the indigenous communities. It is not possible to assess the support of the tribal and the non-tribal population separately in the case of the parliamentary elections but it is rather clear that in the assembly elections the vote share received by the regional parties from constituencies having a predominant 'non-tribal' population is lower compared to that of the Congress. The participation or non-participation of the 'non-tribal' population in the affairs of the regional parties is strategic and definitive. Where they do participate, it is necessitated by strategic considerations. The emergence of 'ethnic enclaves' of tribal populations can be traced to the 'son of the soil' movement of 1979-80, when the indigenous communities on the basis of a perceived threat to their socio-economic and cultural fabric engaged in a relentless persecution of 'non-tribals' (*The Shillong Times*, November 1979).

However, the Congress, like any other regional political party, operated mainly on regional considerations as revealed in the election manifestos of the party [see Sengupta 1997]. This 'Nehruvian dualism' has helped the Congress in determining the destiny of all the governments that



have played a role in the governance of Meghalaya.

The regional parties play a crucial role in the elections of Meghalaya. Regional political parties that emerge during elections have always been crucial determinants in the formation and dissolution of governments in the state. The regional parties are termed as 'protest' parties more in a regional sense rather than an ideological sense. These parties not only seek to protect the indigenous 'tribal' culture, but also seek redistribution of authority within the existing federal framework. Some members of regional parties have from time to time vented popular reactions regarding review of the 'Instrument of Accession' signed by the Khasi and Jaintia states under the domination of India (*The Shillong Times*, July 1999).

The regional political parties are dominant mainly among in the Jaintia hills district, West Khasi hills district and pockets of East Khasi hills district. Their penetration in the Garo hills is minimal and restricted to one or two pockets and few candidates of regional parties are returned from the area. This has helped the Congress to balance the election results especially in the state legislature. This lack of support for the regional parties in the Garo hills is attributed to the absence of an educated elite who are responsible for leading any regional movement.<sup>2</sup> The social base of the regional parties is concentrated mainly among the illiterate and in rural areas, but their ideology has nothing to offer those masses. They use emotional slogans to build a support base. This indicates that mobilisation is mainly for the purpose of deriving benefits for the newly emerging elite. The issues highlighted are amorphous and do not promise any radical structural and institutional changes needed to change land relations, etc, that affect the common man [see election manifestos of various parties. Also see Sengupta 1997 for a review of these manifestos]. This seems to go along with their image as parties that cater to indigenous aspirations. Further, the traditional values based on 'tribal' customs and mores are more deeply entrenched in the rural area. Hence the support for the regional parties is not only natural but is also mutually reinforcing for both the community and the political parties.

Besides the Congress, no other national political party could make a dent in the electorate in elections, prior to the 1998 elections. The Left Parties had a very marginal influence and their support could never be translated into any significant contribution in terms of seats. The Left's

ineffectiveness is also due to their adherence and pursuance of a classical Marxist model, which seeks the presence of an organised working class as a ground for the initiation of class-consciousness. This coupled with the absence of 'exploited classes' in the classical Marxist sense and deeply entrenched religious sentiments among the local population undercut the space for the propagation of any variant of Left ideology [Sengupta 1988].

This decade however witnessed the entry of the BJP into the electoral politics of Meghalaya. This entry is significant primarily because the state has a majority of Christians and the BJP is perceived as a party of the Hindus. BJP's entry however is mainly in the constituencies having a majority of 'non-tribal' voters. The 1998 elections reflect the translation of their penetration into seats in the assembly and their capability to bargain in the formation of a non-Congress state government. It may appear that this marks the beginning of the religious communalisation of the electorate. However, the entry of religion in the electoral politics of Meghalaya had taken place as early as 1978 when a church elder had to be called into decide who shall be the chief minister (*The Shillong Times*, 1978).

Ideology has always occupied a back seat in the elections in Meghalaya. The prime concern for the electorate has been the personality of the candidates. The CSDS survey confirms the fact that 55 per cent of the respondents preferred to vote for the candidates, while 27.5 per cent for the party, and 16.9 per cent for the parties as well as their candidates. Moreover, personality, besides other things, encapsulates considerations like the clan, tribe, etc. That ideology plays little role in the elections in Meghalaya is borne out also by the fact that during the formation of governments in state legislatures, parties with diametrically opposed views come together to form the government. Election manifestos and election appeals released by various parties are almost similar in content and outlook (see election manifesto of the HPU, HSPDP, CPI, Congress). The divide between the parties seems to be more on their relative regional or national character, though as earlier mentioned, there seems to be no clear demarcation between the two, primarily because both operate on regional considerations.

#### IV

#### General Elections: 1996 and 1998

The 1996 Lok Sabha elections were held simultaneously with the state elections, but that made no fundamental

change in the prevailing trend. Competitiveness for nominations and in electioneering remained minimal in the state. In the Tura Lok Sabha seat, Purno Sangma has been elected continuously since 1977. It is only in the Shillong Lok Sabha constituency that some competitiveness can be viewed. There was no impact of the 'anti-incumbency' factor so far as Lok Sabha election was concerned, though it had a marginal impact on the outcome of the elections to the state assembly. Political principles based on economic priorities and social policies were considered peripheral concerns. Separate manifestos for the Lok Sabha elections were not issued by any party in the state, and national manifestos had very little to say about the state in particular. However, the parties or candidates concerned issued supplementary appeals. Even these appeals were either self-eulogies or traced the greatness of India and the arrival of the moment of truth regarding its tryst with destiny, and called upon fellow Meghalayans to gird themselves up [see G G Swell election appeal, 'My priorities', 1996]. These appeals were populist and amorphous and did not lay any concrete emphasis on economic priorities or social policies.

The 1996 elections took place on a subdued note due to the promulgation of the model code of conduct, implemented vigorously by the authorities. Posters and banners were modestly displayed and large public meetings were not held as before. In fact the post poll data generated by the CSDS as a part of the nation-wide survey reveals that 94.1 per cent of the people did not participate in any election meetings. Even participation of the people in election campaigns was very low: 98 per cent people did not participate in any campaigns. This showed that the code also found support among the people.

During the 1996 Lok Sabha elections the contest for the Shillong seat was mainly between G G Swell of the Meghalaya Federation, the regional parties' combine and D D Lapang of the Indian National Congress. The BJP candidate could only win in three assembly segments that had a predominant non-tribal population.<sup>3</sup> In the Tura (Garo Hills) Lok Sabha seat, P A Sangma won, as usual with very little competition. For the Shillong Lok Sabha segment, out of the 6,81,660 voters only 3,85,045 exercised their franchise. This was 56.5 per cent of the total electorate. G G Swell secured 56.2 per cent of the votes and was declared elected. The Congress candidate secured only 35.2 per cent while the BJP and the CPI candidates



secured 6.4 and CPI 1.3 per cent respectively. The results, which highlight the assembly segments won by each candidate, validates the claim that the regional parties are strong in the Jaintia hills, west Khasi hills and parts of East Khasi hills, since their candidates won from almost all the assembly segments in these areas.

The 1996 Lok Sabha elections consolidated the rural support base of the regional parties and the Meghalaya Federation's candidate received immense support from the rural sector. Further the older people seem to be more favourably disposed towards the regional parties' candidate, while the younger generation is voting more for the Congress. This highlights that the upwardly mobile youth regard the Congress with favour and its portrayal as a 'national party with a regional outlook' provided these upwardly mobile youth with an opportunity to link themselves psychologically with mainland India and simultaneously remain satisfied that their 'unique identity' is maintained. The failure of the Congress to secure the victory of their candidate during the 1996 elections has been attributed to the lack of support for the Congress candidate from the party workers (*The Shillong Times*, 1996). This may partially be because the electorate held him responsible for the death of some youths in police firing during the 1992 riots when he had been the home minister. Consequently to the 1992 incident, he had also lost his assembly seat to a youth leader in 1994, which divided the loyalty of the electorate in his assembly segments and influenced the cadres.

The BJP won in three assembly segment with a non-tribal majority. The CPI, which has been the sole representative of the Left in Meghalaya, could not make any headway in any constituency.

As maintained earlier, political principles play very little part in determining the favour of the electorate towards political parties. Consequently, the electorate were presented manifestos that were identical and focused on similar issues. Topical issues relating to stability and efficient government, education, agriculture, health, water supply, etc, were highlighted. But none of the political parties talked of initiating fundamental structural or institutional changes in governance for bringing about a turn in the economy or in the deteriorating social relations between the tribals and the non-tribals. In fact, 76.5 per cent of the electorate are reconciled to the fact that their economic condition has remained the same and 64.7 per cent maintained

that the beneficiaries of 'development' have been the well-to-do.

The CSDS post-poll data emphasises that awareness of the people about the political institutions and political personalities, other than the immediate MP or MLA, is minimal. The data reveals that 90.2 per cent of the people surveyed were not aware of the name of prime minister and 66.7 per cent of the people surveyed gave an incorrect answer regarding the chief minister. This not only reflects a lack of political awareness among the electorate, but coupled with a high level of illiteracy (almost 50 per cent), it emphasises lack of political modernisation in the state in the last 12 years of its existence. The data also reveals that despite a low opinion of the political representatives, the voters exhibited trust in the institutions. The data provides some encouraging and positive responses regarding the need for institutions.

However, besides these grim reflections, the data shows that the people in this north-eastern state despite being fashioned through a traditional political culture are slowly legitimising the integrative process of multi-party democracy. They feel that political parties are an important vehicle for the articulation and aggregation of their interests. They feel themselves to be a part of the emerging liberal political process and emphasise that their vote has a part to play in determining their destiny. Of the survey respondents, 68.6 per cent agreed that their vote is important in the political affairs and of this, the youth are seen to be more emphatic, with 29.4 per cent of the youth between the age of 26 and 35 years expressing that their vote made an impact. This should be seen together with the fact that 72.5 per cent of the respondent also accorded legitimacy to the institutions.

However, the people as a whole feel more concerned with the issues that confront them on a day to day basis and are nearer home. They have very little empathy for national concerns and issues. Hence 92.2 per cent of the respondents reported that they were unaware of the Babri masjid demolition or the liberalisation process. Also, 88 per cent of the respondents maintained that they are not aware about the economic changes undertaken by the Rao government as part of liberalisation.

Further, the CSDS data confirms the view regarding Meghalaya that here region comes prior to the 'nation' as 98 per cent of the respondents regarded it to be so. The data also confirms our view that the people (60 per cent, according to the CSDS

data) feel close to the regional parties, and that these parties are better equipped to respond to indigenous aspirations.

The 1998 Lok Sabha election does not change much of the prevailing assumptions and follows similar trends. During the 1998 elections, the contest was mainly between the veteran leader G G Swell and the Congress candidate Ripple Kyndiah for the Shillong parliamentary constituency. The elections however saw an increase in the turnout. Out of 7,13,383 voters, 5,25,796 people voted. This is 73 per cent of the total electorate in Shillong. The Congress received 34.2 per cent with

TABLE 1: CLASSIFICATION OF VOTING PATTERN IN MEGHALAYA, 1998

Categories	INC	IND and Others
<b>Age</b>		
15 years and below	75.0	15.6
26-35 years	-	37.5
36-45 years	25.0	21.9
46-55 years	-	15.6
5 years and above	-	9.4
<b>Sex</b>		
Male	-	37.5
Female	100*	62.5
<b>Education</b>		
Illiterate	50.0	65.6
Primary & Middle	25.0	21.9
Intermediate	25.0	9.4
Graduate and above	-	3.1
<b>Religion</b>		
Christians	75.0	87.5
Others	25.0	12.5
<b>Occupation</b>		
Unskilled	25.0	6.3
Agricultural	-	15.6
Artisans and Skilled	25.0	12.5
Cultivators	-	34.4
Business	-	9.4
White collars and Professional	25.0	3.1
Others	25.0	6.3

Note. \*Number of cases are very small and so too much cannot be read into this figure.

TABLE 2: NUMBER OF SEATS AND PERCENTAGE OF VOTES SECURED BY PARTIES

Year	1996	1998
Total Seats	2	2
Turn-out	61.6	73.1
INC	seats 1 votes 53.6	seats 2 votes 47.6
CPI	seats - votes 1.4	seats - votes 1.4
BJP	seats - votes 9.1	seats - votes 9.0
HPU	seats - votes -	seats - votes -
HSPDP	seats - votes -	seats - votes 11.8
UDP	seats - votes -	seats - votes 18.2
IND/MF	seats 1 votes 35.8	seats - votes -
PDM	seats - votes -	seats - votes 9.5

the UDP trailing closely with 33.1 per cent of the votes. However, a significant aspect of the 1998 elections is that even parties that did not matter in the 1996 elections received a sizeable percentage of popular votes. For instance the HSPDP that had been contesting the Lok Sabha elections for a long time without making any impact on the electorate secured 11.8 per cent of the votes. Also, newcomers like the Peoples Democratic Movement (PDM) gained status of a regional party with its candidate covering 9.5 per cent of the votes. The CPI however further reduced its percentage to 0.7 per cent from an almost insignificant percentage of 1.4 per cent during 1996. The 1998 elections also saw a reduction in the vote percentage of the BJP from 9.1 per cent in 1996 to 6.4 per cent in 1998. The party was mainly restricted to the three non-tribal assembly segments, where it secured more than the Congress and the UDP candidates (*Election Handbook*, 1998).

The Tura parliamentary constituency saw the same trend of overwhelming support for Purno Sangma who secured 65.6 per cent of votes. The BJP candidate received 12.5 per cent votes and came second. The UDP, CPI and the Garo National Council candidates secured 12, 2.5 and 4.9 per cent of votes respectively. As mentioned earlier, the results for the Lok Sabha seat was a forgone conclusion in favour of Purno Sangma, with no possibility of any strong opposition. This reinforces the earlier claim that personalities matter more in the elections of Meghalaya.

The CSDS data show that there was not much change in the social base of the political parties. The regional parties maintained their rural outlook and drew their support from the illiterate rural artisans and cultivators and a sizeable section of the women (62.5 per cent). The parties also received 87.5 per cent of their support from the Christians. The Congress maintained its support among the youths with 75 per cent of them supporting the party.

As always, the 1998 elections did not see a contest between the parties on the basis of consistent ideologies or political principles. However, topical issues like that of the Supreme Court order banning timber trade was an order that many candidates promised to reverse. This found favour with the electorate since the entire rural economy centres on timber trade. But it cannot be said for certain which party derived maximum benefit from the promise, since all professed to remove this ban for the state.

In conclusion, we can say that despite the fact that we see a definite trend towards

the consolidation of liberal democratic politics, occasional violent outbursts on the tribal-non-tribal question reverses the processes of articulation of interests and aspirations on the basis of democratic norms. The hold of the traditional political institutions and their conflicting claims to power vis-a-vis the state emphasises the divided loyalty of the people who are caught in a transitory phase between entrenched, insular communal interests and one that provides the individual with a greater sense of participation with autonomy. Despite claims to the contrary, persons drawn from certain chosen clans man the traditional political institutions and it is from among them that the local chief, the *syiem* and the functionaries are drawn. The individual has very little participation in the actual decision-making processes of these institutions. Further, despite its matrilineal social structure, the society through its values and norms makes the participation of the women in the affairs of the society virtually impossible. The closed character of the society is also reflected in the fact that the women are given more significance only in running the affairs of the family. However, as investigations reveal women are becoming more and more aware of their rights and seek participation in the actual decision making process.

It can be said that despite the existence of grey areas in the actual working of multi-party democracy in Meghalaya, liberal democratic politics is an inevitable

necessity. Traditional institutions can be reformulated to acquire characteristics that reflect greater democratisation and may be modelled on other institutions like the 'panchayats' found in other parts of the country, but functioning essentially on the basis of a liberal democratic political system.

### Notes

- 1 The APHLC and the Congress merged with the Congress at the Mendipather Session in 1976
- 2 For a discussion on the relationship between the emerging educated middle class and the articulation of ethnic and regional issues, see Apurba Baruah (1994:242-77).
- 3 These constituencies are Pynthor, Mawprem and Laban, which has a predominant non-tribal community

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# TIMESBANK

*The Convenience Bank*

Regd Office: 5-R/2 Badshah Khan Chowk, N.I.T., Faridabad - 121 001

## BALANCE SHEET AS ON 31ST MARCH, 1999

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1999

(Rs. '000)			(Rs. '000)		
Sch No	As on 31st March, 1999	As on 31st March, 1998	Sch No	Year Ended 31st March, 1999	Year Ended 31st March, 1998
<b>CAPITAL AND LIABILITIES</b>			<b>I INCOME</b>		
Capital	1	1,000,000	Interest earned	13	2,863,966
Reserves and Surplus	2	707,894	Other income	14	406,011
Deposits	3	30,111,806	<b>Total</b>		<b>3,269,977</b>
Borrowings	4	17,216			<b>2,593,787</b>
Other liabilities and provisions	5	907,764	<b>II EXPENDITURE</b>		
<b>Total</b>		<b>32,744,680</b>	Interest expended	15	2,320,420
		24,307,856	Operating expenses	16	564,813
			Provisions and contingencies		105,296
			<b>Total</b>		<b>2,990,529</b>
<b>ASSETS</b>			<b>III PROFIT BEFORE PRELIMINARY/ PREOPERATIVE EXPENSES</b>		
Cash and balances with Reserve Bank of India	6	2,316,392	Amortisation of Preliminary Expenses		279,448
Balances with banks and money at call and short notice	7	4,798,326		(325)	248,075
Investments	8	10,434,082	Amortisation of Preoperative Expenses		(8,534)
Advances	9	13,119,575	<b>PROFIT AFTER PRELIMINARY/ PREOPERATIVE EXPENSES</b>		
Fixed Assets	10	866,925	Excess/short provision for tax of earlier years		270,589
Other Assets	11	1,209,380	<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		197
<b>Total</b>		<b>32,744,680</b>		<b>270,786</b>	234,509
		24,307,856			6,605
Contingent Liabilities	12	26,359,546	<b>APPROPRIATIONS</b>		
Bills for collection		2,944,553	Transfer to Statutory Reserves		54,157
Notes on Accounts	17		Transfer to Revenue and Other Reserves		216,629
Significant Accounting Policies	18		<b>Total</b>		<b>270,786</b>
					241,114

The schedules referred to form an integral part of the Balance Sheet  
The Balance Sheet has been prepared in conformity with Form "A" of the Third Schedule to the Banking Regulation Act, 1949.

The schedules referred to above form part of Profit and Loss Account.

The Profit and Loss Account has been prepared in conformity with Form "B" of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date  
For V. SANKAR AIYAR & CO  
Chartered Accountants

Sd/-  
Partner

Date: 15th May 1999  
Place: Mumbai

### FOR AND ON BEHALF OF THE BOARD

S. M. DATTA  
Chairman

N. B. JAVERI  
Managing Director

PRAVINCHANDRA GANDHI  
ARUN ARORA  
N.C. SINGHAL

Directors

V. SUKUMAR  
Chief Financial Officer

N.E. VENKITAKRISHNAN  
Company Secretary

# TIMESBANK

The Convenience Bank

Regd Office: 5-R/2 Badshah Khan Chowk, N.I.T., Faridabad - 121 001

## SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. '000)			(Rs. '000)	
	As on 31st March, 1999	As on 31st March 1998		As on 31st March, 1999	As on 31st March, 1998
<b>SCHEDULE 1 - CAPITAL</b>			<b>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</b>		
Authorised Capital* (200,000,000 equity shares of Rs. 10 each)	<u>2,000,000</u>	<u>2,000,000</u>	I Bills payable	<u>455,249</u>	188,786
Issued Capital (100,000,000 equity shares of Rs. 10 each)	<u>1,000,000</u>	<u>1,000,000</u>	II Inter-office adjustments (net)	<u>686</u>	504
Subscribed and Paid up (100,000,000 equity shares of Rs. 10 each)	<u>1,000,000</u>	<u>1,000,000</u>	III Interest accrued	<u>246,478</u>	382,012
The entire paid up Share Capital as on 31st March, 1999 is held by Bennett, Coleman & Co Limited and its associates			IV Others (including provisions)	<u>205,351</u>	125,038
* The Authorised Share Capital of the Bank was increased to Rs. 200 Crores comprising of 200,000,000 Equity Shares of Rs. 10/ each at the Extra-ordinary General Meeting held on 3rd October 1997			<b>Total (I-IV)</b>	<u><u>907,764</u></u>	<u>696,340</u>
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>			<b>SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA</b>		
I Statutory Reserves			I Cash in hand (including foreign currency notes & cheques on hand)	<u>85,730</u>	41,454
Opening Balance	<u>83,683</u>	35,460	II Balances with Reserve Bank of India		
Additions during the year	<u>54,157</u>	48,223	(i) in Current Accounts	<u>2,230,662</u>	2,260,341
Deductions during the year	<u>-</u>	-	(ii) in Other Accounts	<u>-</u>	-
Total	<u><u>137,840</u></u>	<u>83,683</u>	<b>Total (I + II)</b>	<u><u>2,316,392</u></u>	<u>2,301,795</u>
II Revenue and Other Reserves			<b>SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>		
Opening Balance	<u>353,425</u>	160,534	I In India		
Additions during the year	<u>216,629</u>	192,891	(i) Balances with banks		
Deductions during the year	<u>-</u>	-	(a) in Current Accounts	<u>87,289</u>	156,274
Total	<u><u>570,054</u></u>	<u>353,425</u>	(b) in Other Deposit Accounts	<u>455,700</u>	600,000
<b>Total (I + II)</b>	<u><u>707,894</u></u>	<u>437,108</u>	(ii) Money at call and short notice		
<b>SCHEDULE 3 - DEPOSITS</b>			(a) with banks	<u>1,910,000</u>	-
A I. Demand Deposits			(b) with other institutions	<u>800,000</u>	100,000
(i) From Banks	<u>21,004</u>	10,188	<b>Total (i and ii)</b>	<u><u>3,252,989</u></u>	<u>856,274</u>
(ii) From others	<u>8,466,242</u>	2,774,058	II Outside India		
II Savings Bank Deposits	<u>2,279,520</u>	1,062,972	(i) in Current Accounts	<u>87,288</u>	42,164
III Term deposits			(ii) in Other Deposit Accounts	<u>1,458,049</u>	1,116,882
(i) From banks	<u>1,484,600</u>	2,227,970	(iii) Money at call and short notice	<u>-</u>	-
(ii) From others	<u>17,860,440</u>	16,068,714	<b>Total (I, ii and iii)</b>	<u><u>1,545,337</u></u>	<u>1,159,046</u>
<b>Total (I + II + III)</b>	<u><u>30,111,806</u></u>	<u>22,143,902</u>	<b>Grand Total (I + II)</b>	<u><u>4,798,326</u></u>	<u>2,015,320</u>
B I. Deposits of branches in India	<u>30,111,806</u>	22,143,902	<b>SCHEDULE 8 - INVESTMENTS</b>		
II Deposits of branches outside India	<u>-</u>	-	I Investments in India in		
<b>Total (I + II)</b>	<u><u>30,111,806</u></u>	<u>22,143,902</u>	(i) Government Securities #	<u>6,583,721</u>	4,874,856
<b>SCHEDULE 4 - BORROWINGS</b>			(ii) Other approved securities	<u>119,445</u>	120,390
I. Borrowings in India			(iii) Shares*	<u>324,745</u>	313,250
(i) Reserve Bank of India	<u>-</u>	-	(iv) Debentures and Bonds**	<u>3,357,367</u>	2,417,062
(ii) Other Banks	<u>-</u>	-	(v) Others (CP, Units, CDs etc.)	<u>48,804</u>	231,304
(iii) Other institutions and agencies	<u>17,216</u>	30,506	<b>Total (i-v)</b>	<u><u>10,434,082</u></u>	<u>7,956,862</u>
II. Borrowings outside India	<u>-</u>	-	II. Investments outside India	<u>-</u>	-
<b>Total (I + II)</b>	<u><u>17,216</u></u>	<u>30,506</u>	<b>Grand Total (I + II)</b>	<u><u>10,434,082</u></u>	<u>7,956,862</u>
Secured borrowings included in I & II above.	<u>-</u>	-			

# Includes Rs. 25 lacs transferred to another bank towards margin money.

\* Includes application money of Rs. 500 Lacs (Previous Year Rs. NIL).

\*\* Includes application money paid for Bonds Rs. 2500 Lacs (Previous Year Rs. 500 Lacs) pending allotment.

# TIMESBANK

The Convenience Bank

Regd Office: 5-R/2 Badshah Khan Chowk, N.I.T., Faridabad - 121 001

## SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs '000)			(Rs '000)	
	As on 31st March, 1999	As on 31st March, 1998		As on 31st March, 1999	As on 31st March, 1998
<b>SCHEDULE 9.- ADVANCES</b>			<b>SCHEDULE 11 - OTHER ASSETS</b>		
A (i) Bills purchased and discounted @	4,249,971	3,630,944	I Interest accrued	284,543	211,524
(ii) Cash credits, overdrafts and loans repayable on demand	5,013,213	4,952,345	II Tax paid in advance/tax deducted at source (net of provisions)	52,311	12,744
(iii) Term loans	3,856,391	2,005,309	III Stationery & Stamps	1,228	1,357
<b>Total (i + ii + iii)</b>	<b>13,119,575</b>	<b>10,588,598</b>	IV Others*	871,298	594,754
B (i) Secured by Tangible assets	9,165,704	6,229,784	<b>Total (I - IV)</b>	<b>1,209,380</b>	<b>820,379</b>
(ii) Covered by Bank/ Govt. Guarantees @@@	2,826,914	2,460,385	* Includes Preliminary, Preoperative and deferred revenue expenses to the extent not written-off all aggregating Rs. 201.31 Lacs (Previous Year Rs. 257.83 Lacs) and deposit of Rs. 3055 Lacs (Previous Year Rs. 1500 Lacs) paid to Bennett, Coleman & Co. Limited towards lease of office premises.		
(iii) Unsecured	1,126,957	1,898,429	<b>SCHEDULE 12 - CONTINGENT LIABILITIES</b>		
<b>Total (i + ii + iii)</b>	<b>13,119,575</b>	<b>10,588,598</b>	I Claims against the Bank not acknowledged as debts	59,717	-
C I Advances in India			II Liability for partly paid investments	-	-
(i) Priority Sector	3,310,469	2,422,620	III Liability on account of outstanding forward exchange contracts	22,057,130	25,051,047
(ii) Public Sector	472,077	499,761	IV Guarantees given on behalf of constituents in India	2,675,158	2,015,509
(iii) Banks	-	2,194	V Acceptances, endorsements and other obligations	1,567,541	1,386,720
(iv) Others	9,337,029	7,664,023	VI Other items for which the Bank is contingently liable (disputed tax demands)	-	1,422
<b>Total (i-iv)</b>	<b>13,119,575</b>	<b>10,588,598</b>	<b>Total (I - VI)</b>	<b>26,359,546</b>	<b>28,454,698</b>
II Advances outside India	-	-		<b>Year Ended 31st March, 1999</b>	<b>Year Ended 31st March, 1998</b>
<b>Grand Total [C (I) &amp; C (II)]</b>	<b>13,119,575</b>	<b>10,588,598</b>	<b>SCHEDULE 13 - INTEREST EARNED</b>		
@ Net of Bills rediscounted Rs. NIL (Previous year Rs. 1500 Lacs)			I Interest/discount on advances/bills #	1,564,552	1,274,569
@@ Against L/Cs issued by Banks			II Income on investments	1,168,783	804,215
<b>SCHEDULE 10 - FIXED ASSETS</b>			III Interest on balances with Reserve Bank of India and other inter-bank funds	130,631	56,353
I Premises.			IV Others	-	4,395
At cost as on 31st March of the preceding year #	321,617	227,130	<b>Total (I - IV)</b>	<b>2,863,966</b>	<b>2,139,532</b>
Additions during the year *	70,109	94,487	# Net of Interest Tax		
Depreciation to date	(20,895)	(15,345)			
<b>Total</b>	<b>370,831</b>	<b>306,272</b>			
II Other Fixed Assets (including furniture and fixtures)					
At cost as on 31st March of the preceding year	348,167	246,972			
Additions during the year*	81,429	101,194			
Deductions during the year	(1,694)				
Depreciation to date	(112,603)	(60,169)			
<b>Total</b>	<b>315,299</b>	<b>287,997</b>			
III Assets given on lease (Plant & Machinery)					
At cost as on 31st March of the preceding year	21,200	-			
Additions during the year	171,084	21,200			
Depreciation to date	(7,568)	(69)			
Lease Equalisation A/c	(13,845)	(88)			
<b>Total</b>	<b>170,871</b>	<b>21,043</b>			
IV Capital Work in progress	9,924	9,590			
<b>Total (I - IV)</b>	<b>866,925</b>	<b>624,902</b>			
# Includes Rs. 206.61 Lacs towards cost of Office premises occupied pending execution of conveyance by the seller.					
* Includes: (a) cost of modifications/alterations in leased premises.					
(b) Rs. 545.69 Lacs towards cost of residential premises where certain formalities including registration of the property is pending.					

# TIMESBANK

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## SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs '000)			(Rs '000)	
	Year Ended 31st March, 1999	Year Ended 31st March, 1998		Year Ended 31st March, 1999	Year Ended 31st March, 1998
<b>SCHEDULE 14 - OTHER INCOME</b>			<b>SCHEDULE 16 - OPERATING EXPENSES</b>		
I. Commission, exchange and brokerage	233,410	146,466	I. Payments to and provisions for employees	148,614	116,874
II. Profit (net) on sale of investments	60,959	255,258	II. Rent, taxes and lighting	79,097	64,863
III. Profit/Loss on sale of land, building and other assets	(458)	(60)	III. Printing and stationery	25,084	28,165
IV. Profit (net) on exchange transactions	74,782	49,895	IV. Advertisement and Publicity	18,994	18,271
V. Miscellaneous income*	37,318	2,696	V. Depreciation on Bank's property	66,100	52,270
<b>Total (I - V)</b>	<b>406,011</b>	<b>454,255</b>	VI. Directors' fees, allowances and expenses	466	1,118
* Includes lease rental income Rs. 257.81 Lacs (Previous Year Rs. 278 Lacs) net of lease equalisation charge Rs. 137.56 Lacs (Previous year Rs. 0.89 Lacs)			VII. Auditors' fees and expenses	1,000	750
<b>SCHEDULE 15 - INTEREST EXPENDED</b>			VIII. Law charges	3,437	1,594
I. Interest on deposits	2,172,857	1,657,316	IX. Postages, Telegrams, Telephones, etc.	24,307	19,645
II. Interest on Reserve Bank of India/Inter bank borrowings	96,410	60,757	X. Repairs and Maintenance	58,925	41,467
III. Others*	51,153	54,030	XI. Insurance	12,873	10,025
<b>Total (I - III)</b>	<b>2,320,420</b>	<b>1,772,103</b>	XII. Other expenditure (includes write off of software licence fee of Rs. 32.15 Lacs) (Previous year Rs. 32.15 Lacs)	125,916	79,450
* Represents discount on Bills rediscounted and Interest on Refinance			<b>Total (I - XII)</b>	<b>564,813</b>	<b>434,492</b>

## SCHEDULE 17 - NOTES ON ACCOUNTS

- Due to higher obsolescence, the depreciation on specialised computer hardware used for Banking operations, is charged from the date of acquisition @ 33.33% p.a. on straight line method
- Provisions and contingencies include provision towards

	Year Ended 31/03/1999 Rs in Lacs	Year Ended 31/03/1998 Rs in Lacs
Non Performing Assets	588.30	533.45
Income Tax	286.00	840.00
Wealth Tax	13.00	7.84
Depreciation on Investments	125.65	9.88
Additional Prudential Provision*	340.00	Nil
<b>Total</b>	<b>1352.95</b>	<b>1391.17</b>
Less: Write back of General provisions made in earlier year	300.00	Nil
<b>Total</b>	<b>1052.95</b>	<b>1391.17</b>

- \* made to cover unidentified risk inherent in any portfolio of lending relationships.

- In respect of assets taken on lease by the bank, the future obligations under the lease agreements over the next 6 years aggregate Rs. 1773.56 Lacs.
- Other assets include an amount of Rs. 335.77 Lacs paid by the bank under protest to the Superintendent of Police, Mumbai in respect of an alleged offence relating to a banking transaction. No provision is considered necessary as the Bank and its legal counsel are of the opinion that no offence has been committed and that the amount is good of recovery. Necessary steps for recovery are being initiated.
- The Bank has effective 1st September 1998, changed the method of recognising income on discounted securities purchased after this date from 'Straight Line' method to 'Constant Yield' method.
  - For the purposes of working out Profit & Loss on sale of investments the bank has, effective 1st September 1998, changed the method of working out the cost of investments sold from the "Weighted Average" method to "Specific Identification" method.
  - In the accounts for the year ended 31st March 1999 the aforesaid changes have the effect of
    - reducing the discount income and discount accrued on investments by Rs. 110.98 Lacs
    - increasing the profit on sale of investments by Rs. 296.99 Lacs.
    - increasing the balance cost of investments as on 31st March 1999 by Rs. 186.01 Lacs, with consequential effect on the Reserves

# TIMESBANK



The Convenience Bank

Regd Office: 5-R/2 Badshah Khan Chowk, N.I.T., Faridabad - 121 001

6) The following are the ratios and figures required to be disclosed as per Reserve Bank of India instructions

	Rs. in crores	
	Year ended 31-3-1999	Year ended 31-3-1998
(i) Capital Adequacy Ratio		
Tier I	9.97%	11.26%
Tier II	Nil	Nil
(ii) Interest income as a percentage to working funds	9.97%	11.26%
(iii) Non interest income as a percentage to working funds	8.67%	8.80%
(iv) Net interest income (i.e. interest income minus interest expenditure) as a percentage to working funds	1.32%	1.86%
(v) Operating profit as a percentage to working funds	1.58%	1.51%
(vi) Net profit as a percentage to working funds	1.15%	1.53%
(vii) Return on assets	0.83%	0.96%
(viii) Return on equity	0.95%	1.19%
(ix) Staff expenses per employee	17.46%	18.22%
(x) Business (Deposits + Advances) average for the period per employee	0.03	0.03
(xi) Profit per employee	7.30	6.00
(xii) Total Quantum of NPAs	0.05	0.05
(xiii) (a) Net NPAs as percentage to net advances	46.32	17.22
(b) Net NPAs as percentage to Net Advances plus investments in Bonds & Debentures	3.01%	1.41%
(xiv) Gross value of Investments - in India	2.40%	1.15%
- outside India	1044.77	795.78
(xv) a) Provision for Depreciation on Investments - in India	1.36	0.10
b) General provision - refer note 2	3.40	Nil

7) The bank has completed testing of its Computer Systems for Y2K compliance. Minor discrepancies noticed are being taken up for rectification with Vendors. Confirmation regarding compliance has also been obtained from all vendors for their products. The bank is actively following up with its customers and counterparties to ascertain the status on their Y2K compliance. A contingency plan has also been drawn up to minimise the risk of exposure to the problem.

8) Previous year's figures have been regrouped wherever necessary.

## SCHEDULE 18 - SIGNIFICANT ACCOUNTING POLICIES

### 1 General:

The accompanying financial statements are prepared on the historical cost basis in accordance with generally accepted accounting principles and in conformity with the statutory provisions and practices prevailing within the Banking Industry in India.

### 2 Investments:

- All investments are treated as Current Investments.
- Broken period interest and costs such as brokerage, commission, etc. incurred on acquisition of investments are treated as revenue.
- Valuation.
  - Bonds and Government Securities are valued in aggregate for each category at lower of cost and market value at the balance sheet date in accordance with the guidelines of RBI. In respect of unquoted investments, the value based on YTM valuation as per RBI guidelines are adopted as market value.
  - Preference and Equity Shares which are unquoted or where current quotations are not available, are valued at the break-up value worked out based on the latest available Balance Sheet of the investee companies.
  - Unquoted Debentures are valued as though they are advances.
  - Treasury Bills and Commercial Paper are valued at acquisition cost.

All investments are valued scripwise as indicated above and depreciation/appreciation within each category as prescribed by RBI, is aggregated. Net depreciation, if any, in each category is provided for and net appreciation, if any, in each category is ignored.

### 3. Advances:

- Advances are stated net of provisions and have been classified into standard, sub-standard, doubtful and loss assets as per guidelines of RBI.
- Provision for sub-standard, doubtful and loss assets is made in respect of identified advances in conformity with guidelines of RBI.

### 4 Fixed Assets:

- Fixed Assets are accounted for on historical cost basis.
- Depreciation is provided for on straight-line basis as under:
  - Computer Equipment used for running the banking software at the rate of 33.33% per annum.
  - Certain furniture and fittings at the rate of 20% per annum.
  - Other assets including assets given on lease as per rates prescribed under Schedule XIV to the Companies Act, 1956.

### 5 Transactions involving Foreign Exchange:

- Foreign Currency Assets and Liabilities are translated at exchange rates as advised by Foreign Exchange Dealers Association of India (FEDAI) and RBI guidelines. The resulting gain or loss on revaluation is recognised in the revenue account.
- Acceptances, Endorsements and other obligations are carried at the exchange rate prevalent on the date of commitment.
- Contingent liabilities on account of outstanding foreign exchange contracts are reported at the contract rates. These contracts have been revalued on the Balance Sheet date at the rates notified by FEDAI and the resulting profits or losses are accounted for in the Profit & Loss Account.
- Income and expenditure items are accounted for at the rates ruling on the date of the transaction.



# TIMESBANK

*The Convenience Bank*

Regd Office. 5-R/2 Badshah Khan Chowk, N.I.T., Faridabad - 121 001

## 6. Revenue Recognition:

- a) Revenue and expenses are accounted for on accrual basis except:
  - i) Income on Non-performing Assets which is recognised on realisation.
  - ii) Commission which is normally recognised on the date of receipt although income may relate to a period extending beyond the date of financial statements except commission on guarantees issued for periods beyond a year which are amortised equitably over the number of years for which the guarantees are valid.
- b) The amount of Lease Equalisation representing the difference between the annual lease charge and the depreciation provided on leased assets is adjusted with the lease rental income in the Profit & Loss Account with corresponding adjustment to the value of assets given on lease through the lease adjustment account. The annual lease charge represents the recovery of net investment in the asset computed on the basis of interest rate implicit in the lease
- c) In respect of discounted money market instruments such as Treasury Bills, Commercial Papers, Zero Coupon Bonds etc the difference between acquisition cost and redemption value is accrued as income on a constant yield basis

## 7 Staff Retirement Benefits:

Provision for Gratuity and Leave Encashment have been made based on actuarial valuation and provision for Super-annuation has been made on accrual basis.

## 8. Deferred Revenue:

The following have been treated as Deferred Revenue expenditure and written off over a period as indicated below

- a) Preliminary expenditure – written off over a 10 year period
- b) Software licence fee paid – written off over a 7 year period
- c) Expenses incurred on branches prior to commencement of business-written off over a 3 year period

FOR AND ON BEHALF OF THE BOARD

S M DATTA  
Chairman

N B JAVERI  
Managing Director

PRAVINCHANDRA GANDHI  
Director

ARUN ARORA  
Director

N C SINGHAL  
Director

Place Mumbai  
Date 15th May 1999

N E VENKITAKRISHNAN  
Company Secretary

V SUKUMAR  
Chief Financial Officer

## Auditors' Report on the Accounts of Times Bank Limited under Section 30 of the Banking Regulation Act, 1949.

1. We have audited the attached Balance Sheet as at 31st March, 1999 of Times Bank Limited and also the annexed Profit and Loss Account of the Bank for the year ended on that date.
2. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of Section 211 of the Companies Act, 1956.
3. We report that:
  - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and found them to be satisfactory.
  - b) The transactions which have come to our notice, have been, in our opinion, within the powers of the Bank.
  - c) In our opinion, proper books of accounts as required by law have been kept by the Bank so far as appears from our examination of those books.
  - d) The Balance Sheet and Profit and Loss Account of the Bank dealt with by this report, are in agreement with the books of account.
  - e) In our opinion the Balance Sheet and the Profit and Loss Account dealt with by this report, comply with the Accounting Standards referred to in Sub section (3C) of Section 211 of the Companies Act, 1956 in so far as they apply to Banks.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon and the Significant Accounting Policies, give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis, the said Balance Sheet gives a true and fair view of the state of affairs of the Bank as at 31st March, 1999, and the Profit and Loss Account shows a true and fair view of the Profit of the Bank for the year ended on that date.

For V. SANKAR AIYAR & CO.  
Chartered Accountants

Sd/-  
Partner

Place: Mumbai  
Date: 15th May, 1999.

# Fractured Identities

## Politics in a Multi-Ethnic State

A K Baruah  
Sandhya Goswami

*Unlike most other Indian states where regionalism is being articulated in terms of one dominant cultural community, in Assam a number of smaller ethnic communities are beginning carve out areas of influence through their respective parties. While the Asom Gana Parishad representing 'Asomiya' interest has begun to have a presence in the non-Assamese speaking areas which had been Congress strongholds, regional issues have dominated the elections in the Bodo and Karbi areas. None of the national parties including the BJP which has registered an impressive growth, have been able to present an effective challenge to these regional forces.*

ELECTORAL politics in Assam during the last one decade, beginning 1985, reflects the emergence of a new trend. The one-party dominant system is giving way to a multi-party system in which political parties of various ethnic groups or smaller cultural communities play significant roles. The support base of the Congress Party shows a remarkable decline while a regional party – the Asom Gana Parishad, has been able to consolidate its hold in Assam politics. A number of smaller parties articulating the interests of smaller ethnic communities and religious and linguistic minorities, have also been making their presence felt. The left parties remain where they were, except for their tacit acceptance of the growing prowess of regional forces. The decade also shows the emergence of Bharatiya Janata Party as an important electoral force. Electoral politics in Assam is gradually reflecting the political significance of its multi-ethnic reality, with the respective educated elites of various communities consolidating their hold over the politics of their own communities.

Since 1952, except for the 1978 and 1985 assembly elections and its debacle in the 1996 elections, the Congress has been winning all the parliamentary and assembly elections in the state (Tables 1, 2 and 3). In 1977, when in the rest of India, the voters were punishing the Congress Party of Indira Gandhi for the atrocities committed during the Emergency, the electorate in Assam gave the party 10 out of 14 seats in the parliament with 50.6 per cent vote share. Its share of votes in the parliament elections, up to that period, remained above 45 per cent and in the assembly elections, its lowest vote share during this period was 43.5 per cent (Table 1). Its first major setback came in the assembly elections of 1978 (Table 2), in which it won only eight seats in an assembly of 126 and polled 23.7 per cent of the valid votes. But these elections were

held after the Janata Party's ascent to power at the centre. That the change of government in the centre, leading to corresponding changes in the political alignment in the state, had affected the results of these elections became clear from the fact that the same issue of Emergency excesses remained central to the campaigns of both the 1977 parliamentary and 1978 assembly elections and yet led to very different results. In the assembly elections of 1985, when the Asom Gana Parishad (AGP) rode on a wave to power, as a result of the now famous 'Assam Movement' on the foreigners' issue, with 63 seats in a house of 126 and polled 34.54 per cent votes, the Congress won 25 seats and polled only 23.47 per cent votes. It is true that during this election the pro-Assamese nationalist votes remained solidly behind the AGP but the votes of the forces inimical to the movement got divided, with the United Minority Front (UMF) capturing 17 seats and collecting 10.85 per cent votes. The left parties put up a remarkable performance during the post-Emergency Assembly election of 1978 with the CPI(M) winning 11 seats and the CPI five seats. The Revolutionary Communist Party of India (RCPI) too won four seats in that election. But in 1985, primarily because of their anti-Assam movement stand, they were almost wiped out. The CPI could not

win any seat and the CPI(M) won only two. The Plains Tribal Council of Assam (PTCA) won three seats in Bodo areas and United Tribal Liberation Front (UTNLF), another tribal party, won a single seat. The Congress(S) won four seats.

### RISE OF ASOMIYA NATIONALISM: ELECTORAL PERFORMANCES

In the 1991 assembly elections the Congress staged a remarkable comeback by winning 65 seats and polling 29 per cent votes. The Natun Asom Gana Parishad (NAGP), a breakaway faction of the AGP, won five seats with 5.5 per cent votes. The CPI(M) won two and CPI four seats in these elections. Among the parties representing ethnic minorities, the newly formed Autonomous State Demand Committee (ASDC) of Karbi Anglong won four assembly seats with 1.6 per cent votes. Other such parties drew a blank. The BJP, which was never before a significant force, won 10 seats and polled 6.4 per cent votes. A quick look at these results shows that the main reasons for the Congress victory, despite poor vote share, were the division of the pro-Assamese nationalist votes between the AGP and NAGP and the unprecedented performance of the BJP. While the AGP and the NAGP together polled 23.6 per cent, the BJP's 6.4 per cent votes in 47 constituencies spread all over

TABLE 1: ASSAM LOK SABHA ELECTION RESULTS (1952-85)

Year	Total Seats	Turn-out	INC		PSP KMPP (1952)		CPI		Party	Seats	Vote
			Seats	Vote	Seats	Vote	Seats	Vote			
1952	12	47.7	11	45.7	—	10.0	—	—	SOC	1	19.2
1957	12	46.6	9	51.7	2	20.0	—	10.2	IND	1	18.1
1962	12	52.8	9	45.2	2	19.2	—	7.1	AHL	1	3.8
1967	14	59.3	10	45.8	2	12.8	1	8.3	AHL	1	3.8
1971	14	50.7	13	57.0	—	4.6	—	5.7	AHL	1	3.0
1977	14	54.9	10	50.6	—	—	—	1.4	JNP	3	3.58
1980	14*	53.4	2	51.0	—	—	—	—	CPI(M)	—	9.2
1984	14	79.7	4	23.6	—	—	—	1.4	AGP	7	33.4

Note: Remaining seats and vote have gone to either other minor parties or independents.

\* Election held only for two Lok Sabha seats in 1980.

the state must have cut into the vote share of the non-Congress forces. Therefore, the seats won by the Congress in 1991 need not necessarily mean an improvement in its support base. The decline that started in 1977 continued despite its being able to form a government in the state. Moreover, an analysis of the constituencywise performance of the Congress Party shows that, in this election, Congress performance was much better in the areas dominated by the non-Assamese speaking population. Out of the 65 seats it won, at least 40 were constituencies where 'Ana-Asomiya', 'Na-Asomiya'<sup>1</sup> or the tea garden labour population was electorally significant.

At the parliamentary level, in 1985, the Congress won four seats out of a total of 14 with 23.5 per cent votes and in 1991, it won eight seats with 28.5 per cent votes. The AGP won a single seat with 17.6 votes. The NAGP could not win any seat but polled a significant 5.9 per cent votes. Like its performance in the assembly elections, in the parliamentary elections too, the BJP won two seats with 9.6 per cent votes. The scenario thus was not much different from the assembly elections.

In the parliamentary elections of 1991, the Congress fared better in the areas dominated by tea garden labour and Na-Asomiyas. In the Asomiya areas it could win where it did, only because of a split in the Asomiya nationalist vote between the AGP and NAGP. In Dhubri which has a large immigrant population the Congress polled 26.5 per cent votes while the AGP and NAGP polled 7.4 per cent and 2.4 per cent respectively. The BJP, which was in the second position, polled a significant 19.6 per cent. The Congress thus had a comfortable margin. In Jorhat, with a significant presence of tea garden labour, the Congress polled 44.9 per cent while the AGP and NAGP polled 24.1 per cent and 6.9 per cent only, respectively. The Congress had a margin of almost 20 per cent over the AGP and of almost 11 per cent over AGP and NAGP put together. In another similar constituency Dibrugarh, the Congress polled 50.5 per cent, AGP

in the second place polled just 22 per cent and NAGP came a poor third with 7.3 per cent. The Congress again had a margin of over 30 per cent. In Kaliabor, the Congress had a margin of about 10 per cent over AGP and NAGP. It polled 45.6 per cent, AGP 26.3 per cent and NAGP 9.3 per cent. In the Lakhimpur constituency, Congress got 31.4 per cent. AGP could manage 21.1 per cent and NAGP polled 1.9 per cent thus giving it an edge over 7 per cent. In Tezpur, with a sizeable Nepali and tea labour population, the Congress polled 41.9 per cent while the AGP polled 23.2 per cent and the NAGP polled 10.9 per cent. The Congress had about 7 per cent advantage over the two regional parties. But in constituencies like Mangaldoi and Guwahati, where this factor was insignificant, it could not show similar strength. In Mangaldoi, it polled 24 per cent, the AGP 21.4 per cent and the NAGP 12.3 per cent. The two regional parties together polled about 9 per cent more than the Congress. In Guwahati, the Congress polled 23.8 per cent, NAGP 17.5 per cent and AGP polled 16.6 per cent. The AGP and NAGP together polled 34.1 per cent.

10.3 per cent more than the Congress. Nowgong was the only constituency where this pattern did not emerge. Despite the presence of sizeable immigrant population, the AGP won the seat with 24.4 per cent vote. The NAGP polled 3 per cent and the Congress polled just 22.3 per cent. It is therefore clear that even at the parliamentary-level election the Congress was experiencing an erosion of its support base and the regional forces were gaining ground over it. Electoral politics of the state was thus becoming a sphere where Asomiya nationalist forces and the parties representing the interests of the smaller ethnic groups were beginning to challenge the Congress, the most dominant national party. An understanding of the Congress' decline is necessary for understanding the regional and ethnic forces' ascendance.

#### CONGRESS DECLINE: HISTORICAL BACKGROUND

It is well known that, during the period of its inception in Assam, the Congress was thriving on the support of the Asomiya middle class and its predecessor, the newly emerging educated elite of the British days.

TABLE 3: ASSAM ELECTION RESULTS (1989-98)

Year		Lok Sabha Election				Vidhan Sabha Election	
		1989*	1991	1996	1998	1991	1996**
Total Seats		—	14	14	14	126	126
Turn-Out		—	75.3	78.5	61.1	74.7	78.9
INC	Seats	—	8	5	10	66	34
	Vote	—	28.5	31.6	38.97	29.2	30.6
AGP	Seats	—	1	5	—	19	59
	Vote	—	17.6	27.2	12.72	17.9	29.7
BJP	Seats	—	2	1	1	10	4
	Vote	—	9.6	15.9	24.47	6.7	10.4
CPI	Seats	—	—	—	—	4	3
	Vote	—	2.1	—	0.95	2.5	2.0
CPI(M)	Seats	—	1	1	—	2	2
	Vote	—	4.7	3.9	3.27	3.9	1.9
JD	Seats	—	—	—	—	1	—
	Vote	—	5.2	0.7	0.12	4.8	0.6
Others	Seats	—	1	1	2	9	9
	Vote	—	18.0	9.0	10.18	10.6	7.4
Ind	Seats	—	1	1	1	15	11
	Vote	—	14.3	11.7	9.51	24.4	17.4

Notes: \* Elections were not held.

\*\* Election countermanded for four seats

Source: Election Department, Government of Assam.

TABLE 2: ASSAM VIDHAN SABHA ELECTION RESULTS (1952-85)

Year	Total Seat	Turn-out	INC		CPI		AHL		Party	Seats	Vote	Party	Seats	Vote
			Seats	Vote	Seats	Vote	Seats	Vote						
1952	108	61.1	75	43.5	1	2.8	—	—	SOC	4	13.3	GNC	3	0.6
1957	108	58.6	71	52.4	4	8.1	—	—	PSP	8	12.7	—	—	—
1962	105	52.8	79	48.3	—	6.4	11	5.5	PSP	6	12.7	RCP	1	1.2
1967	126	61.3	73	43.6	7	5.2	9	3.5	PSP	5	6.9	SSP	4	3.3
1972	114	61.7	95	53.2	3	5.6	—	—	SOC	4	5.8	PTC	1	1.7
1978	126	66.9	8	8.8	5	4.1	—	—	INC	26	23.6	JNP	53	27.6
1983	126	32.7	91	52.5	1	2.1	—	—	PTC	3	4.7	ICS	2	6.1
1985	126	79.2	25	23.2	—	1.2	—	—	AGP	65	35.0	UMF	18	11.8

Note: Remaining seats and vote have gone to either other minor parties or the independents.

In the pre-independence period, all its leaders were from the newly emerging western educated elite which took the shape of a middle class by the last decade of the 19th century.<sup>2</sup> H K Barpujari has pointed out that representatives from Assam had attended the early sessions of the Congress, including the first meeting that preceded its foundation. Barpujari also provides us with names of some of these representatives. Prominent among them were Debicharan Baruah, Gopinath Bordoloi, Kalikanta Barkakti, Satyanath Borah. All these gentlemen participated in the second session of the Congress. Radhanath Changkakoti and Laksmikanta Barkakoti attended the third session.<sup>3</sup> A look at the names of the delegates from the Brahmaputra Valley to National Congress sessions from 1886 to 1921 shows that most of them belonged either to the middle class or its predecessor the western educated elite [Guha 1977: App 6, 343-45].

In the Assamese dominated areas of this valley, because of the influence of this elite, the Congress became its 'spokesperson' and generally articulated and tried to protect its interests by advocating the idea of an 'Assamese nationality'. This was reflected in the election promises of 1946 itself. A Congress election leaflet declared,

Unless the province of Assam be organised on the basis of the Assamese language and Assamese culture, the survival of the Assamese nationality and culture will become impossible. The inclusion of Bengali-speaking Sylhet and Cachar (plains portion) and the immigration and importation of lakhs of Bengali settlers on wastelands has been threatening to destroy the distinctness of Assam and has, in practice cause many disorders in its administration. For appropriate solution and redress of this big problem, the Congress Party should be installed as the majority party in the assembly [cited by Amalendu Guha 1977, pp 302-03].

It is interesting to note that on the basis of such appeals the Congress polled 48 per cent votes in those elections. More importantly it polled 78.3 per cent in the general constituencies [See Guha Appendix 14A]. Such a pro-Assamese nationalist policy could be followed by the Congress in that period without much opposition primarily because the Surma valley in those days was not a part of Assam Congress. It was a part of the Bengal Congress. The immigrant population though substantial<sup>4</sup> was politically not well organised and the Assamese speaking population held sway over the politics of the state. The communities like the Bodo, Mishings and Karbis were yet

to assert their identity. The Nagas had been demanding independence but the Khasi-Jaintias, Garos and Mizos were only beginning to understand parliamentary democracy. The Congress could therefore concentrate on winning the Assamese over. The party could do that rather easily by raising the issue of national identity of the Assamese because by that time the Assamese middle class, for whom this issue was important, had ascended to hegemony [See Manorama Sharma]. The proof of the Assamese middle classes' obsession with national identity is not difficult to find. Even in its nascent phase itself some leaders of this class had told the Congress that they would become ardent supporters of the Congress provided it took measures to protect the Assamese national identity [Baruah 1994]. It was therefore natural for the Congress to promise protection of this identity defined in terms of Assamese language and culture, and thus to create a support base among the Asomiyas.

But after independence its support structure underwent a change. Or rather it was forced to redefine its support base. A major Bengali-speaking area, namely Barak Valley, was now brought under its jurisdiction. The Bengali population of both the valleys put together, became electorally significant for Assam Congress. The Asomiyas and the Assamese Bengalis became the two most numerous linguistic groups of post-independence Assam. Right from the pre-British days, the elites of these two linguistic communities had been vying with each other for dominance over the land mass now known as Assam. Ever since 1846, when Bengali was given the status of the language of Court and schools, the Asomiya elite had become apprehensive of the intentions of the Bengali residents of Assam. While the chauvinist section of the Asomiya middle class kept accusing all Bengali residents of Assam of expansionism, the chauvinist section of the Bengali residents of Assam and their patrons in Bengal openly expressed their desire to reduce the Asomiyas to a subjugated community in their own homeland [Baruah 1990]. In such a situation, the Congress' earlier policy of standing for the protection of the Asomiya interest became inadvisable. With the continuous influx of refugees from the erstwhile East Pakistan and with more and more tribal communities like the Khasis, Garos, Bodos trying to assert their own identities, the situation was becoming increasingly complicated. The Asomiya middle class, in the meantime, was becoming more aggressive. As is evident from the policies pursued

by the Congress on issues like official language, medium of instruction, and establishment of refineries, the Assam Pradesh Congress was trying to do some tight rope walking. But the central leadership of the party appeared to be insensitive to the problems of the state.

This insensitivity was becoming more and more pronounced. The Congress' attitudes towards the demands of the various groups like the hill tribes and the Bodos showed elements of uncertainty. For instance, when the Bodos demanded introduction of Bodo as the medium of instruction up to the secondary level in the then Goalpara district in 1968, the then chief minister stated it to be contradictory to the government's educational policy.<sup>5</sup> The demand of a separate state made by the hill tribes like the Khasis, the Jaintias, and the Garos, which was articulated by the APHLC, too did not receive a sympathetic response in the beginning. In fact, the APHLC legislators resigned en-block from the Assam assembly, soon after the 1967 assembly elections, in order to pressurise the central government for the formation of a separate hill state. It is true that on the eve of elections the Congress always takes steps to gain popularity and tries to undo the damages caused by its policies. For instance, on the issues of the establishment of a second oil refinery in Assam and the demand of a separate hill state, the Assam Congress took courses of actions which actually alienated the large sections of the population who were supporting these demands and then tried to salvage the situation by announcing measures to placate these sections just before the elections (see note 5). Till the late sixties and early seventies the Asomiya middle class was still controlling the affairs of the state through the Congress Party and therefore such attitudes could be interpreted as the attitudes of the Asomiya middle class. Of course, there were tussles for leadership within the party leading to factional politics which contributed to the erosion of its support structure. But these conflicts could not remain unaffected by the over all 'communal' rivalries (see note 5).

It is interesting to note that during the post-independence period when the Congress Party was losing its original support base for the reasons discussed above, some regional political groups and parties were emerging in Assam. Some of these, like the All Party Hill Leaders Conference (APHLC) with non-Assamese speaking ethnic support base, began to do fairly well but the regional groups formed in the Asomiya areas like the Peoples Democratic

Party and the Ujani Assam Rajya Parishad could not make any mark in the electoral politics of the state.<sup>6</sup> It was only after the six-year long Assam agitation that regional forces in the Asomiya areas could become significant in the electoral arena. It was under such circumstances that the compulsions of parliamentary politics seemed to have forced the Congress to concentrate on the most organised and insecure sections of the society in Assam – the tea garden labourers and the immigrant population. As K M Deka shows, the rural Muslims and the tea garden labour voters had a tendency of voting *en bloc* for the Congress. Assam has a large tea garden labour population and the only trade union organisation which has been able to penetrate this section in Assam is the Indian National Trade Union Congress (INTUC). The Muslim immigrants have always been insecure particularly in view of the aggressive posture of the Asomiya middle class. But they were also becoming more and more relevant in electoral terms because of their increasing number.<sup>7</sup> As we have shown above the election results of 1991 shows that the support base of the Congress has changed over the years and it has come to depend on the immigrants, tea garden labour and other Ana-Asomiya sections. Some deliberations in the Assam Pradesh Congress Committee show that the Congress has been concerned about its hold over these sections.<sup>8</sup>

#### ISSUES IN 1996 ELECTIONS

By the time Assam went to the polls in 1996, both for the parliament and the assembly, the Congress found itself in a very difficult situation not only because of the alienation of a large section of Asomiyas but also because of the fact that the AGP and NAGP were united. The other opposition parties including the left parties and even UMF – a party which had been claiming to represent the interests of the religious and linguistic minorities – joined hands with other regional forces particularly in view of the unprecedented corruption and indiscriminate use of the repressive state machinery by the Hiteswar Saikia government. The situation was further complicated by the problem of extremist politics of organisations like the United Liberation Front of Asom (ULFA) and Bodo Security Force (BDSF). In early 1995, most observers would have agreed that the next elections would be fought on the issues of corruption and violation of democratic rights.<sup>9</sup> It was under such circumstances that the Congress tried to change the focus of politics to an issue which could give it an advantage over

others. In a clever move, Saikia sought to change the political discourse so that the issues of corruption and violation of democratic rights would recede to the background on the election eve. He tried to create conditions which would ensure that the issue of ethnic identities in this multi-ethnic state gained vital importance in electoral politics. The articulate sections of the Bodos, the Karbis and the Mishings have been trying to mobilise 'their' people on ethnic line. The Bodos and the Karbis had already been demanding political autonomy and their movements, like many such others, had acquired an anti-government character. Saikia was quick to realise that in a multi-ethnic state, if more tribal communities took to such movements his party, with its high command generally viewing regional and ethnic aspiration as inimical to 'national integration', would become increasingly unpopular. The experiences of the Assam agitation in the late seventies were too recent to be forgotten. He therefore, declared that his government would grant autonomy to all tribal communities. This move was directed at mobilising near total tribal support for his party. But two factors created serious problems for this strategy.

One, the Congress' track record in keeping its word has been rather poor in Assam. The Assam Accord and the Bodo Accord remain only partly implemented. Tribal communities like the Lalungs, Rabhas, Mishings and the Bodos do not live in distinct areas where they are in a majority and therefore their autonomy would be without any defined territories. These factors made Saikia's promise appear empty. Some sections of these tribals, particularly some sections of their elites, realised this and the communities got divided. The anti-accord groups became so strong in communities like the Lalungs and the Mishings that in certain cases those leaders who supported the accords or signed such accords were not allowed to go back to their areas. Another attempt at winning over some ethnic communities was the policy of granting scheduled tribe status to some of the communities who had been demanding such status. The Congress government's decision to grant ST status to the Koch Rajbangshis also ran in to trouble because some ST communities were opposed to such a move. A Tribal Student Federation in fact filed a case in the Guwahati High Court against the decision to grant ST status to Koch Rajbangshis (*Pratidin* Assamese daily, February 1996). There is reason to believe that besides the attempts to win over support of the tribals, the desire to replace

corruption and violation of democratic rights as the major issues for the elections must have been an added consideration that might have influenced Congress' strategy of focusing on ethnic issues. Asom Gana Parishad, the main opposition party in Assam can remain a formidable force only if the Asomiya community could remain the single largest community in the Brahmaputra Valley. But if the communities traditionally considered to be parts of Asomiya culture, like the Lalungs, Rabhas, Mishings, Koch Rajbangshis and even Ahoms, begin to distinguish themselves from the Asomiya identity then the AGP will have to be content with being a party of the small Asomiya community comprising the caste Hindu Assamese, and maybe, a small section of the Assamese speaking Muslims of Upper Assam. But the Congress game plan failed primarily because of the lack of credibility of the party and its leadership and the united opposition's ability to keep the focus on corruption and violation of democratic rights. Organisations like the Committee for the Protection of Freedom of Expression (CPEE) and the Ganatantrik Adhikar Surakhya Samiti (GASS) formed by influential sections of the press, intellectuals and the non-Congress parties played an important role. The anti-Congress and pro-opposition line taken by the extremists too seems to have created problems for Congress.

That state repression, corruption and ethnic identity remained crucial issues for the election becomes clear from the fact that almost all manifestos of the major non-Congress parties focussed on these issues. The AGP manifesto promised to bring an end to maladministration and corruption. Autonomy and the problems of the tribal people of Assam are the other two issues which they promised to solve if they came to power. The AGP manifesto also declared that the Constitution needed to be amended to grant autonomy to the states. The manifesto deplored the misuse of the army to repress ordinary people. The manifesto promises a series of steps for the general development of the state. The CPI(M) manifesto is more articulate in this context. In a section called 'The Situation in Assam', it accuses the Congress government of letting loose a reign of terror in the name of controlling extremists. It also accuses the Saikia government of sowing seeds of conflict among the Rabha, Tiwa and Mishing people in the name of granting autonomy. It identifies the government as the instrument of massive corruption. The CPI too identifies corruption, repression and problems of

nationalities as major issues. The BJP too includes a section called 'Administration' in its manifesto, in which corruption and violation of democratic rights were highlighted. The problems of tribals and other backward sections also figure in the manifesto. Even a small party PDF, representing Bodo ethnic identity, blames the Saikia ministry of corruption, atrocities and of complicating ethnic problems. It is interesting to note that except the BJP, none of the parties including the AGP, really harped on the issue of the detection and deportation of 'foreigners' though most of them insisted that immigration from Bangladesh should be stopped. BJP was the only party which advocated the pre-1985 AGP line. But this issue never really took off because its main vehicle, the AGP, decided to play it down, particularly because of the alliances it had to form to keep the non-Congress votes together. Saikia's attempt at diverting the attention of the electorate from these issues by playing ethnic politics [see Barua] in fact boomeranged leading to divisions among communities like the Rabhas, Lalungs and Mishings and alienation of a large number of tribals from the Congress Party. Even BPP(P), its ally in the Bodo areas could not keep the focus on issues Saikia chose. The ethnic issue in fact remained live in the Bodo and Karbi areas but was monopolised by the anti-Congress UDF and ASDC.

#### ALLIANCES

Newspaper reports, particularly in the regional press, beginning from 1994 show that the non-Congress forces in Assam were getting together, initially on the issue of state repression. In mid-1994 itself Hiteswar Saikia's government was using the police and military forces to deal not only with the extremist elements but also more generally, with forces which were anti-government. Journalists who reported the atrocities and those who began criticising the corrupt practices of the government were becoming its targets. It was alleged that even political leaders at the village, town and district levels, who were considered troublesome, were being picked up by the police and the security forces. The Terrorist and Disruptive Act (TADA) was being used almost indiscriminately to silence dissent. A section of journalists took the initiative and formed an organisation called the Bak Swadhinata Surakhya Samity or the Committee for the Protection of the Freedom of Expression (CPFE). This Committee was formed mainly by journalists but a large number of leaders of non-Congress political parties

participated in this mobilisation. At the initiative of journalists and some leading intellectuals, a political platform called Ganatantrik Adhikar Sangram Samiti (GASS) was formed on September 6, 1994 (see Resolution of the State Convention September 6-7, 1994) at Guwahati. This organisation made its political position clear through a statement, issued in its first state convention, which highlighted the corrupt practices of the government, state repression, and also took clear positions on most of the live issues of politics in the state. It demanded protection of human rights, decentralisation of political power, withdrawal of anti-people acts, implementation of the Assam accord and deportation of foreign immigrants with March 25, 1971 as the cut-off date, implementation of the Bodo accord and wanted steps for protection of the tribal people. It wanted the creation of an environment conducive to negotiations with the ULFA and the BDSF. It demanded release of all journalists detained under TADA. It further demanded that the natural resources of Assam be utilised in the interest of the residents of Assam. It opposed GATT and demanded measures to solve the economic problems of the people of the state. This platform received support from powerful student bodies like the All Assam Student Union (AASU) and the All Bodo Student Union (ABSU). The GASS ultimately took formal shape and contested municipal elections in Guwahati city. Though its electoral performance was poor, it made it possible for the non-Congress forces except BJP and small leftist parties like the SUCI and CPI(ML) to come together. The AGP and all major non-Congress political forces moved towards an understanding. This understanding culminated in an alliance of the five major parties – the AGP, the CPI, the CPI(M), the Autonomous State Demand Committee (ASDC) and the Bodo Peoples Party (Sangsuma) [BPP(S)]. There were efforts to bring the Janata Dal and the United Minorities Front (UMF) also into the front. In the meantime the National Democratic Front, a banned organisation of Bodos, directed the Bodo political parties to unite so that the anti-Congress Bodo votes do not get divided. As a result, in the Bodo dominated areas, the BPP(S), the Plains Tribal Council of Assam (PTCA) and the United Democratic Front (UDF) decided to come together. The Bodo People's Party (Premising) [BPP(P)] however, remained with the Congress. The United People's Party of Assam (UPPA), a party representing minority interests, too arrived at an understanding with the AGP. In the pre-

election alliance formation of the non-Congress forces, the BJP was isolated. The Janata Dal kept a low profile. The Congress thus was without a major ally. It did forge an alliance of sorts with the BPP(P) in Bodo areas which could not actually improve its position. The major sections of the left, regional forces and the ethnic and religious minorities stood solidly behind the AGP-led alliance. The most significant part of this alliance was the coming together of the AGP, CPI and CPI(M). From the beginning of the Assam agitation of the late seventies, the left parties and the forces behind AGP had been at logger-heads. The agitation, because of its focus on Bengali immigrants from Bangladesh, came to be viewed as anti-Bengali. The left parties also opposed the agitation on ideological grounds. Commenting on the character of the movement, Assam's most well known leftist intellectual Hiren Gohain (1980) wrote,

Several leaders of the AASU and the Assam Jatiyatabadi Dal (sic) have made incendiary speeches inciting violence against leftists and 'traitors'...A particularly revealing side-light has been the decisive anti-left orientation of the movement."

But the experience of five years in power and five years in opposition seemed to have helped AGP to learn some lessons. It realised that it could not rule Assam without securing the support of the Ana-Asomiya population. Its silence, on the issue of detection and deportation of immigrants, during the campaign period as reflected in its manifesto indicated this realisation. The alliance with the major left parties was therefore not a surprise. Saikia government's corrupt image and the repressive tactics only become catalysts. The alliance, as we shall see in another section dealing with poll analysis, benefited the AGP most. In the Barak Valley, where in 1985 it could not win a single seat in the assembly elections it won two seats with big margins. The AGP-supported UPPA won another seat in the same area. By preventing the splitting of anti-Congress votes, the alliance proved to be most advantageous to the main non-Congress Party and the main opposition in the previous assembly, namely the AGP, and not only in the assembly elections but also in parliamentary elections.

#### ELECTION RESULTS

The isolation of the Congress and its inability to keep the focus on the issues on hand seriously affected its prospects. As shown in Table 3, in the Lok Sabha elections the Congress and the AGP won

five seats each. One seat went to an independent candidate. Compared to 1991 (Table 3) the Congress lost three seats, and the BJP lost one. The AGP gained four seats. The CPI(M), ASDC and independents retained their one seat each. Compared to the 1991 elections, the Congress lost four seats to the AGP but it won one seat from the BJP. Thus the Congress' loss was AGP's gain. Though two of these seats, Guwahati and Mangaldoi are constituencies where the Asomiya regional sentiments are predominant and where traditional Congress supporters like the immigrants and the tea-garden labour community are absent. Two other constituencies, Kaliabor and Lakhimpur, have significant tea-labour population. The AGP's victory in these two constituencies shows a decline of Congress influence among the tea-labour. But the AGP candidates won these seats with narrow margins. In Kaliabor, the Congress got 37.7 per cent votes while the AGP polled 37.9 per cent. In Lakhimpur, the Congress polled 32.5 per cent and the AGP polled 33.5 per cent. Two other tea-labour dominated constituencies, Dibrugarh and Jorhat, were retained by the Congress with significant margins. It polled 50.6 per cent in Dibrugarh while the AGP polled only 31.3 per cent. In Jorhat, it polled 48 per cent while the AGP polled 40.7 per cent. The Congress seems to retain its influence among the immigrants. It retained Dhubri seat with 40.1 per cent while the AGP polled 23.2 per cent in the constituency. The BJP's influence in the Barak Valley, dominated by the non-Assamese population, was on the decline but it was not out. The Congress won the Silchar seat from the BJP with 42.7 per cent, but the latter did poll a significant 30.5 per cent votes. In the Autonomous (ST) seat in Karbi Anglong, ASDC polled 52.7 per cent while the Congress polled only 22.5 per cent. The CPI(M) retained the Barpeta seat with 36.8 per cent. The Congress polled only 15 per cent and BJP polled another 14.9 per cent.

#### REGIONWISE ANALYSIS

The unity of the major non-Congress parties of regional, leftist and ethnic orientations played a decisive role, particularly in the tribal-dominated areas of the state (Table 5). These areas have been traditional Congress bastions in which the party could dominate till 1985. But in this election the non-Congress alliance could defeat the party in constituencies like Baithalangsu, Halfong, Diphu, Gossaigaon, Sidli and Udalguri.<sup>10</sup> In this area, comprising of 14 assembly constituencies, 11

seats went to parties representing respective tribal communities.

Two seats went to the AGP. The Congress drew a blank. In the Karbi areas, ASDC won all the five seats. In the Bodo areas, independents owing allegiance to the various Bodo factions, which were part of the non-Congress opposition, won seven seats and AGP won the other two seats. In the Karbi areas ASDC's margin over the Congress was so high that the latter appeared to be losing its electoral significance. In Halfong, the margin was 13,671, in Bokajan it was 26,843. In Howraghat,

the Congress did not have a candidate of its own but the independent candidate lost to ASDC by 8,495 votes. In Baithalangsu, the Congress lost by a margin of 13,325 votes. In the Bodo areas the winning margins were not very high because of the fact that in those areas no dominant tribal party emerged. The tribal votes thus were divided. But they went against the Congress. The results of this election exposed the myth that in Assam, the Congress influence over tribals was significant.

In the immigrant areas<sup>11</sup> also the alliance proved to be effective. As Table 6

TABLE 4: PERCENTAGE OF VOTES POLLED BY PARTIES IN LOK SABHA ELECTIONS (1996)

Constituency	INC	BJP	AGP	CPI(M)	ASDC	JD	INC(T)	CPI(ML)	IND
Karimganj (SC)	28.2	33.1	27.1	-	-	2.1	0.6	-	-
Silchar	42.7	30.5	-	21.7	-	-	0.6	-	-
Autonomous (ST)	22.5	3.0	-	-	52.7	-	-	-	-
Dhubri	40.1	21.8	23.2	-	-	-	5.5	-	-
Kokrajhar (ST)	16.9	16.1	20.1	-	-	-	-	-	24.4
Barpeta	15.0	14.9	-	36.8	-	-	2.7	-	-
Guwahati	30.7	19.4	44.3	-	-	-	0.5	-	-
Mangaldoi	20.7	15.6	33.2	-	-	1.1	1.3	-	-
Tezpur	32.5	13.0	31.4	-	-	2.3	6.2	-	-
Nowgong	28.7	20.1	36.1	-	-	-	1.4	-	-
Kaliabor	37.7	5.5	37.9	-	-	1.4	15.7	-	-
Jorhat	48.0	5.6	40.7	-	-	-	4.3	-	-
Dibrugarh	50.6	8.5	31.3	-	-	-	3.3	2.0	-
Lakhimpur	32.5	8.5	33.1	-	-	1.9	3.8	-	-

TABLE 5: VOTING PATTERN IN TRIBAL DOMINATED AREAS IN VIDHAN SABHA ELECTION, 1996

Constituency	Votes Polled by Parties (Per Cent)								
	Turnout	INC	AGP	BJP	INC(T)	ASDC	PDF	BSMC	Ind
Halfong (ST)	78.6	33.3	-	-	6.3	54.6	-	-	5.8
Bokajan (ST)	82.6	15.9	-	-	-	57.9	-	-	23.1
Howraghat (ST)	86.4	18.7	-	1.1	-	54.2	-	-	26.0
Diphu (ST)	80.1	24.6	-	4.3	-	41.8	-	-	29.1
Baithalangsu (ST)	75.0	40.1	-	4.4	-	55.6	-	-	-
Gossaigaon	87.2	27.0	36.9	9.5	-	-	-	-	11.5
Kokrajhar west (ST)	87.2	11.2	9.0	9.8	-	-	13.2	27.6	19.0
Kokrajhar east (ST)	83.1	12.4	10.7	7.8	-	-	21.4	45.1	2.6
Sidli (ST)	79.8	14.0	-	9.6	-	-	32.6	28.7	7.7
Kalaigaon	80.9	21.2	29.2	8.9	4.1	-	-	-	26.2
Udalguri	77.9	47.6	-	-	-	-	52.4	-	-
Bijni	84.4	15.8	26.0	9.5	0.5	-	40.6	-	2.5
Panery	81.2	28.4	25.2	2.9	0.7	-	42.0	-	0.8
Tamulpur	80.0	16.9	24.0	4.6	9.9	-	33.1	-	7.3

TABLE 6: VOTING PATTERN IN IMMIGRANT AREAS IN THE VIDHAN SABHA ELECTION, 1996

Constituency	Turnout	INC	AGP	BJP	UMF	CPI(M)	CPI	INC(T)	IND
Barpeta	80.9	4.1	29.5	7.0	-	-	-	32.5	16.5
Sarbhog	85.1	16.5	-	10.4	-	43.7	-	6.3	12.9
Jania	88.1	7.0	-	1.1	2.3	13.6	-	2.9	20.1
Bagher	89.3	26.7	25.3	-	39.7	-	-	2.5	1.2
Sarukhetri	81.3	11.9	-	4.4	11.9	28.5	-	16.1	10.9
Chenga	85.4	32.3	25.8	5.3	-	-	-	0.2	20.7
Mangaldoi(SC)	80.6	34.0	42.1	9.8	6.5	-	-	1.0	4.9
Hojai	79.7	40.3	34.9	22.5	-	-	-	0.3	15.9
Jamunamukh	80.1	26.3	38.7	7.4	-	-	2.8	0.3	15.9
Man Kachar	89.5	46.5	48.8	0.8	-	-	-	0.2	3.4
South Salmara	89.9	59.7	4.5	-	-	-	-	3.7	23.2
Bilasipara east	85.4	38.0	42.3	11.1	-	-	-	0.4	2.2
Bilasipara west	88.3	21.7	-	21.0	-	-	22.4	26.0	2.2
Dhubri	85.2	39.1	-	30.4	-	22.6	-	3.3	3.0
Gauripur	88.1	28.6	14.9	16.9	-	-	-	1.6	32.1



shows, in these areas, out of a total of 15 seats, the Congress won four, AGP four, CPI(M) two, UMF two, CPI one, Congress(T) one and PDF won one seat. Thus the AGP and the Congress did equally well. Even their vote share remained more or less equal. It is interesting to note that the UMF claiming to represent minority interests and particularly immigrant minority interests could win only two seats in this region.

Newspaper reports during the run up to the elections show that the Congress was trying to mobilise religious minorities, a large majority of whom were immigrants by activating its minority cell. It also tried to keep the UMF leaders with it. But the riots that took place in many religious minority inhabited areas and the general aversion to communal violence seemed to have created such a situation that the Jamat-e-Islami's All India President Arsad Madani had to send his brother to campaign for AGP (*Ajir Asom*, April 5, 1996; *The Assam Tribune*, April 17, 1996). The experience of the five years of AGP rule, when there were no riots and when no real attempts were made to deport the immigrant settlers of the 'chars' must have motivated the immigrant population to try its luck with the front. The UMF's failure to make an impact could be understood in terms of the general feeling among Assam voters that political parties do not care specially for particular communities. During the post-poll survey for 1996 election, conducted by the CSDS, when respondents were asked whether they had a particular party which specially cared for them, 85.9 per cent said they did not have such a party while only 5.7 percent thought that there was such a party.

It has often been held that the tea belt<sup>12</sup> has been a preserve of the Congress and during the last decade, the Congress Party had been able to retain its hold over the main component of the voters of this region, i.e., the tea labourer community. Even during the AGP's wave in 1985 these voters helped the Congress to win the Dibrugarh parliamentary seat comfortably. In the 1996 assembly elections of the total of 30 such tea labour community dominant constituencies the Congress won 16, AGP won 13 and CPI won one seat. The AGP seems to have thus made inroads into the Congress bastion (Table 7).

In fact, the Assam Chah Mazdoor Sangha, an affiliate of INTUC has been organising the tea labour of Assam since 1947. The organisational strength of INTUC in the tea belt of the Brahmaputra Valley had been one of the reasons for Congress dominance in this region.<sup>13</sup> The situation seems to have changed radically.

The BJP, CPI and the AGP have been trying to find a foothold in this region. The AGP in fact, has started the Assam Chah Shramik Parishad to counter the INTUC. In Chabua area 15,000 tea workers were reported to have left the INTUC controlled Assam Chah Mazdoor Sangha to join Assam Chah Shramik Parishad (*The Assam Tribune*, April 17, 1996). The AASU too has been trying to influence the Tea Tribal Student Organisation for quite some time now. In a community where the large majority are poor and illiterate, students can play a decisive role. This factor has influenced the results of this election. In the assembly elections, the AGP won the Chabua seat though with a small margin. The myth of the Congress invincibility in the tea belt thus stood exploded.

#### ISSUES IN 1998 ELECTION

Issues in 1998 were the same as in 1996. Only the party at the receiving end changed. It was AGP which faced the music. The situation prevailing in Assam just before the 1998 Lok Sabha election was not conducive to the ruling AGP. Contrary to popular expectations and its commitments to its election manifesto the AGP government imposed repressive measures in the shape of a unified command which resembled very much, in form and content, those followed by Congress ministry. This led to further alienation of people, mainly the Assamese middle class from AGP. The performance of the government was so

TABLE 7: VOTING PATTERN IN TEA GROWING AREAS IN VIDHAN SABHA ELECTION, 1996

Name of Constituency	Turnout	INC	AGP	Percentage of Votes Polled by				
				BJP	CPI(M)	CPI	INC(T)	IND
Dhekiajuli	80.4	33.7	46.4	10.7	-	-	1.1	7.9
Berchallar	81.3	30.0	39.3	6.5	-	-	1.0	5.7
Tezpur	75.8	42.0	44.7	10.9	-	-	2.0	0.3
Rangapara	80.2	47.7	-	8.4	27.0	-	5.3	7.8
Snoota	81.1	13.0	40.9	1.9	-	-	10.0	23.3
Boswamatj	81.6	31.8	42.7	15.7	-	-	9.0	0.4
Behali	79.8	33.4	18.9	8.9	-	-	9.1	4.3
Gohpur	77.0	33.9	36.8	4.2	-	-	11.7	5.0
Lakhimpur	77.3	23.9	44.7	6.1	-	-	2.1	11.1
Koliabor	79.4	36.2	47.2	8.0	-	-	4.5	4.1
Golaghat	77.1	34.8	48.7	1.6	-	-	6.9	-
Khumtai	76.0	26.2	26.9	1.5	-	-	4.0	36.8
Dibrugarh	66.2	40.7	29.9	18.3	-	-	7.0	1.4
Lahowal	71.3	50.4	39.9	1.8	-	-	5.0	1.4
Duliajan	67.3	47.8	-	12.3	-	25.7	8.4	2.2
Tingkhong	74.9	44.9	41.8	1.4	-	-	1.1	4.3
Naharkatia	71.7	44.1	-	8.5	35.3	-	1.4	4.8
Chabua	73.4	38.1	39.4	2.9	-	-	15.6	1.3
Tinsukia	69.9	55.2	21.8	14.0	-	-	3.0	2.0
Doomdooma	68.9	67.2	17.5	6.5	-	-	5.6	1.0
Margherita	-	-	-	-	-	-	-	-
Sadia	73.5	32.9	40.0	-	-	-	10.5	3.2
Digboi	70.0	62.0	-	11.3	-	13.2	2.0	-
Moran	72.3	45.4	45.0	2.4	-	-	3.1	-
Mariani	71.0	46.2	36.8	9.4	-	-	3.6	1.2
Sonari	78.6	61.8	24.5	7.3	-	-	1.8	-
Thowra	75.9	29.4	10.8	1.8	-	11.5	11.4	21.5
Sibsagar	70.1	44.1	-	3.1	-	47.9	0.7	3.2
Bokaghat	74.1	36.8	34.5	2.7	-	-	2.5	17.8

poor that even normal obligations like payment to employees, including school teachers, release of funds for institutions of higher learning like universities could not be fulfilled. The bitter confrontation of the government with the major tea houses like the TATA's had also reflected the immaturity on the part of the government. While the attempts of the tea groups to placate the ultra's was understandable, particularly in view of the growing power of the extremist groups in the state during the last few years, the government's failure to provide security to the industry that was so vital to its economy definitely eroded its credibility. This confrontation with tea lobby had drained lot of energy and time, when pressing problems like extremist violence, ethnic conflicts and

TABLE 8(A): INTENSITY OF CANVASSING

	No	Yes	DK
Up to 25 years	86.7	11.1	2.2
26-35 years	90.5	9.5	-
36-45 years	96.4	3.6	-
46-45 years	97.3	-	2.7
Above 56 years	93.9	6.1	-

TABLE 8(B): CAMPAIGN PARTICIPATION

	No	Yes
Up to 25 years	97.8	1
26-35 years	96.8	3.2
36-45 years	100.0	-
46-45 years	100.0	-

Source: Post Poll Survey 1998 Lok Sabha Election Conducted by CSDS.

infiltration plagued the state (*The Assam Tribune*, November 27, 1997; *The Statesman*, January 26, 1998). Letter of credit (LoC) scandal regarding illegal withdrawal of more than hundred of crores of rupees from the government treasury in connection with the supply of fodder to the veterinary department involving several ministers of earlier government as well as the incumbent ministry including its chief minister together with a host of government officials had turned out to be one of the major scandals that rocked the state and provided the opposition a powerful plank in the election campaign against AGP. The extremists' call to the people to keep away from electoral process had further added to the uncertainty and confusion ('A Lesson for AGP' (editorial), *The Statesman*, March 10, 1998; *North-East Times*, January 4, 1998) prevailing in the state. To make the matter worse, with the killing of a close aide of AGP president in Nowgong by ULFA instilled fear among the workers of political parties. The ULFA's call to the people to boycott the polls this time came as a surprise as the extremist outfit in the earlier elections had not given such a ultimatum to the masses. In fact, the 1991 and 1996 polls had passed off without interference with the fundamental rights of the people (*The Assam Tribune*, February 2, 1998). The situation was further complicated for the AGP for the fact that unlike, in 1996, smaller ethnic and religious parties like the ASDC, the PDF and United Minority Front did not join hands with AGP in this election. The coming together of the tribal groups like the Autonomous State Demand Committee, Mishing Mimang Kebang Autonomous Demand Struggling Front and the CPI(ML) under the banner of Assam People's Front was significant for electoral politics in Assam. The AGP stood alienated from the tribal electorate. Another problem the party faced was factional policy within it leading to the exit of Bhriku Kumar Phukan and the formation of Assam Jatiya Parishad.

The problems of insurgency, corruption, ethnic identity, repeal of IMDT Act and stability constituted the main plank for election propaganda in 1998 Lok Sabha election. Most of the manifestos had focused on these issues. But the parties did not have answers to the problems related to the issues they raised. The BJP manifesto came out with a statement on how the party proposed to tackle the two crying problems of the state: illegal infiltration from Bangladesh and the problem of insurgency. In a section called 'North East' in its manifesto the BJP blamed the

Congress government for its failure to check the illegal migrants in its narrow and selfish interest. Further, it promised to repeal the Illegal Migrants Determination by Tribunal Act (IMDTA) and strengthen existing immigration laws and rules and enact new ones to make illegal infiltration difficult and deny the extension of benefits of citizenship to such entrants (*The Sentinel* (editorial), February 6, 1998; *The Assam Tribune* (editorial), February 5, 1998). The party also promised a plan to deal with the unabated infiltration from across the border, apparently with an eye on the electorate in Assam. To be in tune with the aspirations generated by the 'Assam Agitation' over

the Foreigner's issue it promised to maintain a National Register of Citizens.

The Congress(I) campaign concentrated on the stability plank (*The Assam Tribune*, January 26, 1998). In a separate manifesto on Assam, it promised to undertake or execute certain schemes like preparing a master plan for flood control in the Brahmaputra and Barak Valley. In the second part, the manifesto listed a number of schemes for implementation. The manifesto favoured a peaceful solution to the burning insurgency problem in the state. It also demanded the shifting of the Oil India and Tea Garden Headquarters to the state. In the economic front the manifesto called for a separate economic

TABLE 9: LOK SABHA ELECTION, ASSAM 1996 - WHO VOTED FOR WHOM

	INC	BJP	AGP and Allies	Others
<b>Age</b>				
25 years and below	26.2	19.0	54.8	0.0
26-35 years	25.8	25.8	47.0	1.5
36-45 years	46.9	10.2	38.8	4.1
46-55 years	36.0	16.0	48.0	0.0
56 years and above	38.5	19.2	42.3	0.0
<b>Gender</b>				
Male	36.1	17.2	44.3	2.5
Female	29.9	21.8	48.3	0.0
<b>Education</b>				
Illiterate	41.6	20.2	36.0	2.2
Primary and middle	33.3	13.7	51.0	2.0
Intermediate	24.1	16.7	59.3	0.0
Graduate and above	20.0	40.0	40.0	0.0
<b>Caste</b>				
Scheduled caste	22.1	11.1	66.7	0.0
Scheduled tribe	38.1	19.0	33.3	9.5
OBC	27.1	27.1	44.7	1.2
Others	39.4	12.8	47.9	0.0
<b>Religion</b>				
Hindu	23.4	28.9	46.1	1.6
Muslim	50.0	2.7	47.3	0.0

Source: Post Poll Election Survey 1996 Conducted by CSDS

TABLE 10: LOK SABHA ELECTION, ASSAM 1998 - WHO VOTED FOR WHOM

	INC	BJP	AGP and Allies	Others
<b>Age</b>				
25 years and below	41.2	35.3	20.6	2.9
26-35 years	49.3	29.6	12.7	8.5
36-45 years	64.4	26.7	4.4	4.4
46-55 years	66.7	19.0	14.3	-
56 years and above	63.0	14.8	7.4	14.8
<b>Gender</b>				
Male	57.4	24.3	12.2	6.1
Female	51.4	30.1	10.8	7.2
<b>Education</b>				
Illiterate	62.5	26.1	4.5	6.8
Primary school	59.0	25.6	10.3	5.1
Middle school	45.5	27.3	18.2	9.1
High school	46.7	20.0	20.0	13.3
College no degree	39.1	26.1	30.4	4.3
Graduate and above	25.0	50.0	25.0	-
<b>Caste</b>				
Scheduled caste	50.0	50.0	0.0	0.0
Scheduled tribe	25.0	37.5	25.0	12.5
OBC	45.2	38.7	14.0	2.2
Others	68.1	12.1	8.8	11.0
<b>Religion</b>				
Hindu	41.2	42.9	13.4	2.5
Muslim	75.6	2.6	9.0	12.8

Source: Post Poll Election Survey 1998 Conducted by CSDS.

policy for the north-eastern region in order to create avenues for the unemployed youth. Further, it emphasised on the preparation of a correct voters list. The main plank of the United Front campaign was the development of Assam. United Front leaders reminded the people that Assam had received a raw deal from the centre when the Congress was in power for more than four and half decades of independence. It claimed that it was the UF government that gave top priority to the development of Assam and rest of the north-eastern region. The Assam People's Front, a combine of ASDC, ADSF and CPI(ML) promised to continue with its relentless efforts to form a strong regional force to fight corrupt AGP, Congress (I) and fascist BJP in the state. APF leader Kaliram Terang expressed that all these anti-people forces could be resisted only through United People's movement (*The Assam Tribune*, February 6, 1998; *Dainik Asom*, February 6, 1998). The party had fielded candidates in five Lok Sabha constituencies. Assam Jatio Sanmilon in its manifesto focused on the issues of correct voters list up to 2000, Repeal IMDT Act, solution of the unemployment problem, flood control and a corruption free state. The Autonomous State Demand Committee (ASDC), on the other hand has revived its demand for an autonomous state. Further, ASDC and PDF have jointly called upon the people of the state to side with the forces opposed to Congress, BJP and AGP. The ethnic issue infact remained the focal print of ASDC manifesto.

#### ELECTION RESULTS

The Lok Sabha election 1998 was particularly significant as it was held in the midst of threats posed by militant organisations namely the ULF Assam and Bodo Democratic Front to boycott election. As a consequence, voters turn out was low in the Assamese dominated areas<sup>14</sup> of the state. The ULFA's poll boycott call greatly demoralised the Assamese voters who happened to be the main support base of the AGP. That electioneering fervour was on a very low key was also evident from Post Poll Survey conducted by CSDS. The study indicates low intensity of vote canvassing as well as voters' participation in poll campaign (Table 8 (a) and 8 (b)).

The boycott call was instrumental in tilting the balance in favour of the Congress which capitalised on its known pockets of influence among minorities and tea workers of the state [Goswami 1998]. While the electoral base of the Congress is shrinking and ending in many states in India, it would appear to have

been able to maintain part of its electoral base in Assam. The party has polled 38.9 per cent of votes and gained ten seats and its ally, the United Minority Front won one seat. The AGP and its allies, CPI(M) and CPI contested 12 seats but failed to retain even one of the five seats it held in the last election. The BJP has emerged as an important electoral force and has increased its vote share. Smaller parties reflecting the ethnic and religious identities namely ASDC, UMF supported by Congress and an independent candidate supported by ABSU could retain one seat each (Table 3). On the whole the mandate was against AGP led alliance and also indicative of decline of AGP's support among scheduled castes and scheduled tribes. A comparative analysis of surveys of 1996 and 1998 Lok Sabha election (Tables 9 and 10) by CSDS indicates the changing pattern of support base of different parties. It appears from the surveys that the support of AGP and allies among the Muslims has gone down to 13.4 per cent in this election from 47.3 per cent in 1996. On the other hand the support for the Congress among the Muslim went up to 75.6 per cent as against 50 per cent in 1996. While support for the BJP among Muslims remains unchanged. The change in acceptance of BJP is shown by substantial gains in support from groups that had previously shunned it, e.g. the scheduled castes. The BJP has also increased its base among scheduled tribes and OBCs. The increase in its base among SCs and STs has come at the cost of AGP.

#### REGION WISE ANALYSIS

A significant shift of tea garden labour and immigrant Muslim votes to the Congress and caste Hindu votes to BJP has led to AGP's debacle in the Lok Sabha election. The Congress could retain Dibrugarh and Jorhat tea garden dominant Lok Sabha seats by polling as high as 64 to 65 per cent of votes. The BJP has also been successful to a great extent to find

a foot hold in this region. The BJP has increased its base among tea community at the cost of AGP. The confrontation and bitterness that developed between AGP and the few major tea houses might have a multiplying affect on the entire tea community deflecting their electoral preference away from AGP and closer to the Congress (*The Assam Tribune*, February 16, 1998). Moreover, during the last decades or so quite a few new political leaders have emerged among the tea communities, several of whom occupied very responsible positions in the Congress ministry and enjoyed considerable political clout. No such leader had emerged among the supporters of other political parties including AGP. The role of INTUC which is the oldest labour organisation having allegiance to Congress might have helped the swing towards the Congress.

The results of the immigrant dominant constituencies also went in favour of Congress. Interestingly, loyalty of a sizeable portion of minority Muslims who sided with AGP and allies in the last election have shifted to Congress this time. The Congress retained all the seats in these areas by polling high percentage of votes. The major reason for this change over might have been the apprehension in the minds of minority community that in the event of BJP forming the government at the centre it would certainly repeal the IMDT Act which is considered detrimental to the interest of immigrant religious minority (*Ajir Asom*, February 5, 1998; *The Sentinel*, February 6, 1998). Further, the minorities seemed to have lost their trust on AGP for its mysterious silence over the issue. The AASU on the other hand urged the centre and the state government to delete the names of those voters marked as 'doubtful' in the electoral roll published in 1997 and to repeal the IMDT Act (*The Assam Tribune*, February 16, 1998). It is apparent from the election results that the religious minorities rallied on the side of the Congress and the immigrant linguistic

TABLE 11: LOK SABHA ELECTIONS 1998 : REGIONWISE PERFORMANCE

Constituency	INC	BJP	AGP	CPI(M)	CPI	ASDC	UMF	JD	IND
Karimganj	39.70	38.2	19.7	-	-	-	-	-	-
Silchar	33.8	37.05	-	27.7	-	-	-	-	-
Autonomous (ST)	20.2	12.00	-	-	-	47.08	-	-	-
Dhubri	50.04	24.1	-	-	10.5	-	-	-	-
Kokrajhar (ST)	11.8	15.3	6.3	-	-	-	-	-	25.55
Barpeta	-	21.8	-	16.5	-	-	58.64	-	-
Guwahati	49.57	27.3	21.4	-	-	-	-	-	-
Mangaldoi	41.78	22.19	18.3	-	-	-	-	-	-
Tezpur	45.15	24.6	21.6	-	-	-	-	-	-
Nowgong	42.10	36.1	16.8	-	-	-	-	-	-
Kaliabor	59.87	15.8	23.6	-	-	-	-	-	-
Jorhat	65.13	14.3	16.37	-	-	-	-	2.94	-
Dibrugarh	64.40	25.5	8.2	-	-	-	-	-	-
Lakhimpur	40.05	19.4	22.05	-	-	-	-	-	-

Source: Election Department, Government of Assam

Hindu minority as well as a small portion of indigenous people supported BJP. But the shift of the minority support has to be seen in the context of the position of the UMF. Electoral alliance with UMF in Barpeta constituency has helped the Congress. The UMF which could poll only 26.7 per cent of votes in 1996 election was catapulted to a high of 58.64 per cent of votes in this election. As Anubhav Dutta says, Hindu polarisation in Assam invariably consolidates the Muslim voters in a more organised way.<sup>24</sup> The rise of BJP in religious minority dominant constituencies namely Dhubri, Nagaon and Barpeta has only helped parties like Congress and UMF (Table 11).

The Congress appears to be weak in tribal dominated constituencies even in the 1998 Lok Sabha election. The massive turn out of voters in these constituencies in spite of poll boycott call indicate the prevailing assertive behaviour of the tribal electorate in support of their ethnic identity. The tribals have perpetually experienced the problem of land alienation, poverty, indebtedness, severe unemployment, economic exploitation and cultural exploitation. Therefore, the emerging tribal movements have started asserting their views on their demands, i.e., and creation of Udayachal, Bodoland and an autonomous tribal state in the remaining hills from 1991 election onwards. In the Karbi dominated autonomous parliamentary constituency the ASDC candidate Jayant Rongpi has been elected to the parliament for the fourth consecutive term and its margin over Congress is quite high. The BJP seems to have increased its vote share on these areas from 3.06 to 12.00 in 1998. In the Bodo areas, however, the winning margins were not high as no dominant Bodo leader has emerged. Sansuma Khungur Bwismuthiary backed by ABSTU won the election by polling 25.5 per cent of votes while Congress candidate Prem-singh Brahma, former militant Bodo leader, could poll only 11.8 per cent of votes. Significantly, vote share of AGP candidate has gone down as it could poll only 6.3 per cent of votes while BJP's vote share remain 15.3 per cent. The election results in these areas clearly reflect ethnic polarisation as well as ethnic accommodation.

#### CONCLUSION

The most significant conclusion that can be drawn from the analysis of the 1996 and 1998 Lok Sabha election and assembly election of 1996 is that regionalism is becoming very important force in Assam politics. However, Assam's multi ethnic and poly-cultural reality adds a peculiar

dimension to regionalism. Unlike most other Indian states where regionalism is being articulated in terms of one dominant cultural community, in Assam a number of smaller ethnic communities are beginning to carve out areas of influence for themselves through parties representing the respective communities. The AGP representing Asomiya interest is emerging as a powerful regional force. The AGP was able to spread its influence in non-Assamese speaking areas, the tea labour dominated areas and also in the immigrant areas which used to be considered the Congress bastions. The ASDC in the Karbi areas and the parties representing the Bodo interest in Bodo areas captured almost all the seats dominated by these communities. And quite clearly in these areas specific issues influenced the voting pattern more than anything else. Two regional issues, viz, Bodoland for Bodos and an autonomous state for the Karbis led to a massive mandate for an independent candidate supported by the All Bodo Student Union and Autonomous State Demand Committee. The non-Congress parties like the left parties, the Janata Dal have not been able to improve their position. The left parties are beginning to recognise the regional forces and are reconciling themselves to the latter's electoral strength. The BJP has gained considerable ground in 1998 compared to its 1996 position. The impressive growth of the BJP has profound implications for the party. These elections also demonstrated that corruption, violation of democratic rights, stability and ethnic identity remained major issues in state politics. Extremists outfits like the ULFA and BDSF seem to play important roles in electoral politics in Assam. It is evident from the performance of the Congress, BJP and the AGP that the main tussle for power remains in the domain of the forces represented by national parties namely the Congress, the BJP and the regional parties of various ethnic communities.

#### Notes

- 1 The term 'Ana-Asomiya' refers to all non-Assamese while 'Na Asomiya' refers to immigrant Muslim settlers of erstwhile East Pakistan who are assimilated in the Assamese culture.
- 2 For a discussion on the emergence of middle class, see Manorama Sharma, *Social and Economic Change in Assam: Middle Class Hegemony* (Ajanta Publication, Delhi, 1990), pp 113-39.
- 3 H K Barpujari (ed), *Political History of Assam*, Vol 1, Government of Assam (Gauhati 1977), pp 164-65. It is of course true that the Bengali residents of the then Assam were also represented in these sessions by their own representatives. Bipan Chandra Pal and Kamini Kumar Chandra were prominent among them. Loc cit.

- 4 For a discussion on the immigrant population see Atul Goswami and Jayanta Kr Gogoi, 'Migration and Demographic Transformation of Assam 1901-1971' in B L Abbi (ed), *North East Region: Problem and Prospects of Development* (Centre for Research in Rural and Industrial Development, Chandigarh, 1984), pp 60-80 H K Barpujari, *North East India: Problems, Policies and Prospects* (Spectrum publication, Guwahati 1998), pp 33-56.
- 5 Proceedings of the meeting of the Assam Congress Legislative Party, February 28, 1968 cited by K M Deka, 'Assam the Challenge of Political Integration and Congress leadership' in Iqbal Narain (ed), *State Politics in India*, (New Delhi 1976), pp 43.
- 6 Ibid, pp 42-43
- 7 For accounts of the influence of this groups see B L Abbi, op cit, pp 56-70.
- 8 Proceedings of the APCC Executive November 27, 1968 cited by Deka, op cit, pp 34-35.
- 9 A K Baruah, 'Assam Playing Ethnic Politics', *Frontline*, May 17, 1996
- 10 As per 1991 census, the percentage of ST Population is 12.12 in Assam and they are mainly concentrated in the areas mentioned in the Table 5.
- 11 To identify immigrant areas, See M Bhuyan, 'Population of Assam: An Analytical Synthetic Study with special Treatment of Darrang District', unpublished thesis, Gauhati University (1971). As per 1991 census, percentage of Muslim population in Dhubri is 70.45, Barpeta 56.07 and Nagaon 47.19.
- 12 Tea Belt area includes Dibrugarh, Jorhat, Lakhimpur, Tezpur constituencies where major chunk of electorates are from tea garden communities.
- 13 Sandhya Goswami and Archana Sharma, 'Voting Pattern in 1991 Assam Assembly Election, An Analysis', *Teaching Politics*, Vol XIX Nos 3 and 4, pp 75-84.; Sandhya Goswami: 'Some Observations on the Assam Lok Sabha Election 1991', *Gauhati University Journal of Arts*, Vol XXXVI, 1994.
- 14 For example at Sualkuchi an Assamese dominated area the turnout of voters in the 22 polling stations was only 5 per cent, The Assam Tribune February 17, 1998. Similarly, in Jalukbari assembly segment, polling percentage was only 28 per cent; *The Report on General Election 1998*, Government of Assam
- 15 Anubhav Dutta, Religious influence in Assam Politics. The Assam Tribune March 4 1998.

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# Secularisation of Caste and Making of New Middle Class

D L Sheth

*The changes that have occurred in Indian society, especially after India's decolonisation, have led to a de-ritualisation of caste. With the erosion of rituality a large part of the support system of caste has collapsed. Caste now survives as a kinship-based cultural community but operates in a different newly emergent system of social stratification. By forming themselves into larger horizontal social groups, members of different castes now increasingly compete for entry into the middle class, changing its old pre-independence character and composition. This new and vastly enlarged middle class is becoming, even if slowly, politically and culturally more unified but highly diversified in terms of the social origins of its members.*

EXISTING for thousands of years, the caste system got its name about 500 years ago from the Portuguese when they landed on the Malabar coast and began to have 'direct experience' with Indian society.<sup>1</sup> Derived from 'casta' in Portuguese, the term caste has since been used generically to describe the whole ('varna-jati') system as well as specifically to refer to its various orders and the units within an order. The Portuguese 'discovery' of caste, however, went much beyond giving a name to India's varna-jati system. Portuguese were the first among Europeans to provide detailed accounts of its functioning. The most perceptive, empirical account of caste was given by the 16th century Portuguese, Duarte Barbosa. Barbosa identified the main features of caste: (a) Caste as a hierarchy, with brahmins at the top and 'untouchables' at the bottom; (b) untouchability as linked to the idea of 'pollution'; (c) existence of a plurality of 'castes' separated from each other by endogamy, occupation and commensality; (d) application of sanctions by castes to maintain their own customs and rules; (e) relationship of caste with political organisation.

Although Barbosa did not provide a 'systematic' account, the elements of caste he identified remain central to any definition of caste, even today. Moreover Barbosa's approach to reporting about caste had some distinctive qualities.

First, he described caste as he saw it functioning on the ground; he got his facts by talking to common people in their own language. Second, he did not use the religious scriptures as a source of information on caste; there is no reference to the varna theory of caste in his narratives. Three, he related the idea of pollution to the practice of untouchability and not to functioning of the whole system. Fourth, he saw caste not exclusively in ritual-

status terms, but also as a plurality of 'self-governing' cultural communities. Fifth, he stuck to a matter-of-fact account of what he saw and was told about caste, and refrained from moralising and passing value judgments on it.

## COLONIAL DISCOURSE

Nothing much of significance was added or any improvement made to Barbosa's account for the next 250 years by his European successors reporting on caste. It was only after the British rule was established in India that a second 'discovery' of caste was made by the Europeans. The Western Orientalist scholars, the Christian Missionaries and the British administrators began, in their different ways, to make sense of this complex phenomenon. A new, colonial discourse on caste was born. It marked important departures from pre-colonial accounts of caste. It is important to note some distinctive feature of this discourse because for decades after India's independence the studies of caste continued to be guided by the terms set by the colonial discourse.

One, the new discourse centred on whether caste was a system beneficial to Indians or it worked against them. The Orientalist scholars viewed caste as serving some positive functions, whereas the missionaries saw it as an unmitigated evil. Second, both its sympathisers and opponents, saw caste in highly schematised and unidimensional terms: as an inflexible hierarchy of vertically ranked ritual statuses. The idea of pollution, which Barbosa saw in the context of untouchability was now generalised for the whole system in which the idea of ritual purity and impurity of statuses was considered the central principle governing the caste-system. The reality of caste was recon-

structed largely from its depiction in the religious scriptures. In the event, Barbosa's empirical view of caste was now superimposed by the scriptural (ideological) varna view of caste. Three, with the 'discovery' of Hindu scriptures by the Orientalist scholars, caste became a prism through which the colonial rulers began to see Indians and the whole Indian society: Caste was now seen as representing a worldview of Indians and a totality of India's social and cultural life. Certain non-ritual, even non-religious elements which always existed in the caste system and informed quite a few aspects of inter-caste relations, were theoretically ruled out of the system.

Four, in the course of setting-up its revenue administration, a number of land and village surveys were launched by the colonial regime in different regions of India. This focused the attention of revenue administrators, many of whom were anthropologically inclined scholars, on the Indian village – which was also a revenue unit. This focus developed into a view of village as a microcosm of the Indian society, and caste as constituting its social, economic and political organisation legitimated by its religious ideology.

In this village view of caste, caste was seen as an ensemble of local hierarchies, each contained within a village or a group of villages. This view contributed to the image of the village as a stable, unchanging social system. In the latter ethnographic studies of caste carried out by Indian sociologists, although the varna theory was discarded, caste continued to be seen as a vertical hierarchy of ritual statuses embedded in the religious and cultural context of the village.

Fifth, the administrative and anthropological concerns of the British officers led them to counter both the Orientalist and the Missionary views of caste. Their

concern was utilitarian, about finding administrative and political ways to tame and change this formidable system functioning from ancient times, to suit the needs of the colonial polity and economy. This concern of the colonialists prompted an ideological debate on caste. The debate achieved a degree of political sophistication which was not shown earlier either by the Orientalists in their appreciation or the Missionaries in their condemnation of the caste system. The debate introduced a new, theoretical-comparative dimension for viewing caste. Caste now began to be seen in comparison with the normative (values of equality, individualism, etc) and social (estate, race, class, etc) categories of the western societies. Eventually, with the English educated nationalist Indians joining the debate, on the terms set-up by the colonial regime, caste became a bone of contention between conservatives and progressives, traditionalists and reformers. Valuation became the mode of observation.

Sixth, the method the British administrators adopted in reporting about caste, unlike that of the Orientalist scholars, was empirical. The British did not see the caste-system only in terms of the varna categories. They also saw castes as separate communities often divided by descent, political organisation and customs. Consequently they theorised caste in terms of its racial and tribal origins and character. In fact multiple and elaborate systems of classification of castes were evolved by them based on a variety of ethnographic materials, officially obtained through various village and caste surveys.<sup>2</sup>

Seventh, crucial to the colonial discourse was the relationship between caste and the state. From 1901 Census, the colonial state began castewise enumeration of the entire Indian population. The decennial censuses not only updated, every 10 years, the population figures for enumerated castes, but gave them specific names/labels and ranks. In doing so, the census officers tended to rely on their 'reading' of the scriptures as well as local knowledge and practice. But when a name and/or a rank given to a caste was in dispute – and this happened frequently – the census officer's 'anthropological' judgment, albeit tempered by representations received from leaders of concerned caste, prevailed. Thus, despite the diversity of the debate, at the end of the day, the criterion of 'social precedence of one caste over the other', i.e., the scriptural principle of ritual status hierarchy, was explicitly and officially recognised.

The colonial state, thus, acquired an agency, even a legitimate authority, to

arbitrate and fix the status claims made or contested by various castes about their locations in the ritual hierarchy. At the same time the enumeration of castes and their ethnographic descriptions compiled by the state, highlighted how the social and economic advantages accrued to some castes and not to others in the traditional hierarchy. This led to demands among many castes for special recognition by the state for receiving educational and occupational benefits as well as for political representation. The colonial state assumed a dual role: of a superbrahmin who located and relocated disputed statuses of castes in the traditional hierarchy and of a just and modern ruler who wished to 'recognise' rights and aspirations of his weak and poor subjects. This helped the state to protect its colonial political economy from incursions of the emerging nationalist movement. Among other things, it also induced people to organise and represent their interests in politics in terms of caste identities and participate in the economy on the terms and through mechanisms set by the colonial regime.

On the whole, the colonial regime, not only introduced new terms of discourse on caste, but brought about some changes in the caste system itself. A large part of these changes, however, were unintended consequences of the colonial policies; they were related to the larger historical forces of modernisation, secularisation and urbanisation which had begun to make some impact on the Indian society by the end of 19th and the beginning of the 20th century. But some specific policies of the colonial regime, aimed at delegitimising the power of the traditional social elites and creating support for its own rule, had direct consequences for the caste system. Towards the end of the colonial rule such policies alongside the larger historical forces, had produced some profound and far-reaching changes in the caste system.<sup>3</sup>

The most important among the changes was the formation of a new, trans-local identity among 'lower castes', collectively as a people with the consciousness of being 'oppressed' by the traditional system of hierarchy. The discourse of rights, until then quite alien to the concepts governing ritual hierarchy, made its first appearance in the context of the caste system. New ideological categories like 'social justice' began to interrogate the idea of ritual purity and impurity according to which the traditional stratificatory system endowed entitlements and disprivileges to hereditary statuses. The established categories of ritual hierarchy began to be confronted with new categories like

'depressed castes' and 'oppressed classes'.<sup>4</sup>

Second, several castes occupying more or less similar locations in different local hierarchies began to organise themselves horizontally into regional and national level associations and federations, as it became increasingly necessary for them to negotiate with the state and in the process project their larger social identity and numerical strength.<sup>5</sup>

Third, movements of the lower castes for upward social mobility, which were not new in the history of the caste system, acquired a qualitatively new dimension as they began to attack the very ideological foundations of the ritual hierarchy of castes, in terms not internal to the system (as was the case with the Buddhist and Bhakti movements), but in the modern ideological terms of justice and equality.

Changes that occurred in the caste system during the colonial period have greatly intensified after India's de-colonisation. Further, with India establishing a liberal democratic state and the growth of institutions of competitive, representational democracy, the changes acquired newer dimensions and a greater transformative edge. All this has produced some fundamental structural and systemic changes in the traditional stratificatory system.<sup>6</sup>

Despite the fact that after India's independence such qualitative changes had occurred in the stratificatory system, the changes continued to be interpreted, in the old, colonial ideological-evaluative frame. The terms and categories used for describing these changes – by the sociologists studying caste as well as by social reformers and political thinkers wanting India to become a caste-less society – were derived from the colonial discourse. This gave rise to two opposite views of change in the caste system, which in fact represented mirror-images of each other. One view, that has long dominated studies of caste in post-independent India, emphasises certain structural and cultural continuities the Indian society has manifested in the course of modernisation. In this view, changes in caste are seen in terms of functional adjustment made by the system for its own survival and maintenance. The other view, that dominated the political-ideological discourse on caste until recently, sees modernisation as a linear, universal force of history, transforming the caste system into a polarised structure of economic classes. On the whole, the discourse on caste in post-independent India remained bogged down in the dichotomous debate on



'tradition' verses 'modernity' and 'caste' verses, class'

## I Secularisation of Caste

The dichotomous view of change has prevented scholars, policy-makers and political activists alike, from taking a view of the process by which caste has changed and a new type of stratificatory system has emerged. This process, which can broadly be characterised as secularisation of caste, has detached caste from the ritual status hierarchy on the one hand, and has imparted it a character of the power-group functioning in the competitive democratic politics on the other. Changes in caste thus could be observed along these two dimensions of secularisation: de-ritualisation and politicisation. These changes have (a) pushed caste out of the traditional stratificatory system, (b) linked it to the new structure of representational power, and (c) in their cumulative impact they have made it possible for individual members of different castes to acquire new economic interest and social-political identification and own class-like as well as ethnic-type identities. Thus secularisation of caste, brought about through its de-ritualisation and politicisation, has opened up a third course of change. For a lack of more appropriate term I call it *classisation*. In the following sections I shall describe these three processes of change in caste and their implications for the emergence of a new type of stratificatory system in India.

### DE-RITUALISATION

Caste has been conventionally conceived as an insulated system of ritual status hierarchy, embedded in the 'perennial' religious culture of India. Rituality (i.e. rootedness of caste behaviour and organisation in the religious ideology and practices) thus constituted the core of the whole system of castes. It enabled caste to maintain autonomy and stability of status-hierarchy in the face of changes, both economic and political, that occur in the wider society. In this perspective, caste 'accommodated' these changes only to an extent the system could absorb them without losing its structural and cultural integrity. In responding to these changes caste was seen to have found 'new fields of activity' and assume new functions, but all this to retain its basic structure and ideological (religious) core. The insularity of the caste system is thus guaranteed, because it is bounded by certain ideological

and structural contexts – each articulating a form of rituality. More specifically, these contexts pertain to: (a) the religious ideology of purity and pollution (b) the religiously sanctioned techno-economic and political organisation of the village, especially its food production and distribution system; (c) customs and traditions of castes evolved over centuries. Caste not only survived but grew in these contexts and acquired its systemic character; they constituted its 'support system' of the ritual hierarchy.

In what follows, I argue that the changes that have occurred in Indian society, especially after India's decolonisation, have led to de-ritualisation of caste – meaning delinking of caste from various forms of rituality which bounded it to a fixed status, an occupation and to specific rules of commensality and endogamy. I further argue that with the erosion of rituality, a large part of the 'support system' of caste has collapsed. Uprooted from its ritually determined ideological, economic and political contexts it has ceased to be a unit of the ritual-status hierarchy. Caste now survives as a kinship-based cultural community, but operates in a different, newly emergent system of social stratification.

Modernisation of India's economy and democratisation of its political institutions, have released new economic and political power in the society. The hierarchically ordered strata of castes now function as horizontal groups, competing for power and control over resources in society. Alongside this change in the organisational structure, i.e. its horizontalisation, the form consciousness takes has also changed. That of members belonging to a caste is expressed more in the nature of community consciousness, rather than in hierarchical terms. Caste consciousness is now articulated as political consciousness of groups staking claims to power and to new places in the changed opportunity structure. It is a different kind of collective consciousness from that of belonging to a 'high' or 'low' ritual status-group. The rise of such consciousness of castes has led to disruption of hierarchical relations and to increase in competition and conflict among them. Far from strengthening the caste system, the emergent competitive character of 'caste consciousness' has contributed to its systemic disintegration. The disintegrating system of traditional statuses is now thickly overlaid by the new power system created by elections, political parties and above all by social policies – such as of affirmative action – of the state.

Fundamental changes have occurred in the occupational structure of the society. A vast number of non-traditional, unbound-to-caste occupations and a new type of social relations among occupational groups have emerged. This has resulted in breaking down the nexus between hereditary ritual status and occupation – one of the caste-system's defining features. It is no longer necessary to justify status of one's occupation in terms of its correlation with degree of ritual purity or impurity associated with it. The traditional, ritualistic idea of cleanliness or otherwise of the occupation one follows has become unimportant; crucial consideration is what brings a good income to the individual. A brahman dealing in leather or an untouchable dealing in diamonds is no longer looked upon as a socially deviant behaviour. That the former is more a frequent occurrence than the latter has only to do with the resources at one's command and not with observance of ritual, prohibitions attached to the statuses involved. More importantly, the cleanliness or otherwise of an occupation is increasingly seen in physical and biological sense than in ritual or moral terms.<sup>7</sup>

Significant structural differentiations have taken place within every caste. Traditionally, an individual caste bounded by rituals and customs, functioned internally as a truly egalitarian community, both in terms of rights and obligations of members vis-a-vis each other and of lifestyles, i.e. the food they ate, the clothes they wore, the houses they lived in, etc. Differences in wealth and status (of clans) that existed among households within the same caste were expressed, often apologetically, on such occasions as weddings and funerals but rarely in power terms vis-a-vis other members of the caste. Today, households within a single caste have not only been greatly differentiated in terms of their occupations, educational and income levels and lifestyles but these differences have led them to align outside the caste, with different socio-economic networks and groupings in the society – categories which can not be identified in terms of the caste system.

The caste rules of commensality (i.e. restrictions about accepting cooked food from members of other castes) have become almost totally inoperative outside one's household. Even within the household, observance of such rules has become quite relaxed. In 'caste dinners', for example, friends and wellwishers of the host, belonging to both the ritually lower as well as higher strata than that of the host are invited and are seated, fed and served



together with the members of the caste hosting the dinner. The caste panchayats, where they exist, show increasingly less concern to invoke any sanctions in such situations.

The castes which occupied a similar ritual status in the traditional hierarchy, but were divided among themselves into sub-castes and sub-sub-castes by rules of endogamy, are now reaching out increasingly into larger endogamous circles, in some cases their boundaries co-terminate with those of the respective varna in a region to which they supposedly belong. More importantly, intercaste marriages across different ritual strata, even often crossing the self acknowledged varna boundaries, are no longer uncommon. Such marriage alliances are frequently made by matching education, profession and wealth of brides and grooms and/or their parents, ignoring traditional differences in ritual status among them. Significantly, such intercaste marriages are often arranged by the parents or approved by them when arranged by the prospective spouses on their own. The only 'traditional' consideration that enters into such cases is the vegetarian-meal-eating divide which is also becoming quite fuzzy. Although statistically the incidence of such inter-caste marriages may not be significant, the trend they represent is. A more important point is that the mechanisms through which castes-enforced rules of endogamy have weakened in many castes.

The ideology and organisation of the traditional caste system have thus become vastly eroded. Its description as a system of ritual status hierarchy has lost theoretical meaning.<sup>8</sup> As may be expected, such erosion has taken place to a much greater extent and degree in the urban areas and at the macro-system level of social stratification. But the local hierarchies of castes in rural areas are also being progressively subjected to the same process.<sup>9</sup> In the villages, too, traditional social relationships are being redefined in economic terms. This is largely because in the last three decades, particularly after the 'Green Revolution' and with the increasing role of the state and other outside agencies, in the food production and distribution system in rural areas, the social organisation of the village has substantively changed. From the kind of social-religious system the Indian village was, it is increasingly becoming primarily an economic organisation. The priestly, trading and service castes, i.e., social groups not directly related to agricultural operations, are leaving villages or serving them, if and when such services are still

required, from nearby towns. Members of such castes continuing to live in the villages have largely moved out of the 'village-system' of economic and social interdependence of castes. They increasingly function in the emergent national-market related rural economy or the secondary and tertiary sectors of employment.

In this process many a caste has structurally severed its relationship from the system of ritual obligations and rights which once governed its economic and social existence and gave it an identity in terms of its status in the ritual hierarchy. Intercaste relations in the village today operate in a more simplified form, as between castes of land holders/operators and those of the landless labour. This relationship between them is often articulated in terms of political consciousness of two groups of castes representing different economic interests in the changed political-economy of the village.

The socio-religious content of economic relationships in the village has thus largely disappeared; they have become more contractual and almost totally monetised. The traditional jajmani relationships, which regulated economic transactions between castes in social-ritual terms, have been replaced by relationships of employer and employee, of capital and wage labour. When the traditional social and religious aspects of economic relationships are insisted upon by any caste, such as traditional obligations of one status group to another, it often leads to intercaste conflicts and violence in the villages. In brief, the pattern of social relations sustained by the internal system of food production of a village and by conformity of status groups to their religiously assigned roles in the system and to norms defining the roles, has virtually disintegrated.

In sum, while castes survive as micro-communities based on kinship sentiments and relationships, they no longer relate to each other as 'units' of a ritual hierarchy. The caste system, for long conceived as a ritual status system, has imploded. Having failed to cope with the changes that have occurred in the larger society, particularly after India's decolonisation, the caste 'system' is unable to maintain itself, on the basis of its own principle of ritual hierarchy. It cannot sustain vertical linkages of interdependence and cooperation among its constituent units, nor can it enforce its own rules governing obligations and privileges of castes vis-a-vis each other.

In a few specific contexts where ritual relationships between castes still survive, they have acquired contractual, often conflictual, forms negating the system's hierarchical aspect. Ritual roles which members of some castes (e.g., the role of a priest or a barber) still perform have been reduced to those of functionaries called upon to do a job for payment on specific occasions (weddings, deaths, etc.). Performance of such roles/functions by a few members of a caste, however, has no relevance for determining its place in the changed stratificatory system. Such roles, it seems, now survive outside the stratificatory system, as a part of Hindu religious practices. But such phenomenal changes have, occurred in Hinduism itself in recent years, that intercaste relations can no longer be viewed as constitutive of a ritually determined religious practice. The growth in popularity of new sects, of deities and shrines, and the growing importance of gurus and godmen and the new practice of public celebrations of Hindu religious festivals on a much wider social and geographical scale, involving participation of members of a number of castes across ritual hierarchy and regions, have all shored up popular-cultural and political aspects of Hinduism. These have considerably weakened the traditional ritual and social organisational aspects of Hinduism. In this process, intercaste relations have not only lost systemic context, but also to a large extent the religious reference. Castes, now negotiate their status claims in the newly emergent stratificatory system.

The simultaneous processes of detachment of castes from ritual hierarchy and the growth, albeit in varying degrees, of economic, social and cultural differentiations within every caste have resulted in castes entering into various new, larger social-political formations which have emerged in India's changing stratificatory system. As we shall see in the next section, each such formation grew in the process of politicisation of castes and has acquired a new form of collective consciousness, a consciousness different from that of a ritual status group. Yet the new consciousness is not of a 'class' as in a polarised class structure. This consciousness is based on a perception of common political interest and modern status aspirations on the part of members of these new formations. In this process, the unitary consciousness of individual castes has become diffused into an expanded consciousness of belonging to a larger social-political formation, which cannot be described as a 'caste' or 'class'.

For some two decades after independence, the political discourse on caste was dominated by left-radical parties and liberal-modernist intellectuals who saw, rather simplistically, changes in the caste system in linear terms, i.e. changes as suggestive of its transformation into a system of polarised economic classes. In believing so, they ignored the fact that while caste had lost its significance as a ritual status-group it survived as a 'community', seeking alliances with other similar communities with whom it shared commonality of political interest and consciousness. Consequently, political parties of the left, both the communist and the socialist, by and large, sought to articulate political issues and devise strategies of mobilising electoral support in terms of economic interests which in their view divided the social classes in India.<sup>10</sup> In the event, although these parties could credibly claim to represent the poorer strata and they even occupied some significant political spaces in opposition to the Congress Party at the time of independence, they failed to expand their electoral support in any significant measure for decades after independence.

Put simply, competitive politics required that a political party seeking wider electoral bases view castes neither as a pure category of 'interest' nor of 'identity'. The involvement of castes in politics fused 'interest' and 'identity' in such a manner that a number of castes could share common interests and identity in the form of larger social-political conglomerates. The process was of politicisation of castes, which by incorporating castes in competitive politics reorganised and recast the elements of both hierarchy and separation among castes in larger social collectivities.<sup>11</sup> These new collectivities did not resemble the varna categories or anything like a polarised class-structure in politics. The emergence of these socio-political entities in Indian politics defied the conventional categories of political analysis, i.e. class analysis versus caste analysis. The singular impact of competitive democratic politics on the caste system thus was that it delegitimised the old hierarchical relations among castes, facilitating new, horizontal power relations among them.

The process of politicisation of castes acquired a great deal of sophistication in the politics of the Congress Party, which scrupulously avoided taking any theoretical-ideological position on the issue of caste versus class. The Congress Party,

being politically aware of the change in the agrarian context, saw castes as socio-economic entities seeking new identities through politics in the place of the old identities derived from their traditional status in the ritual hierarchy. Thus, by relying on the caste calculus for its electoral politics and, at the same time, articulating political issues in terms of economic development and national integration, the Congress was able to evolve durable electoral bases across castes and to maintain its image as the only and truly national party. This winning combination of 'caste politics' and 'nationalist ideology' secured for the Congress Party a dominant position in Indian politics for nearly three decades after independence.<sup>12</sup> The Congress Party rarely used such dichotomies as upper castes vs lower castes or the capitalists vs working class in its political discourse. Its politics was largely addressed to linking vertically the rule of the newly emergent upper caste and English speaking – 'national elite' to lower caste support. And the ideology used for legitimisation of this vertical social linkage in politics was neither class-ideology nor caste-ideology; the key concept was 'nation-building'.

The Congress Party projected its politics and programmes at the national level as representing 'national aspirations' of the Indian people. At the regional levels, the party consolidated its social base by endorsing the power of the numerically strong and upwardly mobile dominant, but traditionally of lower status, castes of landowning peasants, e.g. the marathas in Maharashtra, the reddy in Andhra, the patidars in Gujarat, the jats in Uttar Pradesh, and so on. In the process it created patron-client type of relationships in electoral politics, relationships of unequal but reliable exchanges between political patrons – the upper and dominant (intermediate) castes – and the numerous 'client' castes at the bottom of the pile, popularly known as the Congress' 'vote-banks'. Thus, in the initial two decades after independence, the hierarchical caste relations were processed politically through elections. This ensured for the Congress a political consensus across castes, despite the fact that it was presided over by the hegemony of a small upper-caste, English-educated elite in collaboration with the regional social elites belonging by and large to the upwardly mobile castes of landed peasants. The latter, however, were often viewed by the former (i.e. the 'national elite', with the self-image of modernisers) as parochial traditionalists. Still the alliance held.

This collaboration between the two types of elites, created a new structure of representational power in the society, around which grew a small middle class. This class constituted of the upper caste national elite living in urban areas and the rural social elite belonging to the dominant peasant castes as well as those upper caste members living in rural areas. The ruling national elites, although they belonged to the upper 'dwija' castes had become detached from their traditional ritual status and functions. They had acquired new interests in the changed (planned) economy, and lifestyles which came through modern education, non-traditional occupations, and a degree of westernisation which accompanied this process. The dominant castes of the regional elites, still depended more on sanskritisation than on 'westernisation' in their pursuit of upward social mobility. But they encouraged their new generations to take to modern, English-medium education and to new professions. In the process, despite their 'sudra' origins, but thanks to their acquisition of new power in the changed rural economy and politics, several peasant communities succeeded in claiming social status equivalent to the middle class dwijas.

Consequently, such communities as patidars, marathas, reddy, kammars, and their analogues in different regions were identified with 'upper castes', and not with 'backward castes'. Acquisition of modern education and interest in the new (planned) economy enabled them, like the dwija upper castes, to claim for themselves a new social status and identity, i.e. of the middle class.

At the same time, the caste identities of both these sections of the 'middle class' were far from dissolved. They could comfortably own both the upper caste status and the middle class identity as both categories had become concomitant with each other. While the alliance between the upper caste national elite and the dominant caste regional elites remained tenuous in politics, they together continued to function as a new power-group in the larger society. In the formation and functioning of this middle class as a power group of elite caste had indeed fused with class and status dimension had acquired a pronounced power dimension. But insofar as this process of converting traditional status into new power was restricted only to the upper rungs in the ritual hierarchy, they sought to use that power in establishing their own caste-like hegemony over the rest of the society. It is this nexus between the upper traditional status and new power

that inhibited the transformative potentials of both modernisation and democracy in India.

This conflation of the traditional status system with the new power system, however, worked quite differently for the numerous non-dwija lower castes. In negotiating their way into the new power-system, their traditional low status, contrary to what it did for the upper and the intermediate castes, worked as a liability. The functions attached to their very low traditional statuses had lost relevance or were devalued in the modern occupational system. Moreover, since formal education was not mandated for them in the traditional status system, they were slow to take to modern education when compared with the upper castes. Nor did they have the advantage of inherited wealth as their traditional status had tied them to subsistence livelihood patterns of the jajmani system.

In brief, for the lower castes of small and marginal peasants, artisans, the ex-untouchables and the numerous tribal communities, their low statuses in the traditional hierarchy worked negatively for their entry in the modern sector. Whatever social capital and economic security they had in the traditional status system was wiped out through the modernisation process; they no longer enjoyed the protection that they had in the traditional status system against the arbitrary use of hierarchical power by the upper castes. On top of that they had no means or resources to enter the modern sector in any significant way, except becoming its underclass. They remained at the bottom rung of both the hierarchies, the sacred and the secular, of caste and class.

This did objectively create an elite-mass kind of division in politics, but it still did not produce any awareness of polarisation of socio-economic classes in the society. In any event, it did not create any space for class based politics. In fact, all attempts of the left parties at political mobilisation of the numerous lower castes as a class of proletarians did not achieve any significant results either for their electoral or revolutionary politics. Neither did their politics, focused as it was on class ideology, make much of a dent on Congress-dominated politics marked by the rhetoric of national integration and social harmony. In effect, the Congress could establish the political hegemony of the upper castes oriented middle class with the electoral consent of the lower castes! A very peculiar caste-class linkage was thus forged in which the upper castes

functioned in politics with the self-identity of a class (ruling or 'middle') and the lower castes, despite their class-like political aspirations, with the consciousness of their separate caste identities. The latter were linked to the former in a vertical system of political exchange through the Congress Party, rather than horizontally with one another.

#### POLITICS OF RESERVATIONS

It took some three decades after independence for the lower castes of peasants, artisans, the ex-untouchables and the tribals to express their resentment about the patron-client relationship that had politically bound them to the Congress Party. With a growing awareness of their numerical strength and the role it could play in achieving their share in political power, their resentment took the form of political action and movements. An awareness among the lower castes about using political means for upward social mobility and for staking claims as larger social collectivities for a share in political power had arisen during the colonial period, but it was subdued after independence, for almost three decades and a half of Congress dominance.

It was around mid-1970s that the upper caste hegemony over national politics began to be seriously challenged. This was largely due to the social policies of the state, particularly that of reservations (affirmative action). Despite tardy implementation, towards the end of the 1970s the reservations policy that was for long inexistence in many states of the Indian union had created a small but significant section, in each of the lower caste groups, which had acquired modern education, had entered the bureaucracy and other non-traditional occupations. In the process a small, but highly vocal political leadership emerged from among the lower castes.

The process of politicisation of castes, however, came to a head at the beginning of the 1980s. This was when the Second Commission for Backward Classes (the Mandal Commission) proposed to extend reservations in jobs and educational seats to the other backward classes (i.e., to castes of lower peasantry and artisans) in all states and union territories and at the central government level. This proposal was stoutly opposed by sections of the upper and the intermediate castes who by then were largely ensconced in the middle-class. They saw the newly politicised lower castes forcing their way into the middle class (particularly into white-collar jobs),

that too not through open competition but on 'caste-based' reservations. This created a confrontation of interest between the upper and intermediate castes on the one hand and the lower castes on the other. But, it led to a resurgence of lower castes in national politics. This resurgent politics, guided by lower caste aspirations to enter the middle class, was pejoratively derided as the 'Mandalisation of politics' by the English-educated elite. The so called Mandalised politics, an euphemism for politicisation of lower castes, has since resulted in radically altering the social bases of politics in India.

Firstly, the Congress Party-dominated politics of social consensus, presided over by the hegemony of an upper caste, English-educated elite came to an end. The Congress organisation could no longer function as the system of vertical management of region-caste factions. The elite at the top could not accommodate the ever increasing claims and pressures from below, by different sections of the lower castes, for their share in power. Since mid-1970s through the 1980s, large sections of the lower strata of social groups abandoned the Congress and constituted themselves into shifting alliances of their own separate political parties. The vertical arrangement of the region-caste factions that the Congress had perfected just collapsed. The national parties – the Congress, the BJP, and the Communist parties alike – had to now negotiate for political support directly with the social-political collectivities of the other backward castes (OBCs) the scheduled castes (SCs) and scheduled tribes (STs) or with the regional-caste parties constituted by them.

Secondly, the categories of the OBCs, SCs and the STs, expressly devised for the administrative purpose of implementing the reservations policy, perhaps as an unintended consequence, acquired a strong social and political content and surfaced as new social formations in the macro-stratificatory system. They now operated in politics with the self-consciousness of socio-economic groups. Not content with proxy-representations by the upper caste – middle class elites, they wanted political power for themselves. Politics now became a contest for representation among horizontal power groups, representing social collectivities as identified by the policy of reservations.<sup>13</sup> These groups began to bargain with different existing parties or formed their own new parties. Whatever survived of the hierarchical dimension of the traditional stratificatory system in

politics was thus effectively horizontalised.

Thirdly, Mandalised politics by generating aspirations among the lower castes to attain 'middle class' status and lifestyles prevented the process of class polarisation. This politics created new compulsions in the social arena. The old middle class, dominated by the upper and intermediate castes, was now compelled to admit expansion beyond itself and make spaces, even if grudgingly, for different sections of the lower castes. At the same time, lower castes while forming coalitions in politics, began to compete among themselves intensely at the social level for an entry into the growing middle class.

In sum, the state policy of affirmative action gave a big impetus to the process of politicisation of castes (as well as to de-ritualisation of inter-caste relations). The policy itself, by providing special educational and occupational opportunities to members of the numerous lower castes, converted their traditional disability of low ritual status into an asset for acquiring new means for upward social mobility. What politicisation of castes has thus done, along with the spread of urbanisation and industrialisation, is to have contributed to the emergence of a new type of stratificatory system in which the old middle class has not only expanded in numbers, but has begun to acquire new social and political characteristics.

#### CLASSISATION OF CASTE

'Classisation' is a problematic, and admittedly an inelegant, concept used for describing certain type of changes in caste. As a category derived from the conventional class analysis it articulates the issue of change in linear and dichotomous terms, i.e., how (rather 'why not') is caste transforming itself into a polarised structure of economic classes? Just as the role of status and other 'non-class' elements (e.g., gender, ethnicity, etc.) is routinely ignored in analyses of class in the western society, class analysis in India undermines the role of caste elements in class and vice versa. At the other end the spectrum are scholars devoted to caste-analysis; they have little use for a concept like classisation. Accustomed to viewing caste as a local hierarchy and to interpreting changes in it, in terms of the caste system's own ideology and rules, they view class elements in caste (e.g., the role of modern education, occupational mobility, economic and political power, etc.) as elements extraneous to the caste system; which, it, of course, incorporates and recast

them in its own image to maintain its systemic continuity.

Classisation neither follows a linear, teleological course of change nor does it represent the caste-system's own reproductive process. I, therefore, view classisation as a twofold process: (a) releasing of individual members of all castes (albeit, extent of which may vary from one caste to another) from the religiously sanctioned techno-economic and social organisation (i.e., occupational and status hierarchy) of the village system; (b) and linking of their interests and identities to organisations and categories relevant to urban-industrial system and modern politics. This process operates not only in urban areas, but also increasingly in the rural areas. The two aspects of the process are not temporally sequential, nor spatially separated. They criss-cross, and the changes become visible in form of elements of the newly emergent, macro-system of social stratification. Thus viewed, classisation is a process by which castes, but more frequently their individual members, relate to categories of social stratification of a type different from that of caste.

The emergent stratificatory arrangement, however, is far from having acquired a 'systemic' form. Yet, new and different types of social and economic categories have emerged at all levels of the society by relating to which caste is not only losing its own shape and character, but is acquiring a new form and ideology. Thus, as we saw earlier, caste survives, but as a kinship-based cultural community, not as a status group of the ritual hierarchy. It has acquired new economic interest and a political identity. Its members now negotiate and own larger and multiple social and political identities. In this process, caste-identity has lost its old character and centrality. The economic and political activities in which members of a caste are now engaged are of a radically different type from the ones perpetuated by the caste system. The ritually determined vertical relationship of statuses, which encouraged harmony and co-operation among castes, has got transformed into that of horizontally competing, often conflicting power blocs, each constituted of a number of castes occupying different statuses across traditional local hierarchies. In the process, new socio-economic formations, some of 'ethnic-type', have emerged at the macro-level of the society. They compete for control of economic, political and cultural resources in the society. The idea of

upward social mobility today motivates people of all castes (not just of the 'lower' castes), collectively as well as individually. For, the quest today is not for registering higher ritual status; it is universally for wealth, political power and modern (consumerist) lifestyles. In short, caste has ceased to 'reproduce' itself, as it did in the past.

## II

### Emergence of a New Middle Class

All these changes have imparted a structural substantiality to the macro-stratificatory system of a kind it did not have in the past. In absence of a centralised polity, the system functioned super-structurally as an ideology of varna hierarchy. Lacking structural substance, it served as a 'common social language' and supplied normative categories of legitimisation of statuses to various local, substantive hierarchies of jatis.<sup>14</sup> But after India became a pan-Indian political entity governed by a liberal democratic state, as we saw earlier, new social formations – each comprising a number of jatis, often across ritual hierarchies and religious communities – emerged at the regional and all-India levels. Deriving its nomenclature from the official classification devised by the state in the course of implementing its policy of affirmative action (reservations), the new formations began to be identified as: the forward or the 'upper castes', the backward castes (OBCs), the dalits or scheduled castes (SCs) and the tribals or the scheduled tribes (STs).

Unlike status groups of the caste system, the new social formations function as relatively loose and open-ended entities, competing with each other for political power. In this competition, members of the upper-caste formation have available to them the resources of their erstwhile traditional higher status and those of lower-caste formations have the advantages accruing to them from the state's policy of affirmative action. Thus, the emergent stratificatory system represents a kind of fusion between the old status system and the new power system. Put differently, the ritual hierarchy of closed status groups has transformed into a fairly open and fluid system of social stratification.

This system is in the making; it cannot be described either in caste terms or in pure class terms. However, the salience of one category in this newly emergent stratificatory system has become visible in recent years. It can be characterised as

the 'new middle class': 'New' because its emergence is directly traceable to the disintegration of the caste system, this has made it socially much more diversified compared to the old, upper caste oriented middle class that existed at the time of independence. Moreover, high status in the traditional hierarchy worked implicitly as a criterion for entry into the old middle-class, and 'sanskritised' lifestyles constituted its cultural syndrome. Both rituality and sanskritisation have virtually lost their relevance in the formation of the 'new' middle class. Membership of today's middle class is associated with new life styles (modern consumption patterns), ownership of certain economic assets and the self consciousness of belonging to the middle class. As such, it is open to members of different castes – which have acquired modern education, taken to non-traditional occupations and/or command higher incomes and the political power – to enter this middle class.

And yet, the new middle class cannot be seen as constituting a pure class category – a construct which in fact is a theoretical fiction. It carries some elements of caste within it, insofar as entry of an individual in the middle class is facilitated by the collective political and economic resources of his/her caste. For example, upper caste individuals entering the middle class have at their disposal the resources that were attached to the status of their caste in the traditional hierarchy. Similarly for lower caste members, lacking in traditional status resources, their entry into the middle class is facilitated by the modern-legal provisions like affirmative action to which they are entitled by virtue of their low traditional status. It seems the Indian middle class will continue to carry caste elements within it, to the extent that modern status aspirations are pursued, and the possibility of their realisation is seen, by individuals in terms of the castes to which they belong.

Yet, crucial to the formation of the new middle class is the fact that while using collective resources of their castes, individuals from all castes entering it undergo the process of classisation; (a) they become distant from ritual roles and functions attached to their caste, (b) acquire another, but new, identity of belonging to middle class, (c) their economic interest and life style converge more with other members of the middle class than with their non-middle class caste compatriots.

The process of middle class formation in India is empirically illustrated by findings of a recent all-India sample survey.

The survey, based on a stratified-random sample (probability proportionate to size) of 9,614 Indian citizens (male and female) drawn from all the Indian states, except the state of Jammu and Kashmir, was conducted by the Centre for the Study of Developing Societies (CSDS) Delhi, in June-July 1996. Based on the preliminary analysis of the survey data, I provide below a broad profile of the new middle class.<sup>15</sup>

1) The middle class which was almost exclusively constituted at the time of Independence by English educated members of the upper castes, had expanded to include the upwardly mobile dominant castes of rich farmers, during the initial three decades after independence. In other words this period saw the emergence of a small rural-based middle class.

2) The survey conceived the category middle class in terms of subjective and objective variables. The subjective variable pertained to respondent's own identification as 'middle class' and an explicit rejection of 'working class' identity for himself/herself. Using self-identity as a precondition, certain objective criteria were applied for inclusion of a respondent in the 'middle class' category. Thus, from among those with middle class self-identification, respondents possessing two of the following four characteristics were included in the middle class category: (i) 10 years or more of schooling, (ii) ownership of at least three assets out of four, i.e., motor vehicle, TV, electric pumping-set and non-agricultural land (iii) residence in a pucca house – built of brick and cement, (iv) white-collar job. Accordingly, 20 per cent of the sample population was identified as belonging to the middle class.

3) The survey analysis revealed that even today, the upper and the rich farmer castes together dominate the Indian 'middle class'. While members of the two upper categories, the dwija upper castes and the non-dwija dominant castes, account for about a quarter of the sample population, they constitute nearly half of the new middle class. But this also means the representation of upper castes has reduced in today's middle class, for the old middle class was almost entirely constituted by them.

4) About half of the middle class population came from different lower-caste social formations, i.e., the dalits (SCs), the tribals (STs) the backward communities of peasants and artisans (OBCs) and the religious minorities. Considering that members of all these social formations constituted 75 per cent

of the sample population, their 50 per cent representation in the middle class is much lower than that of the upper and intermediate castes. But seen in the context of their inherited lower ritual status in the traditional hierarchy, this is a significant development. Even more significant is the fact that when members of the lower-castes, including those belonging to castes of 'ex-untouchables', acquire modern means of social mobility, such as education, wealth, political power, etc., their low ritual status does not come in the way of their entering the middle class and, more importantly, acquiring the consciousness of being members of the middle class.

5) The analysis of the survey data also revealed statistically highly significant differences in political attitudes and preferences, between members of the middle class and the rest of the population. More importantly, on certain crucial political variables (e.g., support to a political party) and cultural variables (e.g., belief in the 'Karma' theory), the difference between the lower caste and upper-caste members of the middle class was found to be much less than that between members of the middle class and their caste compatriots not belonging to the middle class.

6) The Indian middle class today has a significant rural component, thanks to the earlier inclusion in it of the rural based dominant castes and now of the members of the lower castes participating in modern economy and administration. In brief, the middle class in India today is not a simple demographic category comprising of certain ritual-status groups. It is a social-cultural formation in which as individuals from different castes and communities enter, they acquire new economic and political interests, and life styles, in common with the other members of that 'class'. Within this new middle class, caste identities of its members survive, but operating in conjunction with the new, overarching identity of middle class, they acquire a different political and cultural meaning.

To conclude, secularisation of caste, occurring along the dimensions of de-ritualisation, politicisation and classisation, has reduced caste to a kinship-based micro-community, with its members acquiring new structural locations and identities derived from categories of stratification premised on a different set of principles than those of the ritual hierarchy. By forming themselves into larger horizontal social groups, members of different castes now increasingly compete for entry into

the middle class. The result is, members of the lower castes have entered the middle class in sizeable numbers. This has begun to change the character and composition of the old, pre-independence, middle class which was constituted almost entirely by a small English-educated upper caste elite. The new and vastly enlarged middle class constituting about one-fifth of Indian population, is becoming, even if slowly, politically and culturally more unified but highly diversified in terms of social origins of its members.

## Notes

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- 1 The Portuguese account of caste presented here and the following discussion on the colonial discourse draw heavily on: Bernard S Cohn 'Notes on the History of the Study of Indian Society and Culture', *An Anthropologist Among the Historians and Other Essays*, Oxford University Press, Delhi, 1987, pp 139-40.
- 2 Ibid, pp 141-62.
- 3 For a detailed discussion on changes in castes under British Rule in India and the impact the colonial policies had on the caste system, see G S Ghurye, 'Caste during the British Rule' in his *Caste and Race in India* Popular Prakashan, Bombay, 1962, pp 270-305. Also see Marc Galanter, 'Reform, Mobility, and Politics Under British Rule' in his *Competing Equalities: Law and Backward Classes in India*, Oxford University Press, Delhi, 1984, pp 18-40.
- 4 Collective self-awareness among the lower-caste as a people, oppressed socially and economically by the ritually high-ranking castes, developed a found organisational articulation through their participation in anti-Brahman movements which grew in the early decades of this century. See Gail Omvedt, *Cultural Revolt in a Colonial Society: The Non-Brahman Movements in Western India 1873 to 1930* Scientific Socialist Education Trust, Bombay, 1976, see also Eugene F Irschick, *Politics and Social Conflict in South India: The Non-Brahman Movements and Tamil Separatism 1916-1929*, University of California Press, Berkeley, 1969.
- 5 Galanter sees this development during the colonial rule as having brought about some important changes in the caste-system "Caste Organisation brought with it two important and related changes in the nature of castes. The salient groups grew in size from endogenous jatis into region-wise alliances.

Concomitantly, the traditional patterns of organisation and leadership in the village setting were displaced by voluntary associations with officials whose delimited authority derived from elections" Galanter, (note 1 supra) p 23.

- 6 For a recent argument articulating a contrary position emphasising that the caste system has, even in the face of such changes, maintained systemic continuity, see A M Shah, 'A Response to the Critique on Division and Hierarchy' in A M Shah and I P Desai, *Division and Hierarchy: An Overview of Caste in Gujarat*, Hindustan Publishing Corporation, Delhi, 1988, pp 92-133. Shah sees horizontal divisions as intrinsic to the caste-system itself, representing another principle of caste organisation which has always operated in juxtaposition with 'hierarchy'. The horizontal divisions in caste, in his view, are thus produced and reproduced as part of the continuous process within the system, a kind of change that a system undergoes for its own survival and maintenance. Whereas for his interlocutor in the debate I P Desai, the horizontal divisions which are prior to caste but were integrated in the system of castes by the principle of ritual hierarchy, are now breaking away from that hierarchy and interact in horizontal social and political spaces. In this sense, for Desai, horizontal divisions represent a new principle for the emerging stratificatory system which has undermined the caste principle of ritual hierarchy, I P Desai, 'A Critique of Division and Hierarchy' in the above cited *Division and Hierarchy*, pp 40-49.
- 7 For an illuminating discussion on the changed relationship between ritual status and occupation and its implications for the emergence of a new type of stratificatory system in India, see I P Desai, 'Should "Caste" be the Basis for Recognising Backwardness?' *Economic and Political Weekly*, Vol 19, No 28, July 1984, pp 1106-16.
- 8 Of late, such recognition of systemic changes in caste is reflected in the mainstream sociological writings. For example, M N Srinivas in one of his latest writings has characterised the changes that have occurred in the caste-system as *systemic* in nature "As long as the mode of production at the village was caste-based, denunciation of inequality from saints and reformers, or from those professing other faiths proved ineffective. It was only when, along with ideological attacks on caste, education and employment were made accessible to all, and urbanisation and industrialisation spread that *systemic changes* occurred in caste" (italics mine). See 'Introduction' in *Caste: Its Twentieth Century Avatar*, M N Srinivas (ed), Viking, Penguin India, New Delhi, 1996, p XIV.
- 9 For an overview of comprehensive, systemic changes that have occurred in local hierarchies of castes in rural areas see G K Karanth, 'Caste in Contemporary Rural India' in M N Srinivas (ed) *Caste: Its Twentieth Century Avatar* (note 7) pp 87-109. Karanth, in his concluding remarks to

the essay, observes: "In the first place, it may not be appropriate any more to refer to caste in rural India as a 'system'. Castes exist as individual groups, but no longer integrated into a system, with the dovetailing of their interests" (106).

- 10 The writings and politics of Ram Manohar Lohia, a renowned socialist leader, however, constituted an exception to this approach of the Left parties to political mobilisation. In his view, horizontal mobilisation of lower castes on issues of social justice had greater political potential for organising the poor and deprived populations of India than the ideology of class-polarisation which, in his view, lacked an empirical, social-basis for mobilisational politics. See Ram Manohar Lohia, *The Caste System* (Ram Manohar Lohia Samata Vidyalaya Nyas, Hyderabad, 1964). Also see, D L Sheth, 'Ram Manohar Lohia on Caste in Indian Politics', *Lokayan Bulletin* (Vol 12, No 4, January-February 1996) pp 31-40, also D L Sheth, 'Ram Manohar Lohia on Caste, Class and Gender in Indian Politics', *Lokayan Bulletin* (Vol 13, No 2, September-October 1996) pp 1-15.
- 11 The concept 'politicisation of castes' was first used by Rajni Kothari in early 1970s, to describe changes that had occurred in the caste-system with its involvement in democratic politics. See 'Chapter 1: Introduction' in his *Caste in Indian Politics*, (22) pp 3-25.
- 12 Rajni Kothari in his pioneering work on the Congress Party saw this aspect of Congress politics, i.e. expanding its social base through management of caste-based political factions regionally and seeking consensus on issues of development and modernisation nationally, as crucial to the Congress Party's prolonged, political and electoral dominance. See Rajni Kothari, 'The Congress System in India', *Asian Survey* (Vol 4, No 12, December 1964) pp 1161-73; see also 'The Congress System Revisited', in his *Politics and People: In Search of Humane India*, Vol 1 (Ajanta Publishers, Delhi, 1989) pp 36-58.
- 13 See D L Sheth, 'Reservations Policy Revisited', *Economic and Political Weekly*, November 14, 1987, pp 1957-87.
- 14 M N Srinivas, 'Varna and Caste' in *Caste in Modern India and Other Essays*, Asia Publishing House, Bombay, 1962, pp 63-69. Also see, Andre Betelle, 'Varna and Jati', *Sociological Bulletin*, Vol 45, No 1, March 1996, pp 15-27.
- 15 I would like to emphasise that presented here are preliminary findings of the survey. The author and the research team at the CSDS are in the process of refining the index of middle class membership. In the final analysis percentage figures for the representation of social formations into the middle class and for the magnitude of the middle class may slightly change (by about  $\pm 1$  to 2 per cent difference). I have reported here 'work in progress' and not a completed analysis of the composition of the middle class, which will soon appear in a separate monograph. The idea is to give a broad, even if bit tentative, picture of the emerging new middle class.



# Anatomy of BJP's Rise to Power

## Social, Regional and Political Expansion in 1990s

Oliver Heath

*The political and regional expansion of the BJP has been characterised by a three-tiered growth in its social appeal. In its homeland of primary states its core of social support, the upper castes, has remained intact; in the secondary states, its new social base comprises OBCs as well; in the tertiary states where it has made giant strides the scheduled castes and the Muslims have emerged as supporters and this has largely been because of its allies. By delicately redefining itself and its social base, the party has been able to venture out from its nesting ground in the north and spread its wings.*

THE spectacular rise of the BJP is one of the major political stories of the 1990s. During the last decade the party has undergone a rapid geographical and political expansion, the like of which has never been seen before. From its lowly position in 1989, when the BJP was a small localised party with a political presence restricted to just a few states in the Hindi heartland, the acquisition of new territory and new allies has transformed it into being the main political force in India with a mass national following. The aim of this paper is to explore the effect that these expansions have had on the social base of the BJP. Has its appeal widened to attract voters from different social backgrounds? Or has it merely strengthened its hold on its traditional support base? Do the allies give the party an entrance in to new states and new sections of society? These are the questions which need to be answered.

National aggregations provide a useful starting point from which to carry out our investigation. By looking at the overall picture we can gain a sense of what, if anything, has changed. However, the BJP's rise in popularity has not been evenly spread across the country. The regional expansion of the party can be seen to have taken shape in three distinct waves. The first wave took place in the 1950s and early 1960s when the BJP's historical predecessor, the Jan Sangh, first became a significant political force at state level. These 'primary' states are the states where the Jan Sangh emerged as a viable opposition party in the 1950s and 1960s. The second wave includes the 'secondary' states, where the Jan Sangh, and then after 1980 the BJP, were present before the 1989 boom, but were only minor opposition, winning just a few seats in the 1960s, 1970s and 1980s. The third wave is marked by the 1989 election, when the BJP emerged as a force in many of the 'tertiary' states. By looking at the social

expansion with reference these different levels of regional expansion, we can attempt to identify the forces that lie behind the party's emergence as a national party.

### I Social Base

It is well known that support for the BJP has tended to be more concentrated among the upper castes and the wealthy, and it's weakest among the Muslims and the underprivileged. But how do these different sources of support compare? Is caste a more significant factor than class? How much of a role do age and gender play? It is important to answer these questions so that we have reference point to relate social expansion to.

Bivariate analyses may to some considerable extent duplicate the significance of factors. For example, educational level is closely related to social class, therefore, education and class tables may simply be redescribing the same phenomena rather than telling us anything new. What is interesting is to examine the impact of one variable on the vote for BJP and its allies (BJP+), controlling for the other variables. In other words, among people of the same community or class, does education still make a difference to the way people vote?

To explore this question we carry out a multivariate logistic regression in which we simultaneously include community, class, education and so on rather than looking at them separately. We use logistic regression, which is the appropriate technique when we have a binary dependent variable.

We include in our model community, class, education, age, gender and locality. These variables are all treated in exactly the same way as in cross-tabulations, but all are included simultaneously. Table 1 shows the parameter estimates. These estimates can be interpreted as fitted log odds ratios. If we exponentiate them, we obtain the usual odds ratios which are

more easily interpreted. These are the ones shown in the second of the split columns. These odds ratios show the fitted odds of supporting the BJP and its allies in the particular group in question relative to the overall odds. These are what is known as 'deviation contrasts'. If the fitted odds ratio is greater than 1, this indicates that the group in question is relatively likely to support BJP+, while if the odds ratio is less than one, it indicates that that group is relatively unlikely to support BJP+.<sup>1</sup>

The magnitude of the parameters tell us by how much the particular groups differ from the overall electorate (controlling for the other variables in the model). Thus if the fitted odds ratios are close to 1, either just above or just below, then we can say that the groups in question are relatively similar in their support for BJP+. The further apart they are, the more different the group's voting patterns are.

Table 1 shows the parameter estimates for each of the variables. To some extent the support base of the BJP resembles, if not the elite, then definitely the middle and upper classes. That is to say, that although the most advantaged members of society may not always be the most likely to vote BJP, the most disadvantaged are at any rate the least likely. Although it may be tempting to say that the BJP is therefore a party that represents social and economic privileges, none of the evidence is really strong enough to support this. On the whole the degrees of polarisation within the variables are relatively weak, that is with the noticeable and distinct exception of community.

Controlling for all the variables, it is the upper castes that are by far the most likely to vote BJP. This means that although graduates are more likely than illiterates, and men more likely than women, and so on, caste over-rides their influence.

Table 2 gives a summary of how significant each of the variables are in effecting the vote for BJP+. Chi2 is a measure for



the difference between the expected and the observed results. The expected results assume a null association. That is, one would expect all groups within the variable to give the same degree of support to the BJP+. The greater the difference between the relative levels of support, the greater the Chi2. Community and class, and to a lesser extent sex, age and locality, all play a part, although community is by far and away the most significant. Therefore, if the social base of the BJP has expanded, the key variable that we need to measure it with reference to is community.

## II Social Expansion

By looking at the internal composition, or column percentages, of the BJP+ we can analyse the distribution of the different community's within the party. This tells us what percentage of BJP voters are upper caste, OBC and SC, etc. Secondly, we can look at the degree of support that each community gives to the BJP. Although all the communities may vote BJP to some extent, the row percentages and odds ratios tell us which community offers the greatest and least support. However, the row percentages only show absolute increases, and not relative increases. To see whether the communities exhibit any change in their voting patterns, or are just being swept along with the tide, we need to look at the odds ratios. It is important to look at the picture from both sides. Inflow tables tend to highlight the cross-cutting of cleavages, whereas the row percentages show to what degree people vote along caste lines. Although similar information, in terms of change, can be gained from both approaches; the distinction remains important. Thirdly, we can look at the overall effect of community on voting. Phi and Chi2 both measure its aggregate significance by quantifying the level of polarisation along community lines in one election.

As the multivariate analysis led us to suspect, it is the upper castes that form the most dominant section of BJP+ support. This was still the case in 1998 as it was in 1991, so in that respect it would seem that little has changed. However, the degree to which they predominate has undergone major changes. Table 3 shows that there has been a real and significant shift in the social composition of the BJP+. The proportion of BJP+ voters who are upper caste has fallen by 10 per cent since 1991. This shift away from the heavy reliance of upper castes has been matched by gradual growth in representation from all of the other communities. The growth that has been most pronounced is amongst

the OBCs, whose presence has increased by 4 per cent, although there has also been an increase in the other social groupings of SC (3 per cent), ST (2 per cent) and Muslim (1 per cent). However, these counter-growth have been relatively small, and could just be the result of standard sampling error. We should not therefore read too much into them at this stage.

The row percentages in Table 4 show the degree of support that each community gave to the Jan Sangh in 1967 and to the

BJP+ in 1991, 1996 and 1998. The 1967 data need to be treated with some caution. Not only is the overall sample size quite small and restricted to only male respondents, but also the Jan Sangh share of the vote is small. Therefore, the sample may not have accurately picked up the Jan Sangh voters. However, broadly speaking we can say that the upper castes gave far more support to the Jan Sangh than the other community groups did, which is also true for the BJP 30 years later. In this sense then,

TABLE 1: SOCIAL BASES OF BJP VOTE, 1991, 1996 AND 1998 – LOGISTIC REGRESSION PARAMETER ESTIMATES

	1991		1996		1998	
	B	Exp(B)	B	Exp(B)	B	Exp(B)
Community <sup>2</sup>						
Upper caste	1.34**	3.84	1.37**	3.93	1.08**	2.95
OBC	0.70**	2.01	0.73**	2.07	0.65**	1.92
SCs	-0.34	0.71	-0.03	0.96	-0.16	0.85
ST	-0.04	0.96	0.34**	1.42	0.08	1.09
Muslim	-1.27	0.28	-1.77**	0.17	-1.55**	0.21
Other	-0.39	0.68	-0.64	0.53	-0.10	0.90
Class <sup>3</sup>						
Highest	0.19	1.21	0.28*	1.32	0.11	1.12
High	0.18	1.20	0.16	1.17	0.19*	1.21
Middle	0.21	1.23	-0.01	0.99	0.04	1.04
Low	-0.24	0.78	0.09	0.91	-0.13	0.87
Lowest	-0.34*	0.71	-0.52*	0.59	-0.21*	0.81
Education						
Graduate	0.26	1.30	0.13	1.13	0.05	1.05
Up to college	0.02	1.01	-0.01	0.99	0.05	1.05
Up to middle	-0.26	0.77	-0.02	0.98	-0.13	0.88
Illiterate	-0.02	0.98	-0.10	0.90	0.03	1.03
Sex						
Male	0.06	1.06	0.18**	1.20	0.32**	1.38
Female	-0.06	0.94	-0.18*	0.84	-0.32**	0.72
Age						
17 to 25	-0.02	0.98	0.23**	1.26	0.19*	1.21
26 to 35	0.24	1.28	0.10	1.10	0.12	1.12
36 to 45	0.21	1.23	0.02	1.02	-0.04	0.96
46 to 55	-0.20	0.82	-0.08	0.93	-0.08	0.93
56+	-0.23	0.79	-0.27**	0.76	-0.19*	0.83
Locality						
Urban	0.03	1.03	0.15**	1.16	+0.14	1.15
Rural	-0.03	0.97	-0.15**	0.83	-0.14	0.87
Constant	-2.14		-1.41		-0.72	
N	3996		8320		7392	

Notes: \*\* Significant at the 0.001 level.

\* Significant at the 0.01 level.

Source: NES 1996, NES 1998<sup>4</sup>

TABLE 2: SUMMARY OF VARIABLES

	1991		1996		1998	
	Chi2	df	Chi2	df	Chi2	df
Community	147.45**	5	579.33**	5	514.04**	5
Class	22.49	4	40.10**	4	26.17**	4
Education	9.19	3	6.39	3	7.13	3
Sex	3.77	1	10.81*	1	36.38**	1
Age	9.20	4	36.72**	4	27.25**	4
Locality	8.34	1	24.08**	1	9.91	1

Notes: df stands for degrees of freedom. The Chi2 statistic is the difference in -2 log-likelihoods between the final model and a reduced model. The reduced model is formed by omitting an effect from the final model. The null hypothesis is that all parameters of that effect are 0.

\*\* Significant at the 0.001 level.

\* Significant at the 0.01 level.

Source: NES 1996, NES 1998

there has been a strong degree of continuity between the respective social profiles of the two parties.

However, in terms of finer analysis, we are unable to draw any other robust links between the two parties. Instead, what we can do is to see what has happened to the BJP since 1991. The row percentages show that during the 1990s there has been absolute growth in support for the BJP+ across all the communities. However, to see whether this rise in popularity has been evenly dispersed across the board we need to look at how the odds ratios have changed.

In the hierarchy of support by community little has changed since 1991. Relative to the overall electorate, the upper castes still give the greatest support to the BJP, followed by the OBCs, the scheduled tribes, the scheduled castes and the Muslims, respectively. However, the odds ratios show that there has been a relative decrease in the support from the upper castes. Even though more upper castes voted BJP+ in 1998 than in 1991, their overall dominance has been reduced by the greater propensity of the other community's to vote BJP+.

The odds ratios for the upper castes were their highest in 1996. However, they significantly fell in 1998. Even though the odds ratios for the upper castes voting BJP+ were higher in 1991 than in 1998, the overall effect of community was lower. This indicates that the social cleavages were not as pronounced as they later became. The Chi2 for community was at its highest in 1996, and then dropped a little in 1998. However, the disadvantage with using Chi2 as a comparative measure between samples, rather than a comparative measure of variables within the same sample as was used in Table 2, is that it is sensitive to the size of the sample. Thus bigger values are expected when big samples are used. To some degree then the rise in Chi2 might merely reflect the overall rise in popularity for the BJP and not indicate a strengthening of social cleavages as might first be assumed. To verify this we use Phi. The Phi results support what Chi2 told us.

Therefore social profile needs to be explored from two angles. Firstly, what is the relationship between the move away from upper castes, and the rise in the other communities? And secondly, what is the overall effect of community? Having examined how the overall shape of the BJP and its allies has changed, we next need to examine how these profiles compare to those in the three waves of BJP expansion.

### III Regional Expansion

Does the social profile of the BJP remain constant from the time of its establishment? Does the social profile take the same shape in each wave? How do the different social profiles change over the course of time?

To answer these questions we will test the validity of three hypotheses. Firstly, that expansion takes the form of a top-down conversion. That is, it enters through the upper castes, who have traditionally been the most likely to vote BJP and would therefore be the most receptive to its arrival, and then draws in support from the other community groups afterwards. The second hypothesis is that the social profile on entry reflects the BJP+'s profile at that time. In this respect we would expect to see similar profiles in each of the regions. Thirdly, in each phase, or penetration, the party redefines itself and explicitly tries to appeal to new voters. In this instance there would be markedly different profiles in each of the regions. Perhaps unsurprisingly, the states where the BJP has had the longest political presence are the states where the BJP is still most popular. The secondary states are also the second most popular. In 1996 the BJP+ vote share increased noticeably, and the party is now only marginally less successful than it is in the primary states. In the tertiary states the BJP had an almost non-existent presence before 1989. However, it is in these states that its growth has been most dramatic, rising from 10.2 per cent in 1991 to 35.4 per cent in 1998.

Table 6 shows the inflow of where the BJP+'s support comes from. Whereas Table 5 showed the percentage of people in each region who voted BJP+, this table shows each region as a percentage of the total number of people who voted BJP+. That is, in 1998 31.4 per cent of the people who voted BJP+ came from the primary states. The table illustrates how the BJP's reliance on the primary states has dwindled over the years. Although the BJP is most successful in the primary states, in 1998 the largest number of its votes came from the tertiary states. This makes the party's expansion into this area all the more significant.

Table 7 shows the column percentages for BJP+ support in each of the regional groupings. At first glance the table seems to paint a rather confusing picture. However, by focusing on the changes that have taken place in each region, we can gain some indication of what each ones enduring characteristics are, and thus begin to test our hypotheses.

The proportion of upper castes within the BJP fold in the primary states has not changed significantly over the three elections, with a slight fall between 1991 and 1998 the values have merely oscillated 1 percentage point either side of the average, and 1996 value, of 41 per cent. Similarly its proportion within the tertiary states has not altered much either. That leaves us with the secondary states. It is within this region that the big changes have occurred. The proportion of upper castes in 1991 was 54 per cent, marking it as the most upper caste reliant region of all. However, in 1996 its share fell by 12 percentage points, which was further consolidated by an additional fall of 2 percentage points between 1996 and 1998. In terms of a move away from the upper castes it is therefore in the secondary states that the major changes have taken place.

How do these changes compare with what has been happening with the other castes? The OBC share has been slightly erratic in the primary states. A slight rise in its share between 1991 and 1996 was followed by a slightly bigger drop. The overall impression though is of relative continuity, in at least insofar as all the changes have basically cancelled each other out. In the tertiary states there has been a noticeable fall in its share. However, in

TABLE 3 BJP+ SUPPORT BY COMMUNITY,  
COLUMN PERCENTAGES 1991, 1996, 1998

	1991	1996	1998
Hindu Upper	52	48	42
Hindu OBC	34	35	38
SC	8	10	11
ST	5	6	7
Muslim	1	2	2
N	1008	2318	2799

Notes: (i) The proportion of the community groups within the samples have been adjusted so that their size is standardised over time. In each year the percentages of the groups have been set so that Hindu Upper = 27 per cent, Hindu OBC = 31 per cent, SC = 17 per cent, ST = 8 per cent, Muslim = 12 per cent and Other = 5 per cent. The SC, ST and Muslim percentages are taken from 1991 Census figures. The Hindu Upper and Hindu OBC percentages are derived from the average of their respective sizes from the NES71 and NES96 sample distributions. Other is a residual category. (ii) Because 'others' are a heterogeneous grouping, changes in their voting behaviour are essentially meaningless. Thus to eliminate their effect on the overall changes, which might disguise changes that are happening in other groups, they have been omitted from the calculations. However, their removal does not substantially alter the pattern of what has happened, it just allows for a slightly more nuanced analysis.

the secondary states its share has consistently gone up, rising from 34 per cent to 37 per cent to 40 per cent. The scheduled castes and Muslims have remained fairly stable in the primary states, and made some gains in the secondary and tertiary states. The scheduled tribes have increased their share in the primary states, and remained fairly stable in the secondary and tertiary states, although their share did drop a fraction in 1998. However, for the small groups, such as the scheduled tribes and Muslims, even small changes in their proportion within BJP can be the result of significant changes in their voting behaviour. Therefore, it is a good idea to see how their odds ratios have changed.

The row percentages offer an interesting insight into the voting behaviour of the Muslims. In 1991 a negligible number of Muslims voted BJP in the secondary and tertiary states. They are the last group to join the BJP handwagon. However, as the BJP established itself in these states they voted for it in greater numbers. The voting seems to go in waves. In 1991 they only voted BJP in the primary states, where the party was already firmly entrenched. In 1996 they voted in all regions, in greater numbers in the primary states and less so in the tertiary states. In 1998 they again voted in all regions, but this time just as much in the tertiary states.

This pattern leads to two possible conclusions. Firstly, that as the last to enter, they are led by the other communities, thus following a top-down conversion process. But the fact that their growth was most evident in the tertiary states indicates that the BJP+ appeals to them (or vice versa) when it sets itself up anew.

The odds ratios provide us with the firmest basis from which to examine our hypotheses of social expansion. In order for the top-down process to give an accurate representation of what has happened, we would expect to see the highest odds ratios for the upper castes, and the lowest odds ratios for the Muslims and scheduled castes, in the tertiary states. This is clearly not the case as both Muslim and scheduled caste support is weakest in the primary states and strongest in the tertiary states. And the upper castes odds ratios in the primary states are substantially higher than their odds ratios in the tertiary states. Thus, due to the lack of corroborating evidence we must refute the top-down hypothesis.

The second hypothesis, that the party carries its present profile into the states that it penetrates, is slightly more problematic. It is somewhat difficult to ascertain whether the BJP takes its profile with it when it enters new regions for two

TABLE 4: BJP+ SUPPORT BY COMMUNITY, ROW PERCENTAGES 1967, 1991, 1996, 1998

	Row Per Cent				Odds Ratios			
	1967	1991	1996	1998	1967	1991	1996	1998
Hindu Upper	15	32	51	54	2.03	2.31	2.43	2.00
Hindu OBC	7	18	32	42	0.86	1.07	1.10	1.23
SC	5	8	16	22	0.60	0.42	0.44	0.48
ST	-	11	23	28	-	0.60	0.70	0.66
Muslim	2	1	4	7	0.23	0.05	0.10	0.13
Other	4	10	11	29	0.47	0.54	0.29	0.70
All	8	17	30	37	-	-	-	-
Chi2	56	436	867	670				
df	5	5	5	5				
Phi	0.157	0.268	0.301	0.288				

Source: 1967, 1996, 1998 NES.

TABLE 5: REGIONAL EXPANSION OF BJP

State	1st Wave			2nd Wave			3rd Wave			
	1952	1957	1962	1967	1971	1984	1989	1991	1996	1998
BJP Primary										
Delhi	25.9	19.7	32.7	46.7	29.6	18.8	26.2	40.2	49.6	50.7
HP	10.7	-	4.5	19.1	10.6	23.3	45.3	42.8	39.6	48.6
MP	4.9	14.0	17.9	29.6	33.6	30.0	39.7	41.9	41.3	45.7
Rajasthan	3.0	11.1	9.3	10.3	12.4	23.7	29.6	40.9	42.4	41.7
Uttar Pradesh	7.3	14.8	17.6	22.2	12.3	6.4	7.6	32.8	33.4	36.5
All	7.0	14.0	16.6	22.6	18.0	15.9	21.4	36.9	38.4	41.1
BJP Secondary										
Bihar	0.4	0.1	2.3	11.1	12.1	6.9	11.7	16.0	35.0*	39.5*
Gujarat	-	-	1.4	-	2.2	18.6	30.5	50.4	48.5	48.3
Haryana	-	-	-	19.9	11.2	7.5	9.3	10.2	34.9*	30.5*
Maharashtra	-	3.4	4.4	7.4	5.2	10.1	23.7	29.7*	38.6*	42.2*
Punjab	5.6	16.0	15.2	12.5	4.5	3.4	4.2	-	6.5	11.7
All	1.8	5.3	5.7	8.9	7.6	9.4	17.9	24.9	36.6	38.8
BJP Tertiary										
Andhra	-	0.1	1.2	1.4	1.6	2.2	2.0	9.6	5.7	50.3*
Assam	3.6	-	-	5.5	2.5	0.4	-	9.6	15.9	24.5
Goa	-	-	-	-	-	-	0.7	15.6	13.8	30.0
Karnataka	4.2	2.5	2.7	2.3	1.9	4.7	2.6	28.8	24.9	38.5*
Kerala	-	-	0.7	1.4	1.4	1.8	4.5	4.6	5.6	8.0
Orissa	-	-	-	0.6	0.2	1.2	1.3	9.5	13.4	48.7*
Tamil Nadu	-	-	0.1	0.2	0.1	0.1	0.3	1.7	2.9	46.2*
West Bengal	5.9	1.4	1.1	1.4	0.9	0.4	1.7	11.7	6.9	34.6*
All	1.5	0.6	0.9	1.6	1.2	1.5	1.9	10.2	9.5	35.4
Total	3.1	5.9	6.4	9.4	7.4	7.4	11.4	20.1	24.9	36.1

Notes: 1991: BJP+ = BJP and Shiv Sena 1996: BJP+ = BJP, Shiv Sena, HVP and Samta. 1998: BJP+ = BJP, Shiv Sena, HVP, Samta, AIADMK, SAD (B), Trinamul Congress, Lokshakti, BJD and TDP (NTR).

Source: CSDS Data Unit

TABLE 6: BJP+ SUPPORT BY REGION, INFLOW TABLE

	1952	1957	1962	1967	1971	1984	1989	1991	1996	1998
Primary	62.2	71.3	68.8	65.5	63.6	55.5	48.2	45.1	41.6	31.4
Secondary	17.0	24.6	25.2	26.8	29.4	35.3	44.3	31.3	40.0	28.2
Tertiary	20.8	4.1	6.0	7.7	7.0	9.2	7.5	23.6	18.4	40.4

Notes: BJP primary states = Rajasthan, Gujarat, MP, Delhi, UP and HP. BJP secondary states = Karnataka, Bihar, Goa, Maharashtra, Andhra Pradesh, Orissa, Assam, Punjab and Haryana. BJP tertiary states = Kerala, Tamil Nadu, West Bengal, North Eastern States.

Source: CSDS Data Unit.

TABLE 7: BJP+ SUPPORT BY COMMUNITY BY REGION, COLUMN PERCENTAGES 1991, 1996, 1998

	1991			1996			1998		
	Prim	Second	Tert	Prim	Second	Tert	Prim	Second	Tert
Upper	45	54	39	44	41	39	43	40	40
OBC	38	34	45	39	37	40	36	40	38
SC	11	6	10	9	13	11	10	12	13
ST	5	7	7	6	7	7	8	6	5
Muslim	2	-	-	2	2	2	2	2	3
N	541	327	92	1086	815	300	920	831	802

Source: 1996, 1998 NES.

reasons. Firstly, we do not have adequate data for the emergence of the party in the secondary states, and given what we have, we cannot assume that the profile at entry follows the same course in each of the regions. That is, hypothetically, even if the early profile of the secondary states reflected the profile of the primary states of that time, they may both have evolved in different ways over the course of time. Therefore, even though the profile of the secondary states does not closely resemble the profile of the primary states now, or even since 1991, we cannot rule out the possibility that it once did. However, our data series does manage to capture the initial expansion into the tertiary states, and its gradual consolidation, so this gives us a more robust footing from which to speculate. Given this, a further question arises. That is, which profile would carry through to the tertiary states, that of the primary states, or that of the secondary states? The question becomes redundant on analysis. The profile in the tertiary states bears little resemblance to either primary or secondary in 1991, 1996 or 1998, so we must refute the theory. This leaves us with third and most likely alternative. That is, the party redefines itself and tries to appeal to different sections of society each time it establishes itself on new territory.

In 1991 and 1996 the tribal vote becomes relatively stronger the further the region is away from the core. However, this pattern is clearly upset by the 1998 results, where it is strongest in the primary states and weakest in the secondary states. The major growth has obviously taken place in the primary states, but why is this? Perhaps this tells us something about the power of mobilisation. The tribals' natural impulse to vote for the BJP more is when the party is an outsider. However, as a group to be mobilised, the tribals are relatively untouched. Thus the BJP is able to appeal to them in a way that it could not do to the OBCs, SCs and Muslims while still maintaining the support of the dichard upper caste faithful. In this way it follows the classic upper caste — scheduled caste mobilisation strategies that were employed by Indira Gandhi in the 1970s. Thus, in light of the changes in the composition of the BJP+ in the different regions that we noted from Table 7, we must accept that the party shows a preference to mobilising different communities in different regions. In this sense then it does redefine itself.

In terms of the overall effect of community we can see that the Chi2 and Phi values decrease as the region moves further away from the primary states. This

indicates that caste is less significant in the states the BJP has most recently infiltrated, and is still most significant in the old guard states where the BJP first emerged. What does this tell us? Firstly, that the cleavages that were set up when the Jan Sangh emerged have by and large remained in tact. Although the party has grown in these states, it has never managed to rid itself of its initial cleavages, but then, neither has had to. The tertiary states are still less caste-based than other states, but whereas the primary states have only increased marginally since 1991, and the secondary states have even decreased, there has been a somewhat alarming rise of community polarisation in the tertiary states.

#### IV Political Expansion

Allies are an operational indicator of expansion and political credibility. The biggest electoral gains that the BJP combine

made were in the regions where it had allies. How does the profile change with this inclusion? Do the allies give the party an entrance into other social groups? Or do they appeal to traditional BJP voters? Do they play a pivotal role in the party's reinvention? Do the allies offer a significant account for the widening social base of the BJP in the secondary and tertiary states? In the same state how does support for the BJP and its allies compare? To examine how respective sources of support for the BJP and its allies differ we disaggregate the state groupings in which the BJP has fought alongside allies. In 1991 and 1996 this was only in the secondary states, and in 1998 it was the secondary and tertiary states.

In the secondary states in 1991 all the communities gave greater support to the BJP than to its allies. However, in 1996 the balance of power swung, with the allies claiming roughly equal, and

TABLE 8: BJP+ SUPPORT BY COMMUNITY BY REGION, ROW PERCENTAGES 1991, 1996, 1998

	1991			1996			1998		
	Prim	Second	Tert	Prim	Second	Tert	Prim	Second	Tert
Upper	51	38	5	68	60	14	65	49	36
OBC	38	21	5	56	48	13	47	43	30
SC	20	6	2	21	30	7	25	23	18
ST	18	17	3	31	35	9	42	23	17
Muslim	4	-	-	8	6	2	7	6	7
Other	(19)	(16)	(-)	(31)	(9)	3	(42)	41	6
All	33	21	3	46	43	10	44	37	24

Notes: Bracketed values when row total is less than 100

Source: 1996, 1998 NES.

TABLE 9: ODDS RATIOS FOR BJP + SUPPORT BY COMMUNITY BY REGION, 1991, 1996, 1998

	1991			1996			1998		
	Prim	Second	Tert	Prim	Second	Tert	Prim	Second	Tert
Upper	2.11	2.31	1.70	2.46	1.99	1.47	2.36	1.64	1.78
OBC	1.24	1.00	1.70	1.14	1.22	1.35	1.13	1.28	1.36
SC	0.51	0.24	0.66	0.42	0.57	0.58	0.42	0.51	0.69
ST	0.45	0.77	1.00	0.62	0.71	0.89	0.92	0.51	0.65
Muslim	0.08	-	-	0.07	0.08	0.18	0.10	0.11	0.24
Other	(0.48)	(0.72)	-	(0.69)	0.15	0.28	(0.92)	1.18	0.20
Chi2	191	154	19	458	248	62	318	194	155
df	5	5	5	5	5	5	5	5	5
Phi	0.332	0.302	0.095	0.374	0.310	0.145	0.373	0.278	0.238

Source: 1996, 1998 NES.

TABLE 10: BJP AND BJP'S ALLIES, SUPPORT BY COMMUNITY BY REGION, ROW PERCENTAGES 1991, 1996, 1998

	1991		1996		1998			
	Secondary		Secondary		Secondary		Tertiary	
	BJP	Allies	BJP	Allies	BJP	Allies	BJP	Allies
Upper	30	8	28	32	24	25	18	17
OBC	15	6	25	23	20	23	19	11
SC	6	-	22	7	8	14	9	9
ST	15	2	31	4	20	4	7	10
Muslim	-	-	3	3	4	1	4	3
Other	(15)	(1)	5	4	10	31	5	1
All	17	5	23	20	18	19	14	11

Source: 1996, 1998 NES.

marginally greater support amongst the OBCs and upper castes, respectively. The scheduled castes and scheduled tribes still gave greater support to the BJP than to the allies, and the Muslim vote was divided evenly between the two. In 1998 however, the allies increased their support relative to the BJP amongst the scheduled castes as well, leaving only the scheduled tribes, and the Muslims to a small extent, preferring to vote for the BJP than its allies.

Table 11 shows the complete picture of support by region for the BJP and its' allies. The social base of the allies needs to be analysed both internally, comparing the differences between regions and over time, and externally, comparing it to the profile of the BJP.

The allies have two types of social base. The first wave of allies, those in the secondary states, has much more support amongst the upper castes and OBCs than they do amongst the other communities. Compared to the tertiary allies, the odds ratios for the SC, ST and Muslims are very low in the secondary states. However, the profile is somewhat different in the tertiary states. Although the odds ratios are still highest, by quite a margin, for the upper castes, there are a number of communities with odds ratios around, or just below one. The scheduled castes, scheduled tribes and Muslims, all have odds ratios that, relative to their other odds ratios in other regions and years, are high. Although the odds ratios for these communities do not set individual precedents, they do mark a significant collective increase. This is reflected by the very low values of Phi and Chi2, of which the Phi value is the lowest ever, second only to the value for the tertiary states in 1991.

By comparing the social profile of the BJP with that of its allies in the tertiary states in 1998 we can see how the inclusion of allies effects the social base of the BJP. In the tertiary states the upper castes, SC, ST and Muslims, all offer relatively greater support to the allies than to the BJP. This leaves the BJP somewhat OBC dominant, and weaker among the other castes. This suggests two things. Firstly, in the tertiary states the upper castes do not have the same affinity with the BJP as they do in the primary states, which may be partly due to the fact that in the tertiary states the BJP is not the preserve of the upper castes. Thus, the upper castes, the SC, ST and the Muslims all prefer the allies to the BJP, although probably each for somewhat different reasons.

To what extent has the BJP gained from its acquisition of allies? The social base

of the BJP cannot be isolated purely by looking at who votes for the BJP. Depending upon seat sharing arrangements, voters who are committed BJP supporters may be forced into voting for one of their allies. Therefore, an interesting exercise is to see which party respondents would have voted for if there had been no alliances, in 1998. Table 12 shows the parties that respondents said they would have voted for if there had been no alliances. In the secondary states the BJP not only retains more of its own vote, but also claims more of the allies vote compared to the tertiary states. This indicates that the leaning of those who voted for the allies is much stronger towards the BJP in the secondary states. Due to the reduced sample size that table produces, there are not enough cases to say anything meaningful about the STs and Muslims. Therefore they have been discounted. However, what is clear is that a significantly higher percentage of upper castes would have voted BJP in the secondary states than in the tertiary states. This gives greater support to the view that the allies in the tertiary states appeal to the less traditional BJP voter, thus giving the BJP an entry into social groups that would not normally vote for them.

#### CONCLUSION

So how has the BJP expanded? What effect has its regional and political expansion had on its social base? The regional expansion of the BJP has been inter-twined with a distinct three tiered growth in its social appeal. To a large extent the presence of its political allies have aided this process, and allowed the party to gain a foothold in new territory. The relationship between the three forms of expansion is undoubtedly connected. However, as far as causal relationships go the direction is unclear. One can safely assume though that the BJP has been an active participant in determining which course its social expansion takes. And as

for those who say that the BJP has little in common with most of its allies, it would seem that the selection criterion relies more on the allies' social appeal than on their ideological stance. In this respect the mobilisation strategies that the BJP have employed have been very carefully orchestrated.

In each successive step that the BJP makes away from its homeland of the primary states, the groups that have expanded the most also move a step down the ladder of the party's traditional support base. Thus in the primary states, which represent the core of the party's stronghold, its core source of social support, that of the upper castes, has remained in tact. The only other community that has been significantly mobilised in this region is the scheduled tribes.

Moving one step away, into the secondary states, it is the OBCs, who overall are the second most likely group to vote BJP, who have made the most significant increases in their propensity to vote for the party. The states in this region have

TABLE 12: PARTY VOTED, BY SINGLE PARTY PREFERENCE, BY REGION, 1998

	Secondary			Tertiary		
	BJP	Allies	Other	BJP	Allies	Other
BJP	93	4	3	81	6	13
Allies	37	54	9	25	66	9

Notes: Question in 1998 was "In this election most of the parties joined hands and formed new alliances. Suppose there was no alliances between the parties and they were all contesting elections separately. To whom would you have caste your vote for in that case?"

Source: 1998 NES.

TABLE 13: VOTED ALLIES, BY SINGLE PARTY PREFERENCE, BY COMMUNITY BY REGION, 1998

	Secondary			Tertiary		
	BJP	Allies	Other	BJP	Allies	Other
Upper	46	46	8	31	60	9
OBC	38	52	10	19	74	7
SC	18	69	14	26	64	10

Source: 1998 NES.

TABLE 11: ODDS RATIOS FOR BJP AND BJP'S ALLIES, SUPPORT BY COMMUNITY BY REGION, 1991, 1996, 1998

	1991			1996			1998		
	Prim BJP	Secondary BJP	Tert Allies	Prim BJP	Secondary BJP	Tert Allies	Prim BJP	Secondary BJP	Tertiary Allies
Upper	2.11	2.09	1.65	2.46	1.30	1.88	1.47	2.36	1.44
OBC	1.24	0.86	1.21	1.14	1.11	1.19	1.35	1.13	1.14
SC	0.51	0.31	-	0.42	0.94	0.30	0.58	0.42	0.40
ST	0.45	0.86	0.39	0.62	1.50	0.16	0.89	0.92	1.14
Muslim	0.08	-	-	0.07	0.10	0.12	0.18	0.10	0.19
Other	(0.48)	(0.86)	(0.19)	(0.69)	0.18	0.17	0.28	(0.92)	0.51
Chi2	191	110	40	458	77	178	62	318	78
df	5	5	5	5	5	5	5	5	5
Phi	0.332	0.255	0.153	0.095	0.374	0.173	0.262	0.145	0.373

Source: 1996, 1998 NES.

a profile more similar to the primary states than the tertiary states do. This is illustrated by the social base of the allies, which is relatively strong amongst the upper castes and OBCs and relatively weak amongst the other communities. It thus reinforces the overall mobility drive, with both BJP and allies working in tandem to appeal to similar sorts of people.

The third tier of scheduled castes and Muslims have emerged most strongly in the tertiary states. In these states the BJP's reliance on its allies, both as a vote winner and as an entry point into other social groupings, is at its strongest. Whereas in the secondary states the partnerships mainly took the form of BJP led alliances, in the tertiary states the alliances are generally regionally led, with the BJP supporting from the outside. Party's such as the AIADMK, TDP and Trinamool Congress, and to a lesser extent the BJD, carry more weight locally than the BJP. Thus the BJP prospers by association, and without them would most probably become marginalised.

It is in the tertiary states that the less traditional BJP voters have become more enfranchised, similarly it is the presence of the allies that brings most support from

these social groups. With the BJP on its own gaining little favour with anyone other than the upper castes and the OBCs, its political future lies in the hands of its allies. The biggest gains that the BJP made have been in these states, which now also constitute its largest source of support. So, as the BJP pushes to establish itself at the centre once again, the role of the allies in these states will become more important than ever.

In a sense then, there are three parties. Admittedly they are not completely independent ones, but nonetheless – they are each distinctive in their own way. Each one has played a significant role in helping the BJP become the national party that it is today. It has only been by delicately redefining itself and its social base that the party has been able to spread its wings and leave its nesting place of north India. Although much of the momentum for this change has come from within the party, the transition has only been finally possible because of the help it has received from parties outside. This help though, seems to be somewhat illusory. The allies, especially in the tertiary states, have not provided a push for the BJP to reach a firm

hand-hold, but have provided the hand-hold itself. If the allies were to let go then in all likelihood the BJP would have a long way to fall.

### Notes

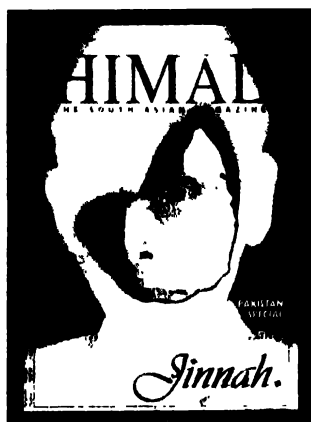
[Many thanks are due to Yogendra Yadav and Anthony Heath, who were both great sources of help in preparing the outline for this paper, and to the CSDS Data Unit in general, and Himanshu Bhattacharya in particular, for assistance with the aggregate data]

- 1 The SPSS syntax used to run this logistic regression is:  
Logistic regression BJP  
/Method = enter comm occup educ age sex locality  
/Contrast (Comm) = Deviation  
/Contrast (Educ) = Deviation  
/Contrast (Age) = Deviation  
/Contrast (Sex) = Deviation  
/Contrast (Locality) = Deviation  
/Criteria pin (.05) Pout (.10) iterate (20).  
Note that as Sex is a binary variable we do not need to write a Contrast statement for it.
- 2 For a detailed description of how the community variable was constructed, see appendix XX of Congress paper by Anthony Heath and Yogendra Yadav.
- 3 Similarly, for explanation of the Class variable see appendix XX
- 4 Similarly, for a methodological note on the National Election Surveys see appendix XX

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# The United Colours of Congress

## Social Profile of Congress Voters, 1996 and 1998

Anthony Heath  
Yogendra Yadav

*Though the decline of the Congress in Indian politics has been discussed, the changes in the social profile of Congress voters has been ill-researched and therefore little understood. Congress has been a 'catch-all' party and at the aggregate national level its support has cut across caste and class divides. But a study of election results from individual states shows that Congress support does vary with caste and class depending on its major rival. At one time the Congress had acquired and cultivated a diverse social profile through active political mobilisation. Today, it is reduced to picking up the leftover votes that other political parties have not mobilised.*

### I Introduction

THE decline of the Congress is in many ways the story of Indian politics in the 1990s. In popular as well as academic accounts the changes in the structure of political competition in this decade are seen as a consequence of the decline of the Congress which is largely seen as an autonomous occurrence. The decline has been so swift and yet so decisive that it is easy to forget how surprising it was. Like most entrenched parties of long standing democracies, the Congress too has lived to read many of its obituaries. Not only did it survive the death of Nehru, it also survived the virtual dismemberment of its organisational structure under his daughter. It survived the loss of power at the centre and then even the death of Indira Gandhi. Against this background the steady decline in the national vote share of the Congress in all the Lok Sabha elections after the unprecedented victory in 1984 is indeed surprising. The forthcoming mid-term election may slowdown or at best halt this steady decline, but is unlikely to result in its reversal.

While the story of the decline of the Congress at the national level and its marginalisation in some crucial states is too well known to need recapitulation here, one crucial aspect of the story is rather ill-researched and therefore little understood. This aspect concerns the changes in the social profile of Congress voters that accompany its overall decline. In the past the most notable feature of Congress support has been its evenness, both geographical and social. It appeared to have drawn its support equally from all parts of the spectrum, and this gave Indian politics the appearance of politics without distinctive social cleavages [see for example Sheth 1975]. In popular wisdom

the Congress was seen as a party that always drew upon captive 'vote banks', especially among the socially disadvantaged groups, and its decline is seen as a function of the loss of these vote banks. Even those who do not buy the mythology of completely polarised 'vote banks' do think that the decline of the Congress is a function of the erosion in its capacity to retain the political loyalty of the socially disadvantaged communities all over the country. Survey evidence of the elections in the 1990s, however, seems to contradict this understanding. Various accounts of the social basis of Congress support suggest that the party continues to be the 'catch-all' formation it always was. It continues to draw almost equal support across the various social cleavages that have been articulated in the arena of electoral politics.

In this paper we seek to resolve this tension between political perception and survey evidence. We believe that an analysis of the social composition of the Congress vote in the 1990s is of broader significance than the Indian context. It illustrates the pressures faced by a catch-all party when it faces competition from cleavage-based formations. The rise of parties such as the Bharatiya Janata Party (BJP) and the Bahujan Samaj Party (BSP) which do, more or less explicitly, appeal to distinctive social groups, indicates the rise of cleavage politics in India. This is in sharp contrast to western democracies where the talk is all about the decline of cleavage politics [Franklin et al 1992]. The decline of the Congress illustrates the failure of a catch-all party to handle cleavage-based pressures. A careful analysis of this failure needs to take into account another autonomous dimension, namely, that of regional differentiation. The last decade, or the 'third electoral system' (see Yadav in this issue), has seen an increasing geographical fragmentation

of the Indian electorate, with major regional parties strengthening their position. State, rather than the nation, has emerged as the effective arena of political choice.

Our concern in this paper is with the implications of these developments for the basis of Congress support. We argue that the decline of the Congress is linked to both these aspects, the social and the regional. At the all-India level Congress still draws its support fairly evenly from across the social spectrum. But our contention is that this is largely a consequence of a variety of contradictory tendencies at the state level which cancel out overall. This point has been made before by Chhibber and Petrocik (1990) who drew attention to the geographical diversity of Congress politics. They were able to show that the social basis of the Congress vote varies from state to state although they stopped short of providing a systematic account of the nature of this geographical diversity.

We agree with Chhibber and Petrocik that, in order to understand contemporary Indian politics, it is essential to disaggregate and to move down from the all-India level and to look at finer distinctions within the Indian electorate. We go further and argue that a key factor in explaining the geographical diversity in Congress support is the nature of party competition. For example, we shall show that Congress draws on different social groups when it is in competition with the BJP than it does when it is in competition with the Left Front. This suggests that we should divide up the Indian electorate according to the nature of party competition in each state. This has the dual advantages of having a theoretically powerful basis of classification and of having reasonably large groupings where our sample surveys can yield reliable results. The last point is not trivial, for one major problem with



Chhibber and Petrocik's analysis is that they were reduced to very small sample sizes in their state-by-state analysis and some of their results could well have been due to sampling error rather than to real differences between states.

Our strategy in this paper, therefore, is to disaggregate the Indian electorate so as to classify states according to the nature of party competition. Broadly speaking (and recognising that there is in practice considerable local complexity) we can distinguish five main groupings, the final one of which we subdivide.

First, we have states such as Delhi, Rajasthan, Madhya Pradesh, Himachal Pradesh and Gujarat, where the 1990s have witnessed a direct contest between the Congress and the BJP. Any third contender – such as the RJP in Gujarat – has proved to be a short-lived phenomenon.

Second, there is another, smaller group of states, namely, Kerala, West Bengal and Tripura, where there has typically been two-party competition, but this time involving Congress against the Left. The entry of the Trinamool Congress in 1998 complicates this picture somewhat in West Bengal, but does not alter the basic Left vs rest nature of electoral contest.

Third, there are a number of states where, in recent elections, the main contenders have been Congress and a regional party. For our purposes a regional party is not defined in ideological terms but simply as a party whose electoral support is confined effectively to one or two states. In this grouping we have placed Andhra Pradesh (where the main regional party is Telugu Desam (Naidu) (TDP(N)); Assam, Asom Gana Parishad (AGP); Goa, United Goan Democratic Party (UGDP) and Maharashtrawadi Gomantak Party (MGP); Meghalaya, Independent (Ind); Pondicherry, Dravida Munnetra Kazhagam (DMK) and All India Anna Dravida Munnetra Kazhagam (AIADMK); Punjab, Shiromani Akali Dal; and Tamil Nadu DMK and AIADMK among others. The 1998 election saw the BJP mark its presence in many of these states, but basically as an adjunct to its 'regional' ally.

For some purposes it is useful to distinguish another kind of regional contest where the BJP has emerged as a party with substantial presence in its own right. The BJP has entered into alliance with a regional party in each of these, but it is a substantial presence in its own right in these states. In this category we include Haryana alliance with Haryana Vikas Party (HVP) till recently; Maharashtra, alliance with Shiv Sena (SS); Karnataka, alliance with

Lok Shakti (LS); and Orissa, alliance with Biju Janata Dal (BJD).

Finally, we have two states where the 1990s have seen a multi-party competition, reducing the Congress to the status of a minor party. Thus in Bihar the competition is between Congress, the BJP, Samata Party (SAP) and the JD (later the Rashtriya Janata Dal (RJD)) while in Uttar Pradesh there has been a four-way competition involving Congress, the BJP, the BSP and the Samajwadi Party (SP).

That leaves a few states and union territories including Jammu and Kashmir and several small hill states of the north-east. Since there is no reliable survey data on these states, we have excluded these from our classification and subsequent analysis. But in principle all these can be put under one or the other of these categories.

Tables 1 and 2 show the distribution of the vote in these five types of contest in the 1996 and 1998 elections, respectively. As we can see, there were very substantial differences in the patterns of party support in these five broad groupings, and the

patterns were fairly stable over the course of these two elections. There is of course considerable variation within each of the groupings in the actual level of Congress support, no doubt depending on particular state-level factors, and we would not wish to claim that the groupings make all state-level analysis redundant. We shall try to show, nonetheless, that these groupings have considerable explanatory potential.

While there have been considerable changes over time in the nature of party competition in India, it is noteworthy that broadly comparable groupings can be found in earlier periods too. In Table 3 we construct an analogous grouping for 1967. The choice of the 1967 election, as a point of reference is guided by the fact that it is only in 1967 that the non-Congress parties gathered enough support to allow us to carry out any analysis of their social profile. In terms of data availability, 1971 is a better point, for the survey that year was more comprehensive. However, the existence of various pre-poll alliances – the grand alliance of the major opposition parties and the Congress-CPI alliance –

TABLE 1: VOTE SHARES BY MAJOR PARTY GROUPINGS IN FIVE TYPES OF CONTEST IN LOK SABHA ELECTIONS, 1996.

State	INC+	BJP+	JD	LF	BSP	IND	Others
INC vs BJP contests							
Delhi	37.3	49.9	4.2	0.4	0.0	3.4	4.7
Gujarat	38.7	48.9	0.4	0.1	0.4	7.5	4.1
Himachal Pradesh	54.3	39.8	0.2	1.4	0.7	1.5	2.1
M P	31.0	41.5	1.1	0.8	8.2	9.6	7.9
Rajasthan	40.5	43.5	2.6	0.6	1.3	7.2	4.2
INC vs LF contests							
Kerala	45.7	5.7	4.4	36.1	0.2	2.8	5.1
W Bengal	40.2	7.0	0.4	48.7	0.1	2.0	1.6
Tripura	34.1	6.5	0.3	52.4	0.0	0.9	5.7
INC in Multi-party Contests							
Bihar	12.99	35.04	33.23	5.92	0.63	5.48	6.71
U P	8.14	34.44	25.10	1.06	20.61	6.55	4.10
	INC+	BJP+	LF	Regional		Other	IND
INC vs regional parties							
Andhra Pradesh	39.3	5.7	5.3	TDP(N):32.6		13.4	3.6
Assam	31.6	16.0	3.9	AGP:27.2		8.6	11.7
Goa	34.4	13.8	0.9	UGDP:22.7		22.7	1.5
Meghalaya	53.6	9.1	1.4	IND:35.8		0.0	0.0
Punjab	35.1	6.6	4.3	SAD: 28.7		15.1	7.6
Pondicherry	40.0	4.4	0.0	DMK:39.9		9.3	6.4
Tamil Nadu	26.1	3.0	4.1	DMK+TMC(M):52.8		9.5	3.1
	INC+	BJP	BJP ally	JD	Other		IND
INC vs BJP led Regional							
Haryana	22.6	19.7	HVP 15.2 SAP 19.0	1.5			10.2
Karnataka	33.4	24.9	—	34.9			4.2
Maharashtra	34.8	21.8	SS 16.8	3.3			9.7
Orissa	44.9	13.4		30.1			5.7

Notes. Parties represent pre-poll alliances. BJP+ = BJP, SS, HVP and SAP. INC+ = INC and AIADMK. LF = CPI, CPM, FBL and RSP (plus left supported independents in Kerala).

Source: CSDS data unit

in that election prevents us from obtaining a clear picture of individual party preferences.

## II All-India Picture: 1967, 1996 and 1998

Our central concern is to explore where the Congress vote comes from in our five types of party competition. Before proceeding to this disaggregated analysis of the social base of voting, however, it is useful to look at the all-India picture to provide us with a baseline for comparison. Our main sources are the National Election Study (NES) of 1996 and 1998. For comparison, we also go back to the first ever nationwide survey of the Indian electorate carried out by the CSDS in 1967. We should however note that the 1967 survey was a relatively small one and restricted to male electors. Results from 1967 should therefore be treated with caution.

For a first look at the data we restrict ourselves to a simple classificatory scheme, a composite measure of caste and religion which we shall term for short a measure of 'community' (see Appendix 3 for technical details). The measure distinguishes the following six community groupings: (1) Hindu upper castes; (2) Hindu backward castes or the 'OBCs'; (3) scheduled castes or 'dalits'; (4) scheduled tribes or 'adivasis'; (5) Muslims; and (6) other religious groups (non-SC/ST Christians, Sikhs and remainders). We are conscious of the fact that these 'communities' do not represent the primary social cleavages at the ground level. These communities are themselves aggregates of a large number of lived-in social communities. In later analysis we plan to use a finer classification of 'jati' groupings (in particular disaggregating the OBC), but the present classification should be adequate to give us a first cut of the broad picture of the social basis of Congress support.

We begin, in Table 4, with the picture for 1967. Among respondents to the survey, 50 per cent reported that they had voted for Congress. As we can see, the figures for the different community groups are all fairly close to this overall figure of 50 per cent: they range from a low of 45 per cent among Muslims to a high of 57 per cent among dalits. All these figures will be subject to sampling error, and we have in fact had to exclude the figures for adivasis since the base N is a tiny 30 respondents. Some of the differences are in fact statistically significant but the magnitude of the differences is relatively small. The overall picture, therefore, is the conventional one that Congress support did

not vary strongly by community group at the all-India level.

At the all-India level the picture had not changed greatly by 1996. In 1996 31 per cent of our respondents reported that they had voted for Congress. Table 5 shows that the proportions of dalits, Muslims and especially adivasis supporting Congress were higher than the overall average of 31 per cent, while the proportion of OBCs supporting Congress was lower than the overall average. This pattern was again repeated, as Table 6 shows, in the 1998 Lok Sabha election.

It is not, then, quite correct to say that Congress recruits a representative cross-section of the electorate, even at the all-India level. There does seem to be a fairly stable social profile to Congress support, and it is notable that hints of the same profile can be found as far back as 1967. Thus in all three surveys the OBCs were less inclined than other groups to support Congress while the dalits and adivasis were more inclined towards Congress than were other community groups. The only exception are the Muslims, whose pattern of support appears to have been somewhat variable over time. Given the uncertainty

about the 1967 survey, however, we should be extremely cautious about reading too much into this change (and it is perhaps worth noting that the 1971 survey showed the more usual pattern of Muslims supporting Congress).

It is, however, fair to say that, at this all-India level, the magnitude of the group differences in support for Congress is relatively small. A useful measure of the magnitude of the group differences is the odds ratio. We can for example, look at the odds of supporting Congress or some other party among members of a particular community group and compare this with the odds of supporting Congress in the sample as a whole. This will give us a measure of how distinctive a particular group is. For example, in 1998, 47 per cent of adivasis voted Congress while 53 per cent voted some other party – odds of 47:53 or 0.89:1. In 1998, the overall level of support in the survey for Congress was 30 per cent giving odds of 30:70 or 0.43:1. The ratio of these two odds is 2.07:1. A ratio of 1:1 would indicate that the odds of supporting Congress was exactly the same in the group in question as it was overall, while odds larger than 1:1 would

TABLE 2: VOTE SHARES BY MAJOR PARTY GROUPINGS IN FIVE TYPES OF CONTEST IN LOK SABHA ELECTIONS, 1998.

State	INC	BJP	LF	BSP	Other 1	Other 2	IND	Others
<b>INC vs BJP</b>								
Delhi	42.7	50.8	–	2.3	JD: 2.5	–	0.5	1.4
Gujarat	36.5	48.3	0.1	–	AIRJP: 10.2	JD: 2.9	1.1	0.9
Himachal	43.6	48.6	0.7	1.5	–	–	–	5.6
MP	39.4	45.7	0.9	8.7	–	–	1.3	4.0
Rajasthan	44.5	41.7	1.9	2.1	–	–	3.8	6.0
<b>INC vs LF</b>								
Kerala	38.7	8.0	32.0	0.1	MUL: 5.0	KECM: 2.4	6.8	7.0
Tripura	42.1	8.2	48.8	–	–	–	0.3	0.6
W Bengal	15.2	10.2	46.8	0.2	WBTC: 24.4	–	1.0	2.2
<b>INC in multi-party contest</b>								
Bihar	7.4	23.5	3.9	0.5	RJD: 26.3	SAP: 16.0	2.0	20.4
UP	6.0	36.5	0.4	20.9	SP: 28.7	–	2.8	4.7
	INC	BJP	LF	BSP	Other 1	Other 2	IND	Others
<b>INC vs regional</b>								
Andhra Pradesh	38.5	18.3	5.5	0.2	TDP: 32.0	AIMM: 1.5	1.7	2.3
Assam	39.0	24.5	4.2	–	AGP: 12.7	ASDC: 2.2	9.5	7.9
Goa	31.6	30.0	–	–	UGDP: 24.9	MAG: 13.2	0.3	–
Meghalaya	47.6	9.0	1.4	–	UDP: 25.5	HPDP: 7.4	–	9.1
Punjab	25.9	11.7	4.5	12.7	SAD: 32.9	JD: 4.1	4.9	3.3
Pondicherry	32.1	–	–	0.6	DMK: 41.1	ADMK: 25.1	0.2	0.9
Tamil Nadu	4.8	6.9	3.1	0.2	ADMK+: 25.9	TMC+DMK: 20.2	2.5	36.4
	INC	BJP	LF	BSP	BJP ally	Other	IND	Others
<b>INC vs BJP-led regional</b>								
Haryana	26.0	18.9	0.5	7.7	HVP: 11.6	HLDR: 25.9	1.2	8.2
Karnataka	36.2	27.0	0.1	0.6	LS: 11.5	JD: 21.7	0.8	2.1
Maharashtra	43.6	22.5	0.7	0.8	SHS: 19.6	RPI: 4.1	2.4	6.3
Orissa	41.0	21.2	1.4	0.3	BJD: 27.5	JD: 4.9	0.4	3.3

Notes: INC+ = Muslim League and UDF; BJP+ = SHS, HVP, SAP, AIADMK, SAD (B), Trinamul Congress, LS, BJD, TDP (NTR); LF = CPI, CPM, FBL and RSP.

Source: CSDS data unit.

indicate stronger support in the particular group, and odds below 1:1 would indicate lower support. In this way we can use the odds ratio to tell us how distinctive a particular group is in its voting pattern.

Odds ratios have a number of convenient statistical properties, and they are particularly useful for making comparisons over time or between state groupings. Their main advantage is that they in effect take account of changes in the overall level of support for a party and thus enable us to make comparisons between elections or regions when the overall level of support is rather different. Table 7 shows the odds ratios for the 1967, 1996 and 1998 elections.

Table 7 suggests that there was actually slightly greater variation in the odds ratios in the 1990s than there had been in the 1960s. In 1967 all the odds ratios were quite close to 1:1, ranging from 0.90 to 1.20. The range was substantially higher in 1996 and higher still in 1998, ranging from 0.72 for the OBCs to 2.07 for the adivasis. At the all-India level, then, there does seem to have been a clear increase in the extent to which the various community groups differed in their support for Congress. In this sense the social basis of Congress support has become more distinct over time.

We can test formally whether the odds ratios have remained constant over time by using a log-linear model (Appendix 1). We fit to the data a model which postulates that support for Congress varied from election to election, that support for Congress varied from one community group to another, but that this relationship between Congress support and community remained the same in all three elections (see Appendix 1 for details). What we find is that the hypothesis of constant odds ratios has to be rejected ( $p < 0.001$ ). This confirms more rigorously the conclusion we had drawn from Table 7. That is, at the all-India level, the conventional wisdom that Congress received more or less equal support from all community groups alike is less true than it used to be.

A look at voting by class (see Appendix 2 for details) for the 1996 and 1998 elections in Tables 8 and 9, respectively reveals a substantially similar picture. While the BJP vote displays a steep slope in favour of the upper classes and the LF and BSP vote shows an opposite slope, the vote for Congress is evenly spread across all classes in 1996. The pattern for 1998 is a little more erratic, but it also shows that the vote for Congress is not concentrated in some classes. The survey data at our disposal

does not permit a class index for 1967 that can be strictly compared to these two elections. But it may not be off the mark to think that at the national level the support for Congress has continued to be spread across the class divide in the entire post-independence period.

### III Differentiation in Congress Era

Now we move on to consider the pattern of social support for Congress in different types of contest in the Congress era by taking up 1967 election as an example. Table 10 shows the relationships between community and vote in the four types of contest that we were able to distinguish in 1967.

Barring a few cells Table 10 does not show any striking difference in the support base of the Congress in different categories. Congress appears to be weak among the upper castes in the contest against the Left

and the Right and stronger among dalits in all the categories. Unfortunately, the small sample size of the 1967 survey at the regional level also renders the picture rather confusing and unreliable. What we need to do here is to conduct some formal statistical tests which tell us whether there were any statistically significant differences in the bases of Congress support in the four types of contest. Table 11 therefore shows the pattern of Congress/non-Congress odds ratios in the four types of contest and indicates which ones are significantly different from the all-India pattern. As we can see, there were some significant results only in the case of the contests between Congress and the Right. In particular, the odds of the upper castes supporting Congress were significantly poorer in these contests (an odds ratio of 0.67:1) than they were in general (0.96:1). Conversely, the odds of dalits supporting Congress were significantly greater in this

TABLE 3. VOTE SHARES BY MAJOR PARTY GROUPINGS IN FOUR TYPES OF CONTEST IN LOK SABHA ELECTIONS, 1967.

	INC	The Right		The Left		Reg	Ind	Other
		SWA	BJS	Com	Soc			
<i>INC vs the Right</i>								
Gujarat	46.9	39.9	—		1.7	—	9.5	2.0
Madhya Pradesh	40.8	2.7	29.6	1.4	8.7	—	13.7	3.2
Orissa	33.3	30.9	0.6	3.9	20.5	—	10.8	—
Rajasthan	40.0	27.0	10.3	5.2	2.7	—	14.8	—
Uttar Pradesh	33.4	4.8	22.2	4.9	14.0	—	17.1	4.1
<i>INC vs the Left</i>								
Bihar	34.8	3.4	11.1	10.2	26.4	—	14.0	1.3
Kerala	36.2	2.3	1.4	32.6	8.4	11.7	1.4	0.2
West Bengal	39.7	0.8	1.4	24.8	2.7	4.9	15.3	—
<i>INC vs regional</i>								
Punjab	37.3	4.7	12.5	6.2	0.4	27.0	9.3	2.6
Tamil Nadu	41.7	9.2	0.2	8.8	0.1	35.8	4.1	—
<i>INC vs divided opposition</i>								
Andhra Pradesh	46.8	13.8	1.4	18.8	0.5	—	18.1	0.6
Haryana	44.1	5.6	19.9	2.5	5.9	—	19.8	2.3
Karnataka	49.0	14.3	2.3	1.6	7.7	—	22.0	3.1
Maharashtra	48.5	1.0	7.4	5.1	6.3	7.5	11.5	12.7
Total	40.8	8.7	9.4	9.4	8.0	6.6	13.7	3.4

Notes: SWA = Swatantra Party, BJS = Bharatiya Jan Sangh, Socialist = Praja Socialist Party (PSP) and Samyukta Socialist Party (SSP), Communist = CPI and CPIL (later CPI (M))

Source: CSDS data unit.

TABLE 4: ALL INDIA VOTE BY COMMUNITY IN LOK SABHA ELECTION, 1967

	INC	The Right		The Left		Other	N
		BJS	SWA	Socialist	Communist		
Hindu upper	48	15	7	8	5	17	543
Hindu OBC	47	7	7	5	9	25	630
Dalit	57	5	4	8	8	18	275
Adivasis	—	—	—	—	—	—	30
Muslim	45	2	12	13	3	25	168
Other	59	4	5	2	1	29	195
All	50	8	7	7	6	22	1841

Notes: 1 Unless otherwise specified, in this and all subsequent tables, the entries are for the percentage of respondents belonging to different communities who reported voting for various parties in the relevant survey. The last column 'N', is the total number of respondents of that community/class, that form the basis of percentage calculation.

2 Socialist = PSP and SSP, Communist = CPI and CPIL.

Source: NES 1967.

type of contest (1.65:1 compared with the overall 1.14:1 for dalits).

There is, then, a clear and understandable pattern here: Congress support was less evenly drawn from the various community groups when it was in competition with the Right than it appeared to be overall. Protest against the one-party dominance of the Congress began among the upper castes who were more inclined to support the Right rather than Congress when the structure of party competition gave them the opportunity. But the appeal of the Right to the upper castes was mirrored by its lack of appeal to the dalits, who consequently were relatively inclined towards Congress as the main alternative to the Right.

In overall terms, the propensity of the various community groups to support Congress in 1967 varied, but only slightly so, according to the nature of party competition, with the presence in some states of a major right-wing alternative to Congress leading to a more distinctive community profile in those particular states. It was only the contest with the Right that showed distinctive patterns of social cleavage in 1967. We must remember that the small sample sizes in other types of contest make it very difficult to find statistically significant results. But on the current evidence we must conclude that in other types of contest there was little variation from the general picture, with most groups showing rather similar levels of support for Congress. A differentiation of the Congress' social profile had begun, but it was nothing compared to the disjunction that we observe in the 1990s.

#### IV

##### Disjunction in Post-Congress Era

We can now jump to the 1990s, the post-Congress era. It is post-Congress not in the sense that the Congress ceases to be a major player; indeed the Congress continues to be a major player in all but a few states. It is post-Congress in the sense that the Congress ceases to be the pole around which political competition is structured. We also move on to the larger and hence more robust surveys of 1996 and 1998. These surveys allow us to construct a reliable class index, besides the familiar community groupings. Table 12 shows the relationship between community and class on the one hand and vote on the other in the five types of contest which we have distinguished for the 1990s. We begin with the INC versus BJP contests.

In terms of community as well as class, Congress appears to be a party of the

underdogs when it faces the BJP. In this first type of contest there is a strong relationship between community and support for Congress. As expected, support for Congress was at its strongest among the Muslims, where it reached 85 per cent in 1998. It was also high among dalits and adivasis and then fell to 35 per cent and 32 per cent among the OBCs and upper castes respectively in 1998. The sources of support for the BJP were the mirror image, being strongest in the upper castes where it reached 65 per cent, then falling steadily as we move down to the OBCs and dalits, followed by a sharp break between Hindus and Muslims. In both the elections the Congress is favoured more by the groups lower down in social hierarchy. The steep slope of the class profile for 1996 brings out the relationship most sharply. The poorer the voter, the greater the chances of their voting for the Congress and vice versa for the BJP. Unlike in the case of community, the class profile for 1998 is more diffused for the Congress. In overall terms the BJP represents social and economic privileges and the Congress its reverse when these two parties face each other.

This pattern is not specific to these two elections associated with the decline of the Congress. The same was replicated in the 1998 assembly elections for Rajasthan, Madhya Pradesh and Delhi, where the Congress scored spectacular victory. We have the advantage of very large size exit polls conducted by the CSDS and its

associates for these assembly elections. These exit poll data provide perhaps the most authoritative source of voting patterns in the 'Hindi heartland' and confirm that support for Congress shows a clear social profile in this group of states. Despite its overall victory the Congress trailed behind the BJP among the upper caste Hindus and managed to split evenly the OBC votes. It was its decisive lead among the dalits and Muslims, and to a lesser extent among the adivasis, that gave Congress the decisive edge.

We next move on to the second of our five types of party competition, namely the contests where the principal contenders were Congress and the Left front. The results are shown in Table 13.

The picture is reversed in this case. The same Congress that is the natural party of the underprivileged when it confronts the BJP turns out to be a party of the socially and economically privileged in its contest with the communist parties in Kerala, West

TABLE 7: ODDS RATIOS OF CONGRESS/  
NON-CONGRESS SUPPORT BY COMMUNITY, 1967,  
1996 AND 1998

	1967	1996	1998
Hindu upper	0.96	0.96	0.87
Hindu OBC	0.93	0.79	0.72
Dalit	1.14	1.21	1.10
Adivasis	1.20	1.81	2.07
Muslim	0.90	1.34	1.44
Other	1.17	0.93	1.73
N	1841	8358	7476

Source: NES 1967, 1996, 1998.

TABLE 5: ALL-INDIA VOTE BY COMMUNITY IN LOK SABHA ELECTION, 1996

	INC	INC Allies	BJP	BJP Allies	NF	LF	BSP	Other	N
Hindu upper	31	0	41	10	4	7	0	7	2104
Hindu OBC	24	2	25	6	16	7	3	19	2698
Dalit	36	0	15	1	6	13	14	15	1570
Adivasis	45	0	22	1	7	8	1	16	751
Muslim	38	0	3	1	30	12	1	15	873
Other	30	0	10	1	13	8	3	36	262
All	31	1	24	5	12	9	4	15	8258

Note: In this and subsequent tables for 1996 election, LF = CPI, CPM, FBL, RSP. INC allies = AIDMK and UDF partners. BJP allies = Shiv Sena, HVP and Samata. NF = JD, SP.

Source: NES 1996.

TABLE 6: ALL-INDIA VOTE BY COMMUNITY IN LOK SABHA ELECTION, 1998

	INC	INC Allies	BJP	BJP Allies	NF	LF	BSP	Other	N
Hindu upper	27	0	38	16	5	10	1	3	1841
Hindu OBC	23	5	28	14	16	5	2	7	2707
Dalit	32	3	14	8	13	11	12	7	1250
Adivasis	47	1	22	6	7	6	1	12	635
Muslim	38	12	5	2	28	9	1	4	831
Other	43	1	12	17	15	7	3	3	212
All	30	4	25	12	14	8	3	6	7476

Notes: In this and subsequent tables on 1998 elections INC allies = Muslim League and UDF. BJP allies = Shiv Sena, HVP, Samta, AIDMK, SAD (B), Trinamul Congress, Lokshakti, BJD and TDP (NTR). NF = JD, RJD, SP.

Source: NES 1998.

Bengal and Tripura. Table 13 shows that both in 1996 and in 1998 the vote for the Left goes up as one goes down the Hindu ritual hierarchy, from the upper castes to the OBCs to dalits. The strongest support for the Left comes from among dalit voters, reaching 62 per cent in both years. The OBCs also showed above-average support for the Left in both years. We can also see in Table 13 how the LF has eaten sharply into Congress support among Muslims. In this type of contest the Muslims divided their vote more or less evenly between Congress and the LF, whereas as we saw earlier, in states where the BJP had been the main opposition, Congress had taken the lion's share of the Muslim vote. Perhaps in consequence, Congress' profile changes dramatically from the one that we saw in the first group of states. The picture gets somewhat muddled in 1998 largely due to the rise of the Trinamool Congress at the expense of the Congress in West Bengal.

But the class profile remained fairly sharp in both the elections. Table 13 shows that the percentage of poorest who voted for the Congress was almost half of the rich who did so. The vote share of non-left parties among the poor and the poorest was lower than their own average. The vote for the Left did indeed have the kind of class profile the communist parties would like to have: the poorer the voters the greater the vote for the Left. In its contest with the LF, the Congress tended to receive the support of those groups that had voted for the BJP in the first type of contest.

Unlike the first two groupings, the contest of the Congress with regional parties does not reveal a very clear social or economic profile. Various community groups show relatively little variation in their support in the contest between the regional and the national parties. We need to be rather careful here since the various regional parties that we have grouped together here are a rather heterogeneous set and have their own distinctive identities. In this group we have classical regional parties (those with a regional support base and regional ideology) mainly from the south and peripheries. However, there are some distinctive patterns. Table 14 shows that in both the elections the regional parties tended to do better among OBCs and 'others' (mainly Sikhs) than other communities. In 1996 dalits gave more support to the regional parties than did the upper castes. However, this pattern was not replicated in 1998. The class profile also showed a fairly even spread of party support, except a tendency of the regional

parties to be a bit middle heavy. On balance, the Congress seems to mirror the catch-all character of the regional parties in this set. It is useful to contrast this with the social profile of the BJP within this set. It received more support from the upper castes and very little from the Muslims, higher support from the upper classes and lower from the poor. So, unlike Congress, BJP support shows the same character irrespective of the nature of the contest in which it is engaged.

The above generalisation about the regional parties is however not true when the regional parties in question are from the states where the BJP leads the coalition. Here the BJP-regional alliance had a profile similar to that of the BJP. If anything the regional allies like the Shiv Sena tended to be more upper caste dependent than the BJP in both the elections. The Congress had its strength among the Muslims and dalits. The 1998 election saw the Congress improve its share among these two communities, but not among the OBCs. In class terms too there was a neat relationship between voting Congress and being less well-off, though the slope was less steep than in the case of direct Congress-BJP contest. The class pattern of voting for the BJP and its regional ally was not very clear or robust in this instance.

Finally we turn to Bihar and Uttar Pradesh where the Congress faced multi-cornered competition from parties that sought to walk away with different slices of the Congress rainbow. In Bihar the BJP and Samata Party ate into Congress support among the upper castes, while the JD ate into Congress support among the OBCs and Muslims, and, to a lesser extent, among the dalits as well. In economic terms, the Samata-BJP alliance took the upper class

TABLE 10: VOTE BY COMMUNITY IN FOUR TYPES OF CONTESTS, 1967

Congress vs Right contest				
	INC	Right	Other	N
Hindu upper	43	43	14	234
Hindu OBC	55	35	10	220
Dalit	65	14	21	139
Adivasis	-	-	-	12
Muslim	50	24	26	92
Other	68	10	22	62
Total	53	30	17	759
Congress vs Left contest				
	INC	Left	Other	N
Hindu upper	35	48	17	71
Hindu OBC	42	46	22	77
Dalit	-	-	-	18
Muslim	-	-	-	33
Other	-	-	-	7
Total	40	47	13	206
Congress vs regional party contest				
	INC	Regional	Other	N
Hindu upper	-	-	-	17
Hindu OBC	39	39	22	173
Dalit	57	32	11	56
Muslim	-	-	-	4
Other	62	26	12	81
Total	47	34	19	331
Congress vs divided opposition contest				
	INC	Other	N	
Hindu upper	-	68	32	190
Hindu OBC	-	62	38	123
SC	-	-	-	43
ST	-	-	-	18
Muslim	-	-	-	23
Other	-	-	-	30
Total	-	66	34	427

Notes: The Right = SWA and BJS. Percentages are not reported when the base N is less than 50.

The Left = CPIL, CPIR, PSP and SSP. Regional parties are Shiromani Akali Dal and DMK

Source: NES 1967.

TABLE 8: ALL-INDIA VOTE BY CLASS IN LOK SABHA ELECTION, 1996

	INC	INC Allies	BJP	BJP Allies	NF	LF	BSP	Other	N
Rich	31	-	42	6	8	3	1	10	472
Upper middle	30	1	35	4	10	7	1	12	1659
Middle	32	1	24	5	12	8	3	15	1680
Poor	32	-	20	6	13	10	5	15	2704
Poorest	32	1	16	4	13	11	6	18	1780
All	31	1	24	5	12	9	4	15	8295

Source: NES 1996.

TABLE 9: ALL-INDIA VOTE BY CLASS IN LOK SABHA ELECTION, 1998

	INC	INC Allies	BJP	BJP Allies	NF	LF	BS?	Other	N
Rich	35	2	38	9	9	3	1	4	498
Upper middle	29	3	33	11	13	6	2	4	1574
Middle	31	3	24	13	13	8	3	5	1687
Poor	36	5	21	12	15	7	4	7	2308
Poorest	28	4	20	10	15	12	4	8	1418
All	30	4	25	12	14	8	3	6	7485

Source: NES 1998.

vote while the JD showed a clear lower class support, much like the Left in the second group of states, leaving the Congress with the remainder in all the classes.

In the four-way contest in Uttar Pradesh, some of the main players were different but the effect was much the same. The SP played a similar role in Uttar Pradesh as the JD in Bihar – it was also very strong among the Muslims and OBCs – except that it had no support among dalits and was not as strong among the poorest. Here the presence of a dalit formation, the BSP, accounted for a huge slice of the dalit vote. And this meant that BJP support was even more heavily concentrated in the upper caste than it is in the other types of contest.

As a result, with distinctive parties capturing upper caste, OBC, dalit and Muslim votes in Uttar Pradesh, there remained no major group supporting Congress. In community terms UP in the 1990s shows a more developed form of cleavage politics than any other Indian state. The same gets reflected in class terms to the extent to which these communities have a distinct class profile. The BJP was strongly rooted among the upper classes and the BSP among the poor. The SP tended to draw more votes from the lower classes but was not confined to them, since the class profile of the OBCs and Muslims is more diversified than that of the upper castes and dalits.

The 1998 election witnessed a swing towards the BJP and its allies in both these states. However the social basis of voting in 1998 remained remarkably similar to that of 1996. The RJD inherited the JD legacy in Bihar, despite losing some of the OBC and a significant part of its dalit votes to the parent party. Squeezed from both the ends, the Congress lost its strength among dalit and Muslim voters, notwithstanding its alliance with the RJD. The alliance did give the Congress a lower class profile similar to the RJD, though the latter had lost its steep class profile due to the departure of some of the dalit and lower OBC voters. The BJP-Samata alliance retained its upper caste vote but expanded its vote base among other communities and in this process also broad-based its class appeal.

The picture of community patterns in voting shows no real difference in 1998 in Uttar Pradesh. The BJP, the SP and the BSP continued to maintain their hold over the upper castes, Muslims and dalits respectively, though the BJP gained some dalit votes. In class terms, there was greater polarisation, perhaps due to class voting within each of the communities. The BJP

TABLE 11: ODDS RATIOS OF CONGRESS/NON-CONGRESS SUPPORT IN DIFFERENT TYPES OF CONTESTS, 1967

	All	vs Right	vs Left	vs Regional	vs Divided Opposition
Hindu upper	0.96	0.67*	0.81	-	1.10
Hindu OBC	0.93	1.08	1.09	0.72	0.84
Dalit	1.14	1.65*	-	1.49	-
Adivasis	-	-	-	-	-
Muslim	0.90	0.89	-	-	-
Other	1.17	1.88	-	1.84	-
N	1841	759	206	331	427

Notes: \* Significantly different at the 01 level from the expected value for that community group  
The odds ratio has not been reported where the base N is less than 50.

Source: NES 1967.

TABLE 12: CONGRESS VS BJP CONTESTS, 1996 AND 1998

	1996				1998			
	Congress	BJP	Other	N	Congress	BJP	Other	N
<i>Vote by community</i>								
Hindu upper	33	64	3	628	32	65	3	459
Hindu OBC	34	54	12	405	35	58	7	436
Dalit	54	34	12	391	57	34	9	214
Adivasis	60	32	8	314	54	43	3	245
Muslim	76	8	16	89	85	12	3	68
Other	-	-	-	28	-	-	-	34
All	44	47	9	1855	43	52	5	1456
<i>Vote by class</i>								
Rich	33	61	6	203	43	53	4	210
Upper middle	37	56	7	469	38	58	4	385
Middle	45	45	10	394	43	50	7	327
Poor	49	41	10	505	46	44	10	349
Poorest	54	38	8	304	44	49	7	232
All	44	47	9	1875	43	51	6	1503

	Congress	BJP	Other	N
<i>Vote by community, assembly elections 1998</i>				
Hindu upper	36	54	10	5151
Hindu OBC	42	44	14	4933
Dalit	53	27	20	2696
Adivasis	53	43	4	1108
Muslim	76	13	11	1371
Other	53	36	11	637
All	46	41	13	15896

Note: The small difference between the N reported for class and the one reported for community pertaining to the same survey and the same states occurs because of non-availability of community or class identification information in a few cases.

Source: NES 1996 and 1998. Rajasthan, Madhya Pradesh, Delhi Assembly Elections Exit polls, 1998, CSDS

TABLE 13: CONGRESS VS LF CONTESTS, 1996 AND 1998

	1996				1998				
	Congress	LF	Other	N	Congress	BJP+	LF	Other	N
<i>Vote by Community</i>									
Hindu upper	43	44	13	291	17	17	45	21	361
Hindu OBC	28	56	16	244	28	15	54	3	172
Dalit	24	63	13	305	15	12	62	11	189
Adivasis	-	-	-	14	-	-	-	-	9
Muslim	36	47	17	195	44	5	40	21	51
Other	61	33	6	54	70	4	26	-	57
All	34	49	17	1103	26	13	48	13	939
<i>Vote by Class</i>									
Rich	58	31	11	26	40	27	27	6	30
Upper middle	40	45	15	224	24	29	44	3	178
Middle	37	49	14	230	29	27	41	3	281
Poor	32	52	16	400	29	17	53	1	246
Poorest	27	64	9	223	20	23	57	-	209
All	34	52	14	1103	26	24	48	2	944

Source: 1996 and 1998 NES.

was more intensely upper class and the BSP more lower class than before. The Congress ended up with something of an upper class slant in its support base.

## V

### From Catch-All to Catch-None

We can summarise the results of Tables 12 to 17 by looking at the pattern of the odds ratios. In order to simplify, we restrict ourselves to an examination of the Congress/non-Congress odds ratios. That is, we consider the odds of voting either for Congress on the one hand or for some other party on the other. These odds ratios are shown in tables 18 and 19. The first column of these tables shows the all-India odds ratios, and the other columns show the odds ratios in the different types of contest. The figure for the first column in Table 18 and 19 are the same as reported earlier in Table 7 to show that at the all-India level the Congress enjoys a catch-all profile. If the figures of the subsequent columns deviate substantially from those reported in the first, it will support the contention that Congress is not a catch-all party in the regions defined by the various types of contest.

As we can see, these summary tables show a considerable deviation from the all-India ratios. Take, for example, community patterns in 1996. Among the upper castes, the all-India ratio was 0.96:1. Since this odds ratio is close to 1:1, it indicates that in all-India as a whole the upper castes were not distinctive in their support for Congress, being very close to the average for all community groups. However, moving across the top row of Table 17, we can see some rather large deviations from this ratio of 0.96:1, the ratio falling well below 1:1 in the contests with the BJP and rising well above 1:1 in the contests with the LF. There is relatively little variation among the OBCs, but in the third row of the table we see that the dalits varied substantially in their odds of supporting Congress from one type of contest to another. The overall figure of 1.21:1 suggests that the dalits were not especially distinctive when considered at the all-India level, but we can see that the odds ratio was considerably higher than this in contests with the BJP (or the BJP regionals) but considerably lower in the contests with the LF. A similar pattern obtains with the Muslims.

In short, the type of contest makes a major difference to the support which the various community groups give Congress. We can test this claim formally with a log-linear model. The hypothesis that the odds ratios are the same in the different types

of contests has to be rejected ( $\chi^2 = 174.4$  on 25 degrees of freedom,  $p < 0.001$ ).

The same reasoning can be extended to all the tables to discern an overall pattern. The evidence from both the community and the class patterns of voting in the 1996 and the 1998 elections shows that the

Congress is not a catch-all party at levels lower than the all-India aggregates. The only exception to this occurs when the Congress faces the classical regional parties (regional both in outlook and support base) that are themselves catch-all in character. In all other types of contest, the odds of

TABLE 14: CONGRESS VS REGIONAL PARTIES CONTESTS, 1996 AND 1998

	1996				1998				
	INC	Reg	Oth	N	INC	BJP+	Reg	Oth	N
<i>Vote by Community</i>									
Hindu Upper	36	27	37	264	38	28	24	10	227
Hindu OBC	31	45	24	819	27	28	31	14	635
Dalit	35	50	15	327	24	16	27	33	300
Adivasis	31	38	31	177	35	11	31	23	128
Muslim	40	44	16	188	53	4	34	9	163
Other	18	58	24	127	23	38	15	24	95
All	33	43	24	1902	31	22	28	19	1548
<i>Vote by class</i>									
Rich	32	33	35	94	32	27	23	18	99
Upper middle	33	41	26	344	32	25	28	15	317
Middle	34	46	20	396	28	25	31	16	354
Poor	31	45	24	577	36	16	30	18	422
Poorest	34	42	22	498	28	18	28	26	358
All	33	44	23	1909	31	21	28	20	1550

Notes: 1996 Regional = TDP(N), AGP, UGDP, SAD, DMK, TMC(M), INI (in Meghalaya) 1998 Regional = TDP, AGP, UGDP, SAD, DMK, TMC(M), UDP.

Source: 1996 and 1998 NES.

TABLE 15: CONGRESS VS BJP-LED REGIONAL CONTESTS, 1996 AND 1998

	1996						1998					
	INC	BJP	BJP Ally	JD	Oth	N	INC	BJP	BJP Ally	JD	Oth	N
<i>Vote by community</i>												
Hindu upper	36	19	29	9	7	498	44	19	31	3	3	433
Hindu OBC	33	26	16	22	3	554	29	25	26	9	11	722
Dalit	61	9	5	14	11	191	62	9	13	7	9	236
Adivasis	40	17	2	20	21	191	41	11	16	15	17	189
Muslim	60	3	2	26	9	137	64	5	2	19	10	134
Other	26	8	5	23	38	43	-	-	-	-	-	15
All	40	18	15	17	10	1614	41	18	22	9	10	1729
<i>Vote by class</i>												
Rich	33	19	30	11	7	88	33	29	21	6	11	99
Upper middle	36	30	14	15	5	360	38	23	23	5	11	365
Middle	39	18	20	14	9	395	43	19	21	10	7	395
Poor	43	17	14	18	8	650	39	13	26	9	13	622
Poorest	41	11	11	21	16	377	50	19	15	12	4	265
All	40	19	15	17	9	1620	41	18	22	9	10	1746

Source: 1996 and 1998 NES.

TABLE 16: CONGRESS VS MULTIPARTY CONTESTS, 1996

	Bihar					Uttar Pradesh				
	INC	BJP	SAP	JD	N	INC	BJP	SP	BSP	N
<i>Vote by community</i>										
Hindu upper	9	29	54	7	114	8	77	3	1	354
Hindu OBC	6	19	21	50	315	6	40	34	12	426
Dalit	19	14	10	32	108	10	11	6	67	273
Adivasis	26	31	7	20	70	-	-	-	-	3
Muslim	23	1	4	69	92	10	5	61	6	190
All	13	19	21	39	699	8	38	22	20	1246
<i>Vote by class</i>										
Rich	-	-	-	-	16	9	55	14	3	80
Upper middle	11	29	24	30	93	8	55	21	5	278
Middle	12	23	15	43	145	7	43	25	14	223
Poor	12	18	26	36	256	8	29	28	26	432
Poorest	14	12	18	47	194	8	27	15	34	267
All	13	19	21	39	704	8	38	22	20	1280

Source: NES1996.



voting for the Congress are substantially lower than average among some sections that have been effectively targeted by its main rival. Thus in contest with the BJP or the BJP-led regional alliance, the Congress gets less support from the upper class and upper castes and depends excessively on the poor, Muslims, dalits and adivasis. On the other hand, when it confronts the Left the odds of the poor and dalits voting for the Congress fall substantially below those of the upper castes and the well-to-do. In those states where the Congress faces multi-cornered competition the odds ratios are deceptively even in their spread. But this is better interpreted as a 'catch-none' situation, for in appealing equally to everyone the Congress appeals to no one in particular and gets edged out of the electoral race in states like UP. Alternatively, as in Bihar, it simply reflects the social profile of its dominant electoral ally.

## VI Whither Congress?

The empirical findings of this paper are easily summarised: Congress support changes from one type of contest to another. While the all-India figures show relatively little variation in support from one community group to another, we find much bigger variations once we disaggregate. Moreover, the pattern varies from one type of contest to another, but the differences tend to cancel out at the all-India level. Thus, in competition with the BJP including its regional allies, the Congress comes out as a party of the socially and the economically marginalised. The same party is supported by the socially and economically privileged when it competes with the Left. While it retains a catch-all character in some states where it faces all-regional parties, it declines into a catch-none formation when it is pushed from more than one direction by various cleavage based parties. Parties with specific sectional appeal, such as the BJP, BSP, LF and JD (later the RJD) all have distinctive social bases of their own, whereas Congress does not seem to have any particular core that is common to its diverse social profile across various types of competition that it faces in different regions.

The more difficult task is to draw conclusions from these findings about the future of the party in the context of its current decline. Clearly the general debate about the strength and the drawbacks of a catch-all party in competition with cleavage based rivals is only partially relevant here. We have seen that the Congress is a catch-all formation only in

a deceptive, aggregate sense. At the level where the effective political choice is made, the Congress is often cleavage based like some of its rivals. It is true that the Indian electoral system has built-in incentives for a party like the Congress that goes for cross-sectional mobilisation. Sectional

interest based parties are at a structural disadvantage in this system. The cross-cutting of cleavages that characterise Congress gives it the flexibility to pick up support from a diversity of community groups in various types of contest. It enjoys a much higher 'bounce back' capacity,

TABLE 17: CONGRESS VS MULTIPARTY CONTESTS, 1998

	Bihar					Uttar Pradesh				
	INC	BJP	SAP	RJD	N	INC	BJP	SP	BSP	N
<i>Vote by community</i>										
Hindu upper	9	22	55	-	103	7	77	4	4	256
Hindu OBC	8	16	27	28	353	7	39	31	11	343
Dalit	14	4	21	24	102	8	20	8	56	192
Adivasis	-	-	-	-	47	-	-	-	-	-
Muslim	15	3	2	59	121	10	7	68	6	185
All	14	12	24	27	726	8	39	26	17	976
<i>Vote by class</i>										
Rich	-	-	-	-	6	-	-	-	-	26
Upper middle	7	13	35	24	54	13	50	26	6	164
Middle	17	13	24	28	174	8	43	30	12	287
Poor	17	16	17	30	288	7	36	26	18	369
Poorest	9	6	31	24	203	5	24	21	40	140
All	14	12	24	27	725	8	39	26	17	986

Source: NES1998.

TABLE 18: ODDS RATIOS OF CONGRESS VOTE IN DIFFERENT TYPES OF CONTESTS, 1996

	All	vs BJP	vs LF	vs Regional	vs BJP-Led Regional	vs Divided Opposition Bihar	UP
<i>Vote by community</i>							
Hindu upper	0.96	0.63*	1.46*	1.14*	0.84	0.66	1.00
Hindu OBC	0.79	0.66	0.76	0.91	0.74	0.43	0.73
Dalit	1.21	1.49*	0.61*	1.09	2.34*	1.57	1.28
Adivasis	1.81	1.91	-	0.91	1.00	2.36	-
Muslim	1.34	4.03*	1.09*	1.35	2.25*	2.00	1.28
Other	0.93	-	-	0.45*	-	-	-
N	8358	1855	1103	1902	1614	699	1246
<i>Vote by class</i>							
Rich	0.90	0.63	(2.68)	0.95	0.74	(2.23)	1.14
Upper middle	0.95	0.75	1.29	1.00	0.84	0.83	1.00
Middle	1.05	1.04	1.14	1.04	0.96	0.92	0.87
Poor	1.05	1.22	0.91	0.91	1.13	0.92	1.00
Poorest	1.05	1.49	0.72	1.04	1.04	1.09	1.00
N	8491	1875	1103	1909	1620	704	1280

Notes. \* significantly different at the .01 level from the expected value for that community group. The odds ratio has not been reported where the base N is less than 50.

Source: NES 1996.

TABLE 19: ODDS RATIOS OF CONGRESS VOTE IN DIFFERENT TYPES OF CONTEST, 1998

	All	vs BJP	vs BJP Assembly	vs LF	vs Regional	vs BJP-Led Regional	vs Divided Opposition Bihar	UP
<i>Vote by community</i>								
Hindu Upper	0.87	0.62	0.66	0.58	1.36	1.13	0.54	0.87
Hindu OBC	0.72	0.71	0.85	1.11	0.82	0.59	0.47	0.87
SC	1.10	1.76	1.32	0.50	0.70	2.35	1.00	1.00
ST	2.04	1.56	1.32	-	1.20	1.00	-	-
Muslim	1.44	7.52	3.72	2.24	2.51	2.56	0.96	1.28
Other	1.73	-	1.32	6.65	0.67	-	-	-
N	7476	1456	15896	939	1548	1729	726	976
<i>Vote by class</i>								
Rich	0.86	1.00	-	(1.90)	1.05	0.71	-	(1.00)
Upper middle	0.91	0.81	-	0.90	1.05	0.88	(0.46)	1.72
Middle	1.15	1.00	-	1.16	0.87	1.09	1.26	1.00
Poor	1.00	1.13	-	1.16	1.25	0.92	1.26	0.87
Poorest	0.91	1.04	-	0.71	0.87	1.44	0.61	0.61
All	7354	1503	-	944	1550	1746	725	986

Source: NES 1998 and Assembly Elections Exit Poll 1998.

should its opponents fail in office. Not being tied closely, and therefore not being limited, to the interests of any one distinctive group at the national level has mobilisational advantages.

Some of these advantages are neutralised, however, by the emergence of the state as the effective arena of electoral choice in the last decade. In localised and multi-cornered competition, community based mobilisation often becomes the most effective strategy for vote gathering. Such a context leaves a party like the Congress vulnerable to community-based rivals like the SP and the BSP who can create a niche for themselves at its expense. The catchment area of these parties is much smaller than the Congress, yet they can be surer of the loyalty of their voters. This is indeed how the Congress was marginalised in the states of UP and Bihar. Besides, the fruits of cross-sectional mobilisation can be picked only by those who happen to be situated above the threshold of electoral viability. A party that exists below the threshold of viability – as the Congress does in UP, Bihar, Tamil Nadu and West Bengal (and, now, also Maharashtra?) – cannot afford to be everyone's friend. It faces gradual erosion unless it can cultivate its own loyal social groups.

Finally, whether a diverse social profile is a source of strength or a handicap depends in large measure on the process by which the profile was acquired. The Congress did have a different social profile in different states in the Congress era as well, but that was acquired and cultivated through active political mobilisation. Other parties picked up those votes that the Congress failed to reach or retain. The situation today is different. If the social profile of the Congress voter varies according to the nature of political competition it faces, it is not because Congress has adopted different tactics vis-a-vis different political opponents. The simple reason for this phenomenon is that for over a decade now the initiative in sectional mobilisation has been with the non-Congress parties. The old 'opposition' parties have activated social cleavages in the arena of mobilisational and then electoral politics, the Congress has retained those who were not actively mobilised by others. There is thus a residual quality to the social profile of the Congress; its profile is no more than the obverse of the profile of its main opponent. To put it less kindly, its shape is like that of a pillow: it reflects the shape of the person who last sat on it. No wonder the Congress enjoys greatest support among the adivasis, the only 'community' in our six-fold classifica-

tion that is still not quite politicised. Dalits vote for Congress but not in those settings where either the BSP or to some extent the Left offers a viable political alternative.

When an ageing catch-all party faces challenge from cleavage based political formations, it can respond in multiple ways. First of all, it can simply wait for the high threshold of viability in the first-past-the-post system to take its toll and nip the

emerging challenge in the bud. This can be accompanied or followed by various measures of accommodation and absorption of the challenge. If the challenge crosses that stage, the next option is to isolate the section and pit it against a broader social alliance, thus proving the futility of sectional mobilisation. Or it can try to diffuse the social cleavage by subsuming it in an issue cleavage. The dilemma of the Congress in the 1990s is that it faces

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section-based challenge that can no longer be contained by these two elementary devices. Various competitors are running away with slices of the rainbow social coalition that characterised the Congress. The historical experience of catch-all parties suggests that, since they have no distinctive group appeal, they are particularly dependent upon their image, issues and perceived record of governance. Congress finds today that in widespread public perception it is short on all of these. It faces a challenge of recharging the ideological battery, re-invigorating the organisation and re-inventing the rainbow social coalition. It is not clear if today's Congress has within it the resources to accomplish this historical task that was last carried out by Indira Gandhi nearly three decades ago. It is not clear if this task can be accomplished without splitting the party into smaller and more vigorous offshoots, a process that we have seen in the last few years, a process that can open up possibilities of fundamental reconfiguration of the political space.

#### APPENDIX 1: ODDS RATIOS FOR COMMUNITIES

We used the statistical package SPSS to fit the log-linear models. To test whether the odds ratios had remained constant over time, we used the following SPSS instructions:

```
LOGLINEAR INC (0,1) BY COMM
(1,6) SURVEY (1,3)
/PRINT=DEFAULT ESTIM
/DESIGN=INC, INC BY COMM, INC
BY SURVEY
```

where INC is a binary variable measuring Congress vote (coded 1 if the respondent voted for Congress, 0 if the respondent voted for some other party, non-voters being excluded); COMM represents the community variable described above in the text, and SURVEY represents the three election surveys (1967 coded 1, 1996 coded 2 and 1998 coded 3).

To test whether the odds ratios were the same in the different types of contest, we

used the following SPSS instructions:

```
SELECT IF (SURVEY EQ 2)
LOGLINEAR INC (0,1) BY COMM
(1,6) ZONE (1,6)
/PRINT=DEFAULT ESTIM
/DESIGN=INC, INC BY COMM, INC
BY ZONE
```

where ZONE represents the aggregation of states into the different types of contest as described in the text. In order to be consistent with the tables, we have distinguished Bihar from UP, thus giving six rather than five categories for this variable. Note that SPSS prints out the adjusted standardised residuals from this model. These residuals in effect indicate where the model gives a poor fit. Where the residuals are greater than 2.57 we can say that the deviations from the model are significant at the 0.01 level. However, it must be remembered that some significant residuals will be expected by chance alone.

#### APPENDIX 2: CLASS INDEX

The class index is more a measure of occupation/wealth than class itself. The index was constructed using land ownership, occupation, and house type/monthly income as a residual measure. Those in the top or 'rich' category are people who either have Class-I occupations, such as lawyers, doctors and architects, etc., or are large scale businessmen, or are farmers with more than 20 acres of land. As a top-up category, people who earn more than Rs 20,000 per month are included. The 'upper middle' category contains respondents with Class II and III occupations, such as nurses and secondary school teachers and shop assistants, police and army soldiers, or skilled workers, such as electricians, or small-scale businessmen, or farmers with between 10 and 20 acres of land. As a top-up, people who live in pucca accommodation are included. The 'middle' category is Class IV employees, craftsmen and artisans (Group I), semi-skilled workers and petty businessmen and farmers with less 10 acres of land, and

people who live in pucca-kutchha accommodation. The 'poor' are craftsmen and artisans (Group II), unskilled workers, domestic servants, poultry and dairy farmers, fisherman, and landowning agricultural labourers and sharecroppers, etc., and people who live in kutchha accommodation. The 'poorest' class is for landless agricultural labourers, shepherds and sharecroppers, etc., and people who live in a hut. For the unemployed, students and housewives, the index is calculated with reference to their father's/husband's class.

#### APPENDIX 3: COMMUNITY CLASSIFICATION

Respondents were asked to name their religion and whether they were SC, ST, OBC or other. The steps of classification followed a sequential selection process. Firstly, if the respondent's religion was Hindu and their caste group was other, they were coded as upper castes. Then, if their religion was Hindu and their caste group was OBC, they were coded as OBCs. Then, irrespective of their religion, if their caste group was SC or ST they were coded as SC or ST, respectively. Of the remainder, if their religion was Muslim they were coded as Muslim. Finally, if their religion was other than Hindu or Muslim, they were coded as 'other'. Each step overrides the steps that came after it. Thus a scheduled tribe Christian is coded as being ST rather than other religion. The actual distribution of the sample in each of the surveys by these categories is as seen in Table A:

[The basic argument of the paper was first presented in a workshop of Lokniti network of the CSDS on survey research methods in December 1997. We would like to thank all the participants of the workshop, especially Dhruvhai Sheth, for thoughtful comments on the implications of the data and its sponsor, the Indian Council of Social Science Research. The Higher Education Links Programme of the British Council allowed Anthony Heath to spend a few days at the CSDS to work on this paper. Both the authors would like to express their gratitude to Oliver Heath and CSDS data unit for research support.]

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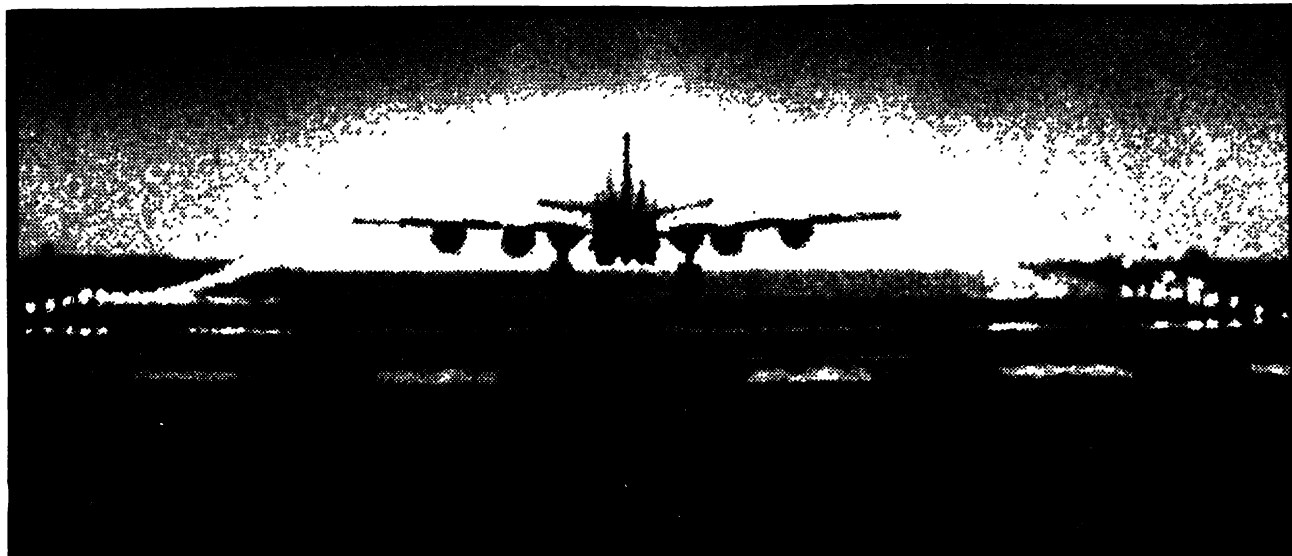
TABLE A

	1962	1967	1971	1977	1980	1991	1996	1998
Hindu upper	27	29	30	36	36	24	25	25
Hindu OBC	36	34	29	29	28	35	33	36
Dalit	16	15	17	18	18	18	19	17
Adivasis	2	2	7	3	4	9	9	8
Muslim	9	9	13	9	10	10	11	14
Other	10	11	4	5	4	4	3	3
Total	1152	1841	2679	2881	2883	6081	8258	7476

**Notes** The total, and the percentage of respondents from each community category, relate to the number of respondents who recorded their vote for the given year, and not the total number of members from each community category in our sample.

**Source:** CSDS Data Unit.

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# **ECONOMIC AND POLITICAL WEEKLY**

Founder-Editor: Sachin Chaudhuri

Vol XXXIV No 36

September 4, 1999

## **Economic Reforms for the Next Decade**

As we near the end of this decade and century, it is opportune to look back, review the developments that have occurred in the Indian and the world economies and examine what lessons we can learn from our experience with reforms in the context of world developments. In the light of these lessons we can determine the kind and pace of reforms that should be pursued in the coming decade. 2582

## **Citizenship, State and Civil Society**

A great deal of the recent enthusiasm for civil society in this country has been, unfortunately, driven by a negative, if not a hostile, attitude towards all public institutions. Nothing

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## ECONOMIC AND POLITICAL WEEKLY

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Director S L Shetty

Vol XXXIV No 36

September 4, 1999

## Economic Reforms for the Next Decade

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## Citizenship, State and Civil Society

A great deal of the recent enthusiasm for civil society in this country has been, unfortunately, driven by a negative, if not a hostile, attitude towards the state and, indeed, towards all public institutions. Nothing can be more destructive of civil society than the idea that the best way to create and invigorate civil society is to empower the people at the expense of the state. And just as state and civil society are complementary, so are state and citizen. Furthermore, civil society cannot amount to very much where citizenship is absent or weakly developed. **2588**

## Employment Policy

The growth performance of the Indian economy, while decent by the standards of developing countries, has failed to improve employment conditions in the country even though the rate of labour force growth has been quite low so far. The rate of labour force growth is currently accelerating and is expected to remain high for quite some time to come. So, if past patterns continue, the country is likely to be soon confronted with an employment crisis. Analysis of the past experience in an effort to identify the problems that must be addressed and to propose ideas for future policy. **2592**

## Dalit Assertion

Data on the voting behaviour of dalits point to the conclusion that while the political institutions of Indian democracy enjoy the dalits' support, the political actors stand more or less discredited. This is an alarming signal for political parties: they cannot take the support of the dalits for granted and will need to show genuine concern for issues affecting the dalits. **2609**

Education, political representation and development schemes have helped the younger generation of scheduled castes in Haryana to enter modern occupations, but landlessness among rural SCs and violation of human rights of SCs all over the state continue. **2548**

## Capital Market Reform

In India it was not the capital market regulator or the government which drove the change toward automated trading systems and modernisation of stock exchanges. The National Stock Exchange, through example, has forced a relentless pace of change in the markets. The question now is, what next? **2541**

## TDP's Politics

What does the regional politics of the Telugu Desam Party of Chandrababu Naidu mean to the people of the state? A critical essay, in the context of the current elections, on the emergence of Telugu Desam, the changing leadership of the party and its programmes. **2544**

## Beyond Growth and Globalisation

In retrospect, the 'sustainable development compromise' co-opted important social and environmental agendas into a mainstream that was subsequently too easily overwhelmed when it converged with the tributaries of market liberalisation and globalisation. It is time therefore to reassess and join forces in a new critique of growth and now globalisation as well. **2570**

## Calcutta Diary

Forget Kargil, forget even Jammu and Baramula. The menace of militancy so described is casting a shadow over the entire north-east, Assam not excluded. Assigning the credit for the disturbed state of affairs to over-activism on the part of Pakistan's ISI is laziness par excellence: the real danger lies in the possibility that we might actually come to half-believe some of the fictions we make up. **2540**

## Uneasy Border

Sadly, after more than 25 years of the birth of Bangladesh, almost all the outstanding issues between India and Bangladesh continue to be related to the common border. A successful negotiation of the immigration question is linked to the larger issues of enhanced sub-regional communication and trade. **2549**

## High Praise and Neglect

ALONG with truth, the other casualties of wars are also well-kept secrets. Just as we do not know when exactly the Pakistani intruders occupied the outposts in Kargil, or whether all of them have been thrown out by the Indian army, or what were the diplomatic deals that might have been struck under Clinton's mediation, we are kept in the dark about the number of casualties in the Kargil war. While the final toll according to official sources is around 400 Indian soldiers killed and 600 injured, unofficial quarters suspect that the figures could be higher. Many are missing. Families of jawans coming from backward areas have no means to approach the authorities, or make their voices heard over the national media. No one knows about their missing sons.

One could of course argue that the number of casualties in the two-month war in Kargil was less than those incurred in the previous conflicts. The 1962 war with China cost 3,250 lives and left 550 injured. The 1971 war with Pakistan ended with 3,800 dead and 10,000 injured. During the 1987-88 operations by the Indian Peace Keeping Force (IPKF) in Sri Lanka, about 1,150 soldiers were killed and 3,000 injured. While the dead are gone, does any one care to remember the fate of their families, or of those who survived the wars but remained cripples for ever?

After living in obscurity for years, ex-servicemen are suddenly finding themselves in the spotlight, thanks to Kargil. Some newspapers are sending their reporters to interview old soldiers who fought in the 1962, 1965 and 1971 wars, and the families of those killed, to find out how they are eking out a living. The outcome of the interviews is shocking. A large number of families of the deceased in the 1971 war are yet to be given relief, and they are still chasing their dues. Individual cases reveal not only the short public memory, but also the utter callousness, and sometimes vindictiveness, of the administration. An 80-year old army veteran living in Bhubaneswar in Orissa, who first fought in the 1948 war with Pakistan, and then the 1962 war against China, is still awaiting the pension that was promised to him by the army authorities. A newspaper report from Ahmedabad narrates the plight of soldiers who were injured while fighting the 1971 war, and who are now supporting their families by washing dishes in tea stalls, or selling cigarettes in kiosks. The paltry pension that they receive (varying from Rs 150 to Rs 250 a month) can never be enough. The land that was promised to many of them either did not reach them, or even when it did, turned out to be saline and useless. A village in Pune in Maharashtra where every family has given a soldier to the army

remains forgotten by the government which is not even willing to help the villagers set up a higher secondary school there. But the cake is taken by the army authorities of Pune cantonment, who are threatening to evict two disabled soldiers who run 'paan' kiosks in the cantonment which were allotted to them after they were injured in the 1965 war.

The refrain among all these ex-servicemen, or families of the dead soldiers, is the same everywhere — "the government glorifies us during times of war, but forgets us during times of peace". These veterans who have been through it all, are hardly moved today by the eulogies and promises that are being showered upon a new generation of soldiers who are sacrificing their lives in Kargil. Once imbued by the patriotic belief of protecting the nation, the old generation of soldiers who had been let down by the Indian state are today a cynical lot who feel that they had been used as cannon fodder. Are we creating a new generation of cynics among our soldiers, who are being glorified today but will be forgotten tomorrow?

In such a situation, it is necessary to listen to the voices of those who have been directly affected by the war — the jawans and their families involved in wars of the past and the present. The national leaders should have the humility to listen to the words of the mother of one of the soldiers who died in Kargil. Kanakammal, mother of Lt-Col R Viswanathan, said in a recent interview: "People tell me that I should console myself in the thought of my son's martyrdom for the motherland. My mind does not reassure me... I would have thought so if it was an enemy country. In fact, those who should be loving each other are slaying each other" (*Indian Express*, June 9, 1999).

Mumbai

A READER

## Controlling Pollution

THE filing of a writ petition in the high court by the president of the Smoke Affected Residents' Forum and cardiologist Sandip Rane should be taken as a happy development bringing to light the obnoxious reality about the health of citizens in Mumbai. Being conscious citizens of this country it is our duty to raise our voice against the fast intolerable level of contamination of our atmosphere and water system. We must not forget that vehicles which have been a nagging source of atmospheric pollution and cause various pulmonary diseases are rapidly growing in number and the concerned officials behave with nonchalance. On the one hand, the level of pollution is so intolerable in some places that parents have started stopping their children from playing in the open. On the other hand, our ministers never fail to rejoice about development projects like overbridges with no thought for the consequent increase in the number of vehicles and malign environmentalists as eco-terrorists.

In so many places in Mumbai, like Kurla and Reay Road, people burn hazardous material knowing and caring little about the effect on the biosphere and officials remain inactive. Accountability should be the hallmark of a democratic system. The people must know and demand compensation if their health is affected. Polluters must be made to realise that their wrong acts would not go unpunished.

There is also the problem of checking toxic material being injected into our territory by first world countries. The material is regarded as very hazardous in the originating countries and people there do not allow it to be dumped there. So it is being sent to our country in the name of recycling.

ASAD BIN SAIF

Mumbai

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## The Patriotism Stakes

**P**ATRIOTISM, far from being the last resort, has risen to be the first for not only scoundrels, but all and sundry in the wake of the Kargil war. With the election process under way, politicians of course are the first to flaunt it, each competing with the other to prove how much they love the nation. While the BJP and its allies in the ruling coalition are claiming that they saved the motherland from Pakistan, their opponents led by the Congress are blaming them for not being patriotic enough since they were caught napping by the Pakistani intruders.

In this race for establishing their credentials as patriots, political parties of all hues are sliding into a militarist pathology, everyone demanding more expenditure on defence, increased purchases of armaments, escalation of the armed confrontation with Pakistan on the border and further expansion of the nuclear arms programme. It is interesting to observe that even the Left has joined the race. The CPI(M) in West Bengal has nominated an ex-army chief, Shankar Ray Chowdhury, a dyed-in-the-wool hawk, as its candidate to the Rajya Sabha. Not satisfied with this, in order to prove its patriotic bona fides the Left Front government swooped down upon anti-war rallies in Calcutta – a step which even the BJP-led government at the centre has not dared to take (in Delhi for instance, various organisations had held meetings and taken out demonstrations demanding an end to the war in Kargil, without being harassed at any stage). In Calcutta, the rallies were first attacked by the goons of the Hindu communal organisations. Instead of arresting the guilty, the police arrested some members of the rallies on the charge of sedition – under a section in the IPC which the British used to suppress nationalist opinion. It is ironical that the CPI(M) leaders who are running the government in West Bengal today had protested against what they considered an unjust war waged by India with China in 1962 and had gone to jail for their convictions. In those days anti-war opinion lacked any organisational base, and in that frenzy of patriotism any plan to hold peace rallies was unthinkable. But today, the forces in favour of peace between India and Pakistan, if not in a majority, are an articulate minority, as meetings, processions and letters in newspapers indicate. One would have expected the Left to join these voices of sanity, instead of lending their muscles to the jingoist offensive.

What is even more distressing is the news of police harassment of Muslims in the districts of West Bengal bordering

Bangladesh. A bomb blast in New Jalpaiguri in June this year, followed by the discovery of RDX and arrests of ISI suspects in other parts of the state, have set off alarm bells in the Left Front government which claims to have information that ISI agents have started operating in the state. While the threat from the ISI may be real, the law-enforcing agencies of West Bengal are acting in a communal manner. According to Muslim community leaders in Murshidabad, Nadia, Malda, North and South Dinajpur and Jalpaiguri districts, who have complained to the state government, a large number of innocent Muslims have been arrested on suspicion of being ISI agents. The general secretary of the Muslim Progressive Forum, Md Ashfaque, commenting on the developments said recently, "it is well known that Muslims of West Bengal, as loyal citizens of India, have no sympathy or soft corner for subversive elements", adding that the government should ensure that under no circumstances were innocent Muslims harassed. While such developments may well endanger the secular credentials of West Bengal, the Left Front seems more concerned to establish its patriotic credentials.

The opponents of the BJP, it is clear, are too opportunistic politically to go the whole hog in condemning the BJP for its jingoism. While during the election campaign they may criticise the Vajpayee government for its failure to check the intrusions in Kargil, they will hesitate to oppose the sabre-rattling and hawkish positions the government is taking on the resumption of India-Pakistan talks for fear of being dubbed less patriotic than the BJP. Willy-nilly therefore they will be stampeded into joining the chorus in support of a tough line towards Pakistan and enhanced spending on defence and security, with the spotlight on a preposterous 'credible nuclear deterrent' with ground, air and sea launching capabilities, as proposed by the National Security Advisory Board in its so-called nuclear doctrine document. None of them will dare to place before the electorate the dangerous political implications of such strident patriotism and the long-term adverse effects it will have on the country's economy – not to speak of the setback it will cause to the efforts, none-too-purposeful as it is, to build friendlier relations among the nations of the south Asian subcontinent and work out more sensible patterns of economic interaction among them to the mutual benefit of all the countries concerned.

## Set for Change

WHILE Bellary may be the current focus of public attention, it may well be that it is the state as a whole which may capture media focus at the close of the hustings. For, unpredictable as voting behaviour may have been rendered in Bellary with the entry of Sonia Gandhi and Sushma Swaraj, the Karnataka electorate has been presented with difficult choices everywhere. All things being equal then, courtesy the Election Commission, Karnataka may just present a model of what the process of democratic choice is all about.

Several developments have been well documented: the abysmal performance of the Janata Dal in government, the rapidly dissipating support base of the Congress, the steady rise of the BJP, the political acumen of the Ramakrishna Hegde-led Lok Shakti and the severe stresses and strains within all the state party units, including the BJP. Equally, the state's fall from one on the threshold of sustained development to one which has been hijacked by cosmetic liberalisation to achieve a superficial modernisation with little real development of productive forces is evident. Thus not only has the state's record in the social sector registered the status quo at best with a decline in some areas, but its economy is in a shambles. In short, all sections of the electorate – those benefiting from the state's welfarism, the middle classes with primary concern for the quality of the services and for new educational and employment opportunities, and the richer sections, landowners and entrepreneurs, the principal beneficiaries of the new economic policies – are being forced in this election to make choices with greater pragmatic consideration and perhaps with tradition and brand loyalties making less of a contribution. Castewise too, in their choice of candidates, all the three national parties, the Janata Dal, the BJP and the Congress, have opted for more or less balanced representation for vokkaligas and lingayats, the two major power-brokers in the state, with small swings one way or the other. The Congress, which has depended on and virtually taken for granted the support of OBCs, dalits and STs, has lost out to the Janata Dal and, in recent years, the BJP because of its insensitivity to their political aspirations. This has meant that the last two elections witnessed swings in the vote shares of the three parties, however with a consolidation of

the votes for the three major parties, indicative of the electorate's desire to vote such that there is greater chance of stable formations.

It is in its understanding of this dimension of electoral politics that the BJP-led National Democratic Alliance (NDA) has gained an advantage. Region wise, southern Karnataka returned BJP candidates in the last election. In northern Karnataka, the BJP has assiduously cultivated OBCs and minorities disenchanted with both the Janata Dal and the Congress. Backward classes in the state comprise some 35 to 40 per cent of the population and have had poor political representation. Other than by the Janata Dal in its early phase, the OBCs have not been mobilised as a single entity, unlike in some other states, although the Congress has tended to treat large sections of them as its vote bank. In Bellary, for instance, a complacent Congress has not fielded a single kuruba (a scheduled tribe which comprises a significant proportion of the 1.1 million voters) in the assembly segments, whereas the NDA has two kurubas nominated from the region. In northern Karnataka, together with the Lok Shakti the BJP aims to consolidate the lingayat vote which has been distributed equally among the three parties. At another level, it has not hesitated to actively seek upper caste/richer section votes by projecting a combination of continuation of better grounded liberalisation programmes and 'effective governance. The Old Mysore region has been traditionally Congress-dominated, but the BJP has made some gains there. The prestigious Mysore Lok Sabha seat went to the BJP in the last elections overriding the influence of Srikantadatta Wodeyar, a scion of the former ruling family. The latter is attempting to regain the seat this time.

Notwithstanding all this, it is a fact that the communal situation in the state, which has a long history of communal amity, has worsened with the BJP and its allies, if

not actually responsible for this turn, doing little to allay the minorities' fears. It is here that the J H Patel government has scored points. It is difficult to predict how this factor will affect the minority sections; it may allow the NDA to gain ground, but may also result in pro-Janata (United) sections actually deserting Patel. With the first phase of voting this weekend in Karnataka and the turnout expected to be good, the stage is set for some notable changes in the assembly line-up.

## ORISSA

### Missing the Trees

THE killing of a Roman Catholic priest is the latest incident in the recurring violence in the tribal parts of Mayurbhanj and Keonjhar districts of Orissa. Diagnosing these incidents to be a fall-out of the agenda of Hindu communal organisations or; conversely, retaliation against an international Christian conspiracy to proselytise the tribals only obscures the specificities of the problem that may turn out not to have the geographical spread attributed to it by both sides. Moreover, the effectiveness of the state machinery in using its powers of maintaining law and order and modulating interaction among communities and groups in tense situations needs to be addressed if conflicts arising out of sensitive developments such as religious conversions are to be dealt with.

In this regard the findings of the Wadhwa Commission, set up to enquire into the murder of the Australian missionary Graham Stewart Steins at Manoharpur in Orissa last January, go some way in demystifying the conflict in the tribal areas. The evidence produced before the commission shows that the disruption of established tribal customs and rituals – the discontinuance of sacrifice of hens and goats to tribal deities, engaging in farming on festival days – is at the root of the

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MANAGER

incidents of violence. There have been reactions on the other side as well in the form, for instance, of the growing assertion among the non-converted section of tribals in support of protecting cows. The tribals in the area are apparently torn between competing communalisms.

The Wadhwa Commission has also laid bare the failure of the state administration. The embarrassment of the Orissa government over its failure to find and arrest Dara Singh, the principal accused in the Steins murder case, for nine months is obvious enough. And despite the palpable tension in the tribal areas, senior officials of the state came through before the commission as being unaware of the provisions in the law to monitor conversions. The district magistrates of Mayurbhanj and Keonjhar admitted to the commission their ignorance of the Orissa Freedom of Religion Act, 1967 which lays down guidelines for conversions. The commission found that the requirement under the act that persons intending to undergo conversion declare their intention before the district magistrate has been totally ignored all along. The two district magistrates confessed to the commission that they had in fact bothered to ascertain the legal provisions only after the Steins murder. Clearly, the state is armed with legal powers to deal with the tensions which have taken a tragic toll recently in the tribal areas of Orissa. The failure to use these powers, like many other factors relevant to the situation, has been overlooked in the rush all round to make political capital out of the violent incidents.

## ELECTIONS

### Unanswered Questions

*A correspondent writes:*

AS the country goes to the polls to elect yet another Lok Sabha, the public mind seems to be overcast by a pall of cynicism. During the last one decade, they have had experience of governments of all political hues and shapes, ranging from the Janata Dal-led minority government of V P Singh to the Congress-led minority government of Narasimha Rao, from the coalitions of different parties headed by Janata Dal's Deve Gowda and later by Inder Gujral to those led by the BJP.

The performance of all these parties in power had left the voters utterly disillusioned. Their different political views notwithstanding, and despite their mutual hostilities, all these parties in power however had shared certain things in common. Whether it was the Congress

prime minister Narasimha Rao, or the Janata Dal's Deve Gowda, or the BJP's Atal Behari Vajpayee, they had all unanimously stuck to one single bent of mind – total unconcern for the basic needs of the citizens: food, shelter, drinking water, medical aid, civic facilities, education, employment. Can any one of these successive governments during the last 10 years claim any success in these crucial areas of human development? It is quite understandable therefore why none of the contesting political parties in the electoral campaign today is addressing these fundamental problems that affect the people. If the Congress accuses the BJP of failing to alleviate these problems, the BJP might well turn back and ask it what it did when it was in power. The non-Congress and non-BJP politicians, who had also been in power in New Delhi, albeit for a short while, will face the same question. For all of them therefore it is better to divert popular concerns from their basic needs to extraneous issues like debates over who won the Kargil war or whether a foreigner should become India's prime minister. These two issues are apparently becoming the main planks of the contestants in their current poll strategies.

Along with this total failure to meet the essential needs of the citizens, the successive ruling parties at the centre also share another common feature: one does not find any basic difference between the economic policies as delineated by the Congress or the BJP in their respective election manifestos.

While in certain constituencies, voters are indeed coming up with these questions when confronted with candidates seeking their votes, there is as yet no concerted and co-ordinated national movement to highlight the basic social and economic issues which have been – and continue to be – neglected by the ruling parties.

Even in the matter of fighting the BJP, one wonders whether the anti-BJP forces are really sincere about their commitment to secularism. In fact, if one looks back at the history of the past decade one would come to the conclusion that it is the constituents of the Third Front who had paved the way for the BJP's gaining strength. To start with, the Janata Dal floundered purely because of personal ego clashes between different leaders. It first split against the background of the hullabaloo raised against the V P Singh-led National Front government over the arrest of the then BJP president L K Advani when he was leading a rathayatra to Ayodhya in October 1990, which led to the withdrawal of BJP support to the government. Instead of

sticking together to resist the offensive of the communal forces, a veteran leader of the Janata Dal, Chandrashekhar with his followers broke away from the party leading to the fall of V P Singh's government the next month – just to satisfy his ambition to become prime minister! He however lost his position within a few months when the Congress withdrew support. The Janata Dal split again on the question of dominating Bihar politics, when George Fernandes due to his rivalry with Laloo Yadav came out from the party to form the Samata Party, to be followed by an acrimonious dispute between Sharad Yadav and Laloo Yadav over who would call the shots in Bihar, ending up with the latter quitting and forming his own party, the RJD. After having successfully split the Janata Dal, both George Fernandes and Sharad Yadav today have thrown in their lot with the BJP. Meanwhile, the Chandrashekhar-led faction of the Janata Dal also split soon when Mulayam Singh Yadav broke away to form his Samajwadi Party. None of these leaders has till today come out with any satisfactory explanation for the splits and the proliferation of their respective parties. Do they have any different ideological perspective and political programmes? Do they have any different economic plan to offer? Citizens do not get any answer to these questions.

But all these splits in the Janata Dal during the last decade had wrought havoc in the Hindi heartland – where its constituents in the 1970-80 period provided a check to the onslaught of Hindu communal forces and also offered the electorate with an alternative to the Congress. The splits created divisions among the supporters of the Janata Dal during the 1998 elections which enabled the BJP to win 18 seats from Bihar – the non-BJP votes having been split between Laloo Yadav's RJD (winning 17 seats) and the other offshoot of the Janata Dal, Samata Party, which opposed him and won 10 seats. In UP again, the non-BJP votes got split among Mulayam Singh Yadav's SP and the Samata Party, the BSP as well as the Congress supporters, helping the BJP win 57 seats.

Had the anti-BJP parties, who claim to be secular, been sincere in their efforts to fight Hindu communalism, they should have first closed their ranks. But apparently, the personal ambitions and mutual animosities among their leaders prevail over whatever little is left of their commitment to secular values, making them totally forgetful of the threat that looms large over the outcome of the present elections.

# CURRENT STATISTICS

EPW Research Foundation

There has been an acceleration in the growth of monetary and banking variables. A sizeable growth in bank deposits has been accompanied by larger expansion of banks' total assistance to the commercial sector. RBI credit to the central government has been considerably less than last year, mainly because of large net open market sales of government securities. RBI's ways and means advances have also been far below the half yearly limit

## Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82 = 100)	Weights August 21, 1999	Variation (Per Cent): Point-to-Point									
		Over Month	Over 12 Months		Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96	
			Latest	Previous	1999-2000	1998-99					
All Commodities	100.00	359.7	0.6	1.7	8.4	1.6	5.0	5.0	5.3	6.9	5.0
Primary Articles	32.30	387.4	1.2	1.8	13.0	1.9	9.4	9.3	5.5	7.0	5.4
Food Articles	17.39	456.8	1.5	3.5	15.0	4.0	12.3	11.7	4.0	9.6	9.8
Non-Food Articles	10.08	373.8	0.9	-1.8	12.0	-2.4	6.8	7.5	8.5	3.5	-1.9
Fuel, Power, Light and Lubricants	10.66	398.6	0.9	4.9	8.8	5.0	-1.1	-1.2	11.4	16.9	3.7
Manufactured Products	57.04	336.8	0.3	0.9	5.5	0.6	3.6	3.8	4.0	4.9	5.0
Food Products	10.14	344.8	0.9	-3.2	9.5	0.8	9.3	4.9	5.5	14.1	-0.7
Food Index (computed)	27.53	415.5	1.3	1.3	13.2	3.0	11.3	9.5	4.5	11.1	6.3
All Commodities (weekly average basis) (April 3-August 21, 1999)	100.00	357.0	0.1	5.1	5.7	2.9	7.2	6.9	4.8	6.4	7.8

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent): Point-to-Point								
			Over 12 Months		Fiscal Year So Far	1998-99	1997-98	1996-97	1995-96	1994-95	
			Latest	Previous	1999-2000						1998-99
Industrial Workers (1982=100)	420.0 <sup>6</sup>	0.2	5.3	12.4	1.4	5.0	8.9	8.3	10.0	8.9	9.7
Urban Non-Man Emp (1984-85=100)	346.0 <sup>6</sup>	0.6	6.1	10.5	1.8	4.5	9.0	7.2	10.2	8.2	9.9
Agri Lab (1986-87=100) (Link factor 5.89)	301.0 <sup>7</sup>	1.0	5.2	10.7	2.7	6.3	8.8	3.8	10.5	7.2	11.1

Money and Banking (Rs crore)	July 30, 1999	Variation						
		Over Month	Over Year	Fiscal Year So Far 1999-2000	Fiscal Year So Far 1998-99	1998-99	1997-98	1996-97
Money Supply (M <sub>3</sub> )	1017016 <sup>6</sup>	3037(0.3)	158896(18.5)	44812(4.6)	36789(4.5)	145865(17.8)	118436(16.9)	97841(16.2)
Currency with Public	176604	-5570(-3.1)	26207(17.4)	7221(4.3)	4818(3.3)	24115(16.5)	13917(10.5)	13829(11.7)
Deposit with Banks	835574 <sup>6</sup>	9115(1.1)	132118(18.8)	36573(4.6)	31244(4.6)	121479(18.1)	104173(18.4)	84162(17.5)
Net Bank Credit to Govt	418717	2879(0.7)	51686(14.1)	31566(8.2)	36435(11.0)	56080(17.0)	41972(14.5)	30840(12.0)
Bank Credit to Comm'l Sector	494508	169(neg)	61640(14.2)	4144(0.8)	-441(-0.1)	54204(12.5)	56432(15.0)	31659(9.2)
Net Foreign Exchange Assets	155829	1981(1.3)	29937(21.2)	6922(4.2)	3252(2.4)	22064(17.4)	21073(20.0)	23356(28.4)
Reserve Money (August 13)	262073	-2465(-0.9)	37492(16.7)	2702(1.0)	-1821(-0.8)	32818(14.5)	26417(13.1)	5527(2.8)
Net RBI Credit to Centre \$	150881	-4855(-3.1)	5969(4.1)	5466(3.8)	11297(8.5)	11799(8.8)	12914(10.7)	1934(1.6)
RBI Credit to Bks/Comm Sector	28883	5089(21.4)	13720(90.5)	3396(13.3)	-119(-0.8)	10205(66.8)	2029(15.3)	-15557(-54.0)
Scheduled Commercial Banks (Aug 13)								
Deposits	743963 <sup>6</sup>	10155(1.4)	119854(19.2)	29938(4.2)	25624(4.3)	118837(19.9)	92886(18.4)	71780(16.5)
Advances	373244	529(0.1)	51611(16.0)	4407(1.2)	-2446(-0.8)	41924(12.9)	45677(16.4)	24387(9.6)
Non-Food Advances	351185	1167(0.3)	46547(15.3)	-836(-0.2)	-6956(-2.2)	37593(12.1)	40790(15.1)	26580(10.9)
Investments (for S.I.R purposes)	283010	3933(1.1)	42594(17.7)	28415(11.2)	21710(9.7)	35414(16.2)	28192(14.8)	25731(15.6)
Commercial Investments and bills rediscounted with FIs	52990	1081(2.1)	15458(41.2)	4246(8.7)	5667(17.8)	16879(53.0)	12324(63.1)	4168(27.1)

@ Includes Rs 17,945 crore on account of proceeds from RIBs since August 28, 1998; excluding them the year-on-year and the 1998-99 fiscal year growth of money supply would be 16.4 per cent and 15.6 per cent, respectively. Likewise, bank deposits without RIBs grew by 16.3 per cent and 15.5 per cent, respectively. \$ after closure of govt accounts

Index Numbers of Industrial Production (1993-94=100)	Weights	June	Fiscal Year So Far		Full Fiscal Year Averages				
		1999	1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96	1994-95
General Index	100.00	144.6	145.4(5.6)	137.7(4.5)	142.8(3.8)	137.6(6.6)	129.0(5.5)	122.3(12.8)	108.4(8.4)
Mining and Quarrying	19.47	115.2	115.7(-0.6)	116.4(-0.3)	120.3(-1.7)	122.4(5.9)	115.6(-2.0)	117.9(9.6)	107.6(7.6)
Manufacturing	79.36	149.0	149.5(6.5)	140.4(4.2)	146.3(4.1)	140.6(6.7)	131.8(6.7)	123.5(13.8)	108.5(8.5)
Electricity	10.17	140.6	143.6(4.1)	138.0(10.2)	138.4(6.5)	130.0(6.6)	121.9(3.9)	117.3(8.1)	108.5(8.5)

Capital Market	Sept 3, 1999	Month Ago	Year Ago	1999-2000 So Far		1998-99		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1998-99	1997-98	1996-97
BSE Sensitive Index (1978-79=100)	4710(58.3)	4527	2975(-25.8)	3245	4906	2783	4281	3740(-3.9)	3893(15.8)	3361(-0.2)
BSE-100 (1983-84=100)	2102(58.9)	1985	1323(-24.2)	1409	2198	1242	1890	1651(-2.7)	1697(15.9)	1464(-5.5)
BSE-200 (1989-90=100)	483(57.8)	452	306(-21.6)	322	504	289	429	380(0.8)	377(14.9)	328(-5.0)
S and P CNX 50 (Nov 3, 1995=1000)	1375(58.7)	1285	867(-23.8)	931	1423	812	1213	1078(-3.5)	1117(15.4)	968
Skindia GDR Index (Jan 2, 1995=1000)	907(47.9)	862	613	581	980	515	1015	653(-30.5)	940(1.1)	930(-4.4)

Foreign Trade	July 1999	Fiscal Year So Far		Full Fiscal Year		1996-97	1995-96
		1999-2000	1998-99	1998-99	1997-98		
Exports: Rs crore	13209	47478(8.1)	43923(6.8)	141604(8.8)	130101(9.5)	118817(11.7)	106353(28.6)
US \$ mn	3052	11042(4.0)	10614(-7.7)	33613(-3.9)	34976(4.5)	33470(5.3)	31797(20.8)
Imports: Rs crore	15485	60507(5.0)	57653(18.6)	176099(14.2)	154176(11.0)	138920(13.2)	122678(36.3)
US \$ mn	3577	14072(1.0)	13932(2.6)	41802(0.9)	41449(5.9)	39132(6.7)	36678(28.0)
Non-POL: US \$ mn	2849	11317(-6.5)	12108(18.6)	35928(10.3)	32526(11.9)	29096(-0.2)	29152(28.3)
Balance of Trade: Rs crore	-4458	-13029	-13730	-34495	-24076	-20102	-16325
US \$ mn	-1033	-3030	-3318	-8188	-6472	-5663	-4881

Foreign Exchange Reserves (excluding gold)	August 20,	August 21,	March 31,	Variation Over								
	1999	1998	1999	Month	Year	Fiscal Year So Far	1998-99	1997-98	1996-97	1995-96	1994-95	
				Ago	Ago	1999-2000	1998-99					
Rs crore	133004	101902	125446	629	31102	7558	-609	22935	22137	21649	-7302	18402
US \$ mn	30541	23944	29530	-59	6597	1011	-2032	3554	3607	5243	-3690	5640

Notes: (i) Superscript numeral denotes month to which figure relates, e.g., superscript 6 stands for June; (ii) Figures in brackets are percentage variations over the specified or over the comparable period of the previous year na: not available. neg: negligible. \* unchanged

# Money Market Rates of Interest

Instruments	August 1999					July 1999					August 1998				
	27(RF)	20	13(RF)	6	30(RF)	23	16(RF)	9	2(RF)	28(RF)	21	14(RF)	7	(per cent per annum)	
Call money rate (Range: weekly)	7.50-8.90	9.60-12.50	8.25-35.00	7.75-9.25	7.00-8.15	7.90-9.50	8.00-9.25	8.00-8.90	7.35-8.40	0.50-11.50	5.00-30.00	5.00-7.30	6.00-7.75		
Prime Lending Rates: Banks (Major Public Sector)															
IDBI	12.00-12.50	12.00-12.50	12.00-12.50	12.00-12.50	12.00	12.00	12.00	12.00	12.00	12.75-13.00	12.75-13.00	12.75-13.00	12.75-13.00		
ICICI	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.00	13.00	13.00	13.00	13.00	14.00	14.00	14.00	14.00		
IFCI	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.50-14.00	13.50-14.00	13.50-14.00	13.50-14.00		
Treasury Bills:-															
14-Day (RBI Auction): Primary	8.09	8.87	8.61	8.61	8.09	8.09	8.61	8.09	8.61	8.09	8.09	6.78	5.99		
91-Day (RBI Auction): Primary	9.46	9.46	9.00	9.08	8.96	9.25	9.29	9.29	9.29	8.00	8.00	7.75	7.50		
Secondary: DFHI (mid-point of bid and offer)	9.10	9.31	9.17	8.85	9.26	9.08	9.08	9.03	9.06	..	..	..	..		
All SGL trading (Weighted YTM)\$	8.87	8.87	8.86	8.67	9.13	8.95	8.89	8.74	8.70	9.56	7.41	6.84	7.43		
182-Day (RBI Auction): Primary	*	9.89	*	9.10	*	9.89	*	9.93	*	Auction started on May 26, 1999					
364-Day (RBI Auction)															
Primary	10.28	*	10.25	*	10.28	*	10.33	*	10.33	9.02	*	9.02	*		
Secondary: DFHI (mid-point)	9.95	10.15	10.01	9.98	10.13	10.13	10.15	10.18	10.28	..	8.31	8.31	8.55		
All SGL trading (Weighted YTM)\$	10.10	9.99	11.95	11.94	9.97	10.06	9.49	8.77	..	10.81	8.78	6.81	7.72		
State Govt loans (Coupon rates)															
All SGL trading (Weighted YTM)\$	11.75	11.76	11.81	11.81	11.88	12.02	11.90	12.07	12.05	12.39	12.33	12.21	12.28		
GOI Securities: Primary Auction:	11.99	*	*	11.99	12.30	*	12.32	*	11.90	* 12 40:15-year on tap					
Secondary: All SGL trading (Weighted YTM)\$	10.99	11.07	11.19	11.35	11.30	11.32	11.29	11.32	11.31	11.81	11.55	11.41	11.18		
PSU Bonds yield:-															
Tax free: NSE (traded, weighted)\$	10.47	8.70	8.94	8.85	..	10.11	8.04	8.93	9.92	10.45	12.20	9.97	10.16		
NSE (Range: weekly)	10.47	7.91-10.48	8.79-8.99	8.42-9.16	..	10.11	7.99-9.67	8.20-10.23	8.23-10.22	10.18-10.47	9.93-10.47	9.88-10.13	10.07-10.36		
Taxable: NSE(traded, weighted)\$	13.40	12.68	14.18	13.69	12.46	12.96	13.05	12.70	13.91	14.50	14.15	14.54	12.45		
NSE (Range: weekly)	13.27-14.27	10.83-14.13	13.37-14.60	13.39-15.05	10.90-15.11	12.59-14.39	12.65-14.21	11.75-15.47	12.65-14.85	13.96-14.92	13.96-14.83	13.96-15.57	11.61-15.55		
CP: Primary market (90 days)	10.10-9.90	10.25-10.05	10.40-10.00	9.75-9.80	9.85-9.95	9.85-9.95	10.00-9.95	9.95-9.85	10.00-9.95	12.50-14.00	12.75-13.75	9.25-10.25	9.50-10.00		
Secondary: market/NSE	9.40-10.10	9.00-12.80	9.78-11.00	8.90-10.75	9.00-9.85	9.15-9.89	9.40-9.90	9.30-9.95	9.30-9.94	7.50-10.50	8.75-10.50	9.01	8.99-11.25		
CDs: Primary market	na	na	na	na	na	na	na	9.80-9.60	9.75-9.50	12.00-13.50	12.25-13.25	9.00-10.00	10.00-10.50		
Inter-corporate deposits (30 days)#	11.25-11.75	10.25-10.75	10.25-10.75	10.25-10.75	10.25-10.75	10.20-10.60	10.20-10.60	10.00-10.50	10.00-10.50	10.00-13.00	10.00-13.00	10.00-13.00	10.00-13.00		
(90 days)	11.50-12.00	10.50-11.00	10.50-11.00	10.50-11.00	10.50-11.00	10.35-10.95	10.35-10.95	10.25-10.75	10.25-10.75	12.00-14.00	12.00-14.00	12.00-14.00	12.00-14.00		
Memorandum Items:															
(i) Forward premia on the US dollar in the domestic inter-bank market (annualised in per cent per annum) (Weekly average)@															
Spot/Cash	5.45	5.03	7.36	2.81	2.94	3.79	5.06	0.86	3.15	7.73	5.51	3.82	1.07		
One-month	4.99	5.36	5.17	4.19	4.07	4.27	4.53	4.44	5.29	16.88	11.33	6.71	4.63		
Three-month	4.74	5.62	4.76	3.96	4.01	4.13	4.46	4.63	5.39	12.32	10.07	7.67	6.07		
Six-month	4.85	4.92	5.09	4.47	4.39	4.34	4.75	4.99	5.43	11.07	9.55	8.30	7.44		
Twelve-month	5.14	5.07	5.24	4.72	4.64	4.81	5.20	5.51	6.24	11.05	9.79	9.07	8.50		
(ii) RBI Reference Rate (R\$/US\$)	43.50	43.55	43.46	43.45	43.29	43.26	43.25	43.39	43.38	42.54	42.57	43.08	42.55		

# ICD figures till September 1998 are for a tenor of 60-90 days for Blue Chip and Non-Blue Chip Companies, respectively. RF means reporting Friday for fortnightly reporting of conditions of banking business and the fortnight serves as the reserve maintenance period for scheduled commercial banks. @ Based on daily quotations supplied by Mecklaj Financial and Commercial Services Ltd. Bombay Weekly averages of inter-bank premia annualised per cent per annum. - no floatation - no trading \* no auction na not available YTM = yield to maturity \$ Weekly weighted averages.



EID-PARRY (INDIA)

## Focus on Sanitaryware

A PART of the Murugappa group of companies, EID-Parry (India) (EID) fared well in 1998-99. The company is engaged in the manufacture of complex fertilisers and urea (which account for 29.2 per cent of total turnover), sugar (17 per cent), ammonium phosphate (16.5 per cent), plant protection products (12.3 per cent), sanitaryware and fittings (9.5 per cent) and tiles (2.2 per cent).

While net sales increased by 5.8 per cent over 1997-98, operating profit improved by 22.1 per cent. Despite a sharp increase in interest charges (up 28.8 per cent) and depreciation (up 21.6 per cent), the company's bottom line was higher by 22.1 per cent. Encouraged by its performance, the company raised the dividend from 50 per cent to 60 per cent.

Keeping in mind the advantages of concentrating on its core strengths, EID has now undertaken a major restructuring programme under which it plans to hive off its non-core businesses. The company has already sold off its ceramic tiles business to H&R Johnson (India) for a consideration of Rs 31 crore. The tile plant in Karaikal in Pondicherry was established in 1996. The proceeds from this sale were to be used to fund the acquisition of the Rs 20 crore Peddar Johnson sanitaryware plant and the remaining stake in Cauvery Sugars. This move is expected to not only improve EID's position in the sanitaryware business but also enhance the profitability of the company's ceramics division as the margins in sanitaryware are comparatively higher than those in tiles. In line with its restructuring strategy, EID also sold off its magnetic tapes (audio cassettes) division to Meltrack India, a subsidiary of the RPG group's Gramophone Company of India.

Meanwhile, EID has already begun enjoying the results of its strategy to concentrate on its main businesses. For the first three months of 1999-2000, the company posted a net profit of Rs 10.2 crore as compared to a net loss of Rs 1.8 crore in the corresponding period last year. While net sales increased by 23.9 per cent over the same period, operating profit surged ahead by 50.5

per cent. The company has also acquired Johnson Peddar, which has a sanitaryware manufacturing facility with an installed capacity of 10,000 tonnes per annum at Dewas in Madhya Pradesh. Besides this new acquisition, EID also has two other plants in Alwar (Rajasthan) and Ranipet (Tamil Nadu), each with a capacity of 12,000 tonnes. The takeover will offer EID a wider product variety, price range and distribution set-up, and also take its total capacity to 34,000 tonnes, making it the undisputed market leader in the segment. Its closest competitor is Hindustan Sanitaryware, which has a capacity of 29,000 tonnes. EID has recovered the ground it had lost after it failed to acquire Raasi Ceramics from India Cements. It will be recalled that Hindustan Sanitaryware beat EID in its bid to take over Raasi Ceramics, acquiring it for Rs 18 crore.

EID's stock presently quotes at around Rs 122 on the Bombay Stock Exchange, discounting its 1998-99 earnings by 12 times.

EIH

## Expansion on Course

EIH, which manages the Oberoi group of hotels, is facing bad times with the hotel industry as a whole slowing down. In the past two years, the industry has seen a sharp drop in occupancy rates which have fallen by around 70 per cent. Added to this, average room rent has also dropped by 2 to 3 per cent. The adverse effects of these developments are evident from the company's poor performance in 1998-99. Operating profit declined by 13.9 per cent over the previous year. With depreciation increasing by 16.2 per cent, the company's bottom line fell drastically by 21.8 per cent.

Despite its unfavourable performance, EIH remains committed to its various expansion-cum-modernisation projects. The group currently has hotel projects with an estimated expenditure of Rs 600 crore on hand. These include the proposed 500-room Bandra-Kurla hotel in Mumbai, the 104-room Udaivilasi in Jaipur and the 175-room Trident in Pune, on which work has already started. The company claims that though tight control over general

Financial Indicators	EID Parry (India)		EIH		Mahindra & Mahindra	
	March 1999	March 1998	March 1999	March 1998	March 1999	March 1998
<b>Income/appropriations</b>						
1 Net sales	92124	87117	44052	43442	337145	330729
2 Value of production	96980	87176	44052	43442	330249	338648
3 Other Income	1736	2159	3266	3658	17995	16499
4 Total income	98716	89335	47318	47100	348244	355147
5 Raw material/s/stores and spares consumed	38841	31127	3933	3898	203745	215076
6 Other manufacturing expenses	27637	31478	4649	4443	20415	17159
7 Remuneration to employees	4479	3679	10355	8962	38127	38700
8 Other expenses	13347	11249	14062	13159	33385	30536
9 Operating profit	14412	11802	14319	16638	52572	53676
10 Interest	6458	5014	1428	1390	14720	11789
11 Gross profit	8812	7383	12965	15344	38939	42876
12 Depreciation	3750	3085	2371	2041	11198	9929
13 Profit before tax	5062	4298	10594	13303	27741	32947
14 Tax provision	350	440	953	978	5150	7800
15 Profit after tax	4712	3858	9641	12325	22591	25147
16 Dividends	1479	1208	2908	2882	6311	6285
17 Retained profit	3233	2650	6733	9443	16280	18862
<b>Liabilities/assets</b>						
18 Paid-up capital	4331	3331	5239	5239	10337	10337
19 Reserves and surplus	34769	33007	91470	83037	139877	123995
20 Long-term loans	34639	33519	27378	8314	146620	129010
21 Short-term loans	6047	6751	NA	NA	NA	4500
22 Of which bank borrowings	4047	6451	NA	NA	NA	4500
23 Gross fixed assets	63918	59654	108190	86384	161464	142653
24 Accumulated depreciation	15911	12443	15747	13513	51603	40912
25 Inventories	17893	12508	2445	2339	43699	51487
26 Total assets/liabilities	96037	91027	138959	112264	383860	349465
<b>Miscellaneous items</b>						
27 Excise duty	5994	4186	NA	NA	65364	63983
28 Gross value added	19673	15435	25177	25952	85410	85529
29 Total foreign exchange income	2050	1822	NA	NA	12142	9949
30 Total foreign exchange outgo	14386	13089	36400	32740	21841	25552
<b>Key financial and performance ratios</b>						
31 Turnover ratio (sales to total assets) (%)	95.93	95.70	31.70	38.70	87.83	94.64
32 Sales to total net assets (%)	115.46	113.72	35.50	44.06	113.58	123.48
33 Gross value added to gross fixed assets (%)	30.78	25.87	23.27	30.04	52.90	59.96
34 Return on investment (gross profit to total assets) (%)	9.18	8.11	9.33	13.67	10.14	12.27
35 Gross profit to sales (gross margin) (%)	9.57	8.47	29.43	35.32	11.55	12.96
36 Operating profit to sales (%)	15.64	13.55	32.50	38.30	15.59	16.23
37 Profit before tax to sales (%)	5.49	4.93	24.05	30.62	8.23	9.96
38 Tax provision to profit before tax (%)	6.91	10.24	9.00	7.35	18.56	23.67
39 Profit after tax to net worth (return on equity) (%)	12.05	10.62	9.97	13.65	15.04	18.72
40 Dividend (%)	60.00	50.00	50.00	50.00	55.00	55.00
41 Earning per share (Rs)	10.18	10.90	18.40	23.53	21.85	24.33
42 Book value per share (Rs)	87.86	105.91	133.16	120.31	143.51	128.08
43 P/E ratio	11.98	NA	11.85	NA	20.27	NA
44 Debt-equity ratio (adjusted for revaluation) (%)	91.03	95.02	39.24	13.19	98.84	97.44
45 Short-term bank borrowings to inventories (%)	22.62	51.57	NA	NA	NA	8.74
46 Sundry creditors to sundry debtors (%)	125.80	116.27	111.38	81.08	106.74	116.88
47 Total remuneration to employees to value added (%)	22.77	23.84	41.13	34.55	44.64	45.25
48 Total remuneration to employees to value of production (%)	4.62	4.22	23.51	20.63	11.54	11.43
49 Gross fixed assets formation (%)	7.15	19.67	25.54	11.24	13.19	24.43
50 Growth in inventories (%)	43.05	-1.74	4.53	6.51	-15.13	15.06

NA: means not available.

acute recessionary trend as compared to the rest of the industry.

M&M now plans to further broaden its product range by rolling out the country's first noiseless, smokeless and zero pollution three-wheeler vehicle, christened Bijlee. If the necessary government incentives come through, this nine-seater vehicle is likely to cost around Rs 2 lakh to 2.5 lakh. It will initially be introduced in Delhi and Lucknow and will be powered by electric batteries. Bijlee has been introduced with the intention of challenging the two main players in the eight-10 seater segment, namely, Minidor Pick-up from Bajaj Tempo and Vikram from India Scooters.

Meanwhile, increased sales of utility vehicles and tractors as well as restructuring have helped M&M boost its profit in the first quarter of 1999-2000. Apparently, the company's strategy of introducing new products and variants has paid off. Net profit for the first three months of the year was higher by 46.5 per cent at Rs 51.3 crore, compared to Rs 35 crore in the corresponding period last year. Net sales increased by 7.9 per cent over the same period while operating profit improved by 22.1 per cent. Despite a meagre 3.5 per cent growth for the industry as a whole, M&M managed to increase sales of its utility vehicles in the domestic market by 11 per cent from 19,238 units during April-July last year to 21,346 units this year. Market share in this segment consequently increased from 54.5 per cent to 58.5 per cent. Sale of tractors too increased by 14.7 per cent to 19,661 units during April-June 1999 taking M&M's market share from 27.7 per cent last year to 29.7 per cent this year.

The company is introducing a new generation utility vehicle christened Project Scorpio which will be available in many variants and augment its product portfolio. Expected to hit the roads by 2001, the company will invest around Rs 600 crore to develop this vehicle. Project Scorpio will be positioned to take on top-of-the-line utility vehicles like Kijang from Toyota.

The company's massive cost cutting exercise attempted through value engineering and material cost reduction is apparently bearing fruit and 1999-2000 is expected to be a good year. Its stock presently quotes at around Rs 443 on the bourses, discounting its 1998-99 earnings by a comfortable 20.3 times.

# Securities Market Infrastructure:

The Indian securities markets have in the last few years gone through a major transformation. NSF not surprisingly has been in the forefront of many of these reforms, substantially fulfilling the mandate for which it was set up. The securities market infrastructure now compares favourably with similar facilities available in many of the developed markets and has been one of the major contributory factors for recent resurgence in the securities markets.

NSE has just completed 5 years of successful operations and I feel it may be useful to look back at the catalytic role played by NSE in bringing about major transformation in the capital markets of our country.

## Paradigm Shift

As we all know, prior to the emergence of NSE, the market was fragmented with limited liquidity, trading systems were dated and largely opaque, clearing and settlement cycles were long and uncertain, counter party trading member risk was high and investor protection measures were limited.

The processes and procedures set up by NSE marked a paradigm shift in the securities industry. NSE was the first exchange to introduce a nation-wide VSAT driven screen based trading system. The operations, which commenced in Mumbai in mid 1994, rapidly spread all over India, with 4000 trading terminals currently offering investors trading facilities in about 280 towns and cities. The transition, from the time an order from a remote town took up to three days for confirmation to the present time when the same orders and prices are visible on the screen and instantly available to investors across the country, represents a dramatic improvement in investor access to the market. This has served to unify the earlier fragmented market into a single national order book, bringing with it unprecedented increases in liquidity and transparency.

NSE changed the perception that high volume paper based clearing and settlement systems could not be accommodated in less than a fortnightly cycle by establishing a weekly cycle out of 4 clearing houses across the country. The settlements since then have been completed without delays in the face of continuously rising delivery volumes.

SEBI has since announced introduction of the eagerly awaited rolling settlement in a phased manner from December 1999 for depository stocks. It may however, well be some time before the entire market shifts towards rolling settlement. In the interim, I feel it may be desirable to shift settlement cycle for all the depository stocks to a much shorter account period in addition to the current weekly cycle. Such a measure would significantly facilitate the movement towards full-scale rolling settlements.

## Risk Management and the Clearing Corporation

NSE introduced for the first time risk containment measures that were common internationally but so far absent from our market place. Mark to market margins, exposure limits etc. brought enormous safety to a fast growing and changing electronic market. Today these measures have become de facto standards in the Indian market.

Recognising that trading members in India were in general under capitalised, NSE encouraged setting up of corporate trading members with higher capitalisation. The fact that an anonymous electronic order book would no longer allow members to assess credit risk of the counterparty necessitated some innovation in this area. To effectively address this issue, NSF introduced the concept of a clearing corporation, and the first such corporation, viz. National Securities Clearing Corporation Limited (NSCCL), was set up by it which commenced operations in April 1996. The NSCCL assures the counter party risk of each member and guarantees financial settlement. Counter party risk is guaranteed through tight risk management systems and an innovative method of on-line position monitoring and automatic disablement. A large Settlement Guarantee Fund provides the cushion for any residual risk through the period of fine-tuning of risk management systems. As a consequence, despite the fact that daily

traded volumes are now as much as five times the pre-NSE levels, credit risk no longer poses any problems for the market place. The market has now full confidence that settlements will take place on time and will be completed irrespective of isolated trading member defaults. The concept of guaranteed settlements has completely changed the way market safety is perceived.

## Dematerialised Settlement

Another area of concern was the serious problem for trading members and investors posed by the emergence of fake, forged and stolen shares on a large scale in the system. The only viable solution to the problem was scripless trading and NSF took the lead along with IDBI and UTI in setting up the country's first depository (NSDL) in 1996.

Dematerialised custody and settlement have since experienced exponential growth. The value of securities dematerialised has crossed Rs. one trillion and the number of beneficial accruals registered with NSDL has crossed the one million mark. The evergrowing popularity of demat settlement has resulted in more than 50% of the paper being eliminated in the settlement process.

The introduction of settlements in demat form has begun to completely change the face of the capital markets. As SEBI made demat settlements mandatory in a number of securities in a phased manner it became possible to introduce rolling settlements. The gradual reduction in physical paper not only reduced risk in the system but also diminished operating costs. It has also facilitated introduction of newer products such as lending borrowing of securities.

## Securities Lending Borrowing

NSCCL introduced an Automated Lending Borrowing Mechanism (ALBM) to facilitate borrowing and lending of securities by members at market determined rates. This system of market driven automated lending borrowing mechanism, using the NSE trading system and network, is unique and has at one stroke provided a nationwide access to facilities for lending borrowing shares in India for the first time. This facility also derives importance from the perceived need to regulate naked short sales (in view of the attendant risks). Our markets are perhaps one of the few in the world which permit such short sales. As lending and borrowing of securities takes off it should become feasible to put in place necessary

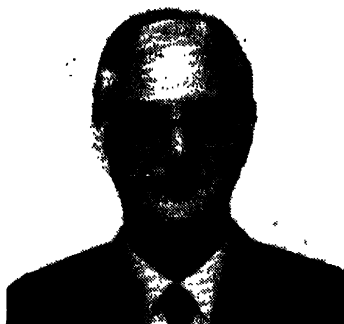
restrictions on naked short sales in the Indian markets as well.

## Surveillance and Stock Watch

The securities markets in India are characterised by (i) a healthy mix of institutional and retail investors, (ii) multiple exchanges and common listings, (iii) a mix of cash and forward markets, (iv) common members across exchanges and (v) non uniform trading and settlement cycles. This has resulted in significant arbitrage business by common members and clients across exchanges. As a consequence, during times of high market volatility the process of surveillance becomes a particularly complex task. The problem is further compounded by the fact that each exchange is able to monitor open positions of their trading members on a real time basis but is unable to assess positions taken by seemingly unrelated clients across other exchanges, except through client inspections which are necessarily time consuming. There is need to introduce information sharing mechanism which may enable each exchange to monitor group open positions of a client on the basis of exposure to the system as a whole.

NSE, which has put in place an effective margining and risk containment system, is alive to the need to constantly review and strengthen such systems in the light of changing circumstances and emerging windows of risk.

An Inter Exchange Group constituted by SEBI had recommended that all the stock exchanges should have an effective surveillance mechanism. The objective of this system, termed as the Stock Watch System, is to provide suitable timely alerts for the detection of improper trading activity to protect investor confidence and the integrity of the securities market and its participants. NSE was the first exchange to implement the Stock Watch System in May 1998. The system generates real-time



# Leadership through Change

alerts, graphs and reports to detect abnormality in trading. These parameterised alerts, graphs and reports are flexible and user configurable and have helped NSE to effectively monitor the trading in the Exchange.

## Investor Awareness & Protection

NSE has strongly emphasised investor education and protection. In an effort to spread the habit of investing in equities, NSE has been actively sponsoring and organising investor awareness programmes in different parts of the country. As a measure of investor protection, the Exchange and trading members contribute to an Investor Protection Fund (IPF) which currently has a corpus of Rs.29 crore. The amounts payable in respect of valid claims of an investor have been raised by the NSE to Rs.5 lakhs; this has in turn motivated other exchanges to follow suit thereby increasing the overall protection to investors in the market.

## Debt Markets

Unlike developed markets where activity in the debt market exceeds by several times that in the equities market, the Indian debt market has shown limited activity. The activity in this segment has however begun to pick up with daily volumes now reaching Rs.1000 crores. The approach that NSE takes to this market is of (a) seeking to expand the number of participants, (b) building market depth, (c) introduction of new instruments, (d) standardisation of products and practices (e) introducing settlement efficiencies and (f) building of market benchmarks and reference rates.

NSE has taken several steps in building a retail market for debt securities as well as used its experience and expertise gained through the NSCCL in introducing settlement efficiencies for debt. NSE has developed market benchmarks in the form of MIBID/MIBOR for overnight and term rates which are now used by the industry to build products off them. NSE continues to make significant efforts in education and training of participants in the latest developments.

## Index Products

Scientifically built and maintained indices that have strong tradable characteristics will lie at the heart of a vibrant derivatives market. Towards this end NSE has built an array of such indices which have found acceptance in the market. NSE has entered into a partnership with CRISI and Standard & Poor, USA to provide special impetus to the building of indices in India through a specialised vehicle, India Index Services & Products Limited (IISL).

## Information and Technology Initiatives

In line with global trends, NSE is structured and operates much like an information technology company. It boasts of the largest VSAT network in this part of the world with huge and complex web of hardware and software. In recognition, NSE has won several IT user awards and continues to be in the forefront of developments in IT. It has successfully completed Y2K compliance on all its systems and has in place a detailed disaster recovery system including a remote disaster recovery site that mirrors all operating systems. NSE has set up its own

Internet website which is visited daily by over 4 lakh persons.

## Building and Certification of Participant Skills

It is an accepted international practice for market intermediaries to be certified. NSE took the initiative to introduce such a facility for testing and certification viz., NSE's Certification in Financial Markets (NCFM), which is only of its kind today in the country. The system is a web based automated examination/testing system that provides for self-administration for the purpose of certification. This certification system is presently available from 7 cities viz., Mumbai, Delhi, Calcutta, Chennai, Hyderabad, Pune and Ahmedabad. The same methodology is now being used for certification for depository participants also.

## Exchange Governance

Amongst the many new concepts introduced by NSE in the securities market, the most crucial one relates to the governance of the Exchange. Historically the trading members who provided broking services also owned, controlled and managed the stock exchanges. This model was designed to serve exchanges which were essentially regional in character. This model, apart from facing a severe handicap of a perceived conflict of interests is considered unsuitable for electronic exchanges which have trading members spread all over the country. NSE represents a paradigm shift in that for the first time in the country, the ownership and management of the exchange have been separated from trading rights. NSE is owned by a set of important financial institutions and banks of the country and is managed by professionals who do not

directly or indirectly trade on the Exchange.

It is important to note that the NSE model does not preclude but accommodates member involvement, support and contribution in a variety of ways. In fact a large part of the success of NSE has been the active and strong support of its members. This has taken place through several key committees as also through formal and informal member interactions. NSE will continue to emphasise relationship-building with all its participants, including trading members, investor community and the issuers, whose securities are traded on the Exchange.

## Outlook

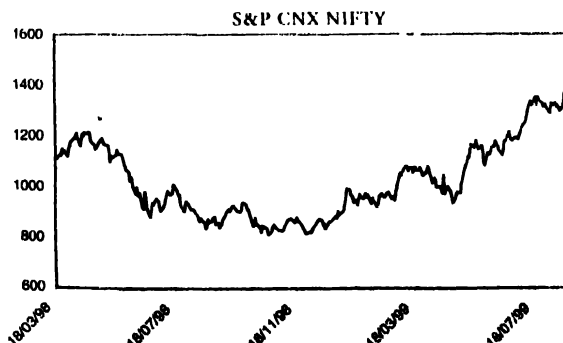
NSE's vision of the industry will continue to drive its search for newer products and processes. It recognises that technology, which forms its core,

is all the time evolving. NSE is already making preparations to participate in the technological changes that are revolutionising the markets elsewhere. NSE will offer in the near future internet based trading systems not only across the country but hopefully offshore as well. The latter will help to integrate non-resident investors into the domestic on line real time systems.

It is crucial for a developing market such as ours to have in place hedging products against the volatility faced in the market. Recognising that products such as futures and options are new to our market, NSE has spent more than two years building skills and disseminating knowledge in this vital segment. As soon as regulatory approvals are in place NSE will be in the forefront of the developments in derivatives segment of the markets as well.

The mandate placed before NSE was to offer services in the securities industry comparable to best global standards as also to strengthen the market through competitive pressure. While considerable progress has been made, the task is by no means complete. NSE recognises that the securities industry in the coming years will continue to evolve rapidly. Product innovation and improved service standards will increasingly determine leadership in the market place and I have no doubt that given the vision of its top management team, dedication and commitment of its highly professionalised staff and the support it enjoys from the Government, the regulators and the general investing public, NSE is well poised to stay in the forefront of the change.

S. H. Khan  
Chairman



# Calcutta Diary

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*Forget Kargil, forget even Jammu and Baramula. The menace of militancy so-described is casting a shadow over the entire north-east, Assam not ecluding. Assigning the credit for the disturbed state of affairs to over-activism on the part of Pakistan's ISI is laziness par excellence: the real danger lies in the possibility that we might actually come to half-believe some of the fictions we make up.*

It is a bit like revisiting the scene of one's crime. Memories crowd in, memories of controversies and encounters. But by now these have acquired a curious non-relevance. The identity of the victors and the vanquished is blurred by time. Not that that matters any more; the co-ordinates of daily living itself are transformed beyond recognition.

Not just grammar, even the lingo itself is different. For instance, the debate over liberalisation has been definitively resolved. Such at least is the verdict of both the media and the ruling politicians. Sway as the world sways, is not that what globalisation is about? And, please, do not probe too intently into the nature of the concrete benefits showered on us as *quid pro quo* of our crossing over to a free-market ambience, say in terms of overall growth, rates of growth of industry and agriculture, the rate of growth of employment, the level of savings and capital formation as well as the capability of the economy to export more so as to neutralise the impact of the rising tide of imports following the withdrawal of tariff and non-tariff barriers on trade.

The cognoscenti will frown upon the habit of raising such otiose questions. Recourse to diversionary tactics, it will be their ruling, calls for a reprimand. Permission to chant the 'mantra' of liberalisation is itself an exhilarating experience; the freedom of choice is a sovereign concept, queries on the quality of beatitude it leads to go ill with this freedom. It is accordingly taboo to refer to the statistics of economic achievements in the past quinquennium or thereabouts. Why not take into consideration other equally worthwhile data instead, such that whoever has been sworn in as the country's prime minister did not waste any time before declaring to the world his undying loyalty, come what may, to the doctrine of liberalisation, and this list includes even the celebrated country bumpkin. True, as the years have unfolded, there have been occasional sparks of conscience at various levels. The system in its totality exercises the casting vote though. Those constituting the top decile of the community know the side their bread is buttered. If the worst

comes to the worst and the other nine-tenths of the population have the temerity to try to obstruct the proceedings, even a war can be arranged; if that diversion too is of little avail, the fraternity from overseas could be appealed to step in and protect the interests of the comprador class. In case there is an actual threat of armed uprising – sporadic at first but gradually gaining in momentum – why, precedents exist, arms and troops from overseas may arrive and ensure that the country does not fall in the clutches of wrong elements. For meanwhile the logic has been reasoned. A revolt against the ruling classes in the post-liberalisation epoch is, by definition, a conspiracy against the democratic order. Those belonging to the freedom-of-choice camp cannot allow such monstrosities to take shape, *vide* the history. pre- as well as post-World War Two, of the Latin American countries. There will be, now and then, spanners in the works, interrupting the smooth functioning of the democratic-liberalised model. While hitches of this nature are always a nuisance, patience for the sake of democracy's survival over the long haul is an imperative necessity. It is particularly advisable, given the developments in east Asia, to introduce minor amendments to the working agenda. After all, the policy of opportunism has now received the widest possible acclamation as the policy of the principle.

Fortunately for the ruling sect in every country, an extra degree of freedom is provided by the happenstance of the presence of a hostile neighbour across the border. The hostility has an aesthetically pleasing near-symmetrical attribute: politicians in the country adjacent to ours are as much concerned about the well-being of class brethren this side of the border, and, as the adage goes, vice versa. If luck holds, a situation might in fact be contrived to arise where supposedly hostile neighbours, soulmates of the first order, would help our rulers indulge in an out-of-the-ordinary adventure; the advantages are mutual, a Lahore Declaration followed by a Kargil sunrise leaves nothing to imagination, Pareto's optimality is reached among all the parties involved. We gain, our enemy gains, the international arms

merchants, sponsored by the superpower, gain the most.

Take into account the following additional aspect of the matter. Liberalisation has taken care of wild prescriptions aimed at accelerating the pace of growth and narrowing socio-economic inequalities. The consequence has been, at least in the short run, large-scale suffering for the nation's overwhelming majority. It will still not do to lose one's faith in the efficacy of the learning curve. Even the International Monetary Fund and the World Bank are now sounding substantially contrite; they admit, they overdid, in country after country, the pastime of ordaining a free market arrangement accompanied by indiscriminate sale of public undertakings; some circumspection should have been exercised to prevent undesirable elements from taking charge. For countries hustled into ruination by Fund-Bank impetuosity, such as Russia, Thailand, Indonesia and the Philippines, the Fund-Bank confession has arrived, somewhat late. It nonetheless vindicates the tenets of the Ken Arrow postulate which passes as the Impossibility Theorem: no common measure can homogenise the intellectual calisthenics of young Bank or Fund staffers ensconced in a downtown Washington DC bureau and the agony experienced by victims in poor lands of the heartless regimen chalked out for them by those brats. Wait a jiffy though. Even at this late hour, the two international financial institutions are in a position to make a mild atonement for their past follies. They can advise their equally imperialist-minded sister agency, the World Trade Organisation, to cool it off for some while: unbridled imports and a uniform structure of tax legislation for foreign investment that will be manna for transnational corporations are more likely than not to condemn to helpless limbo the so-called Transition Countries.

Fortunately for both Washington mandarins and politicians in the poorer lands, another practice is found to be tremendously helpful in situations of the kind described above. Why not stir up fundamentalist emotions? The trick works in India as much as in Pakistan. One does not require here even a line of control the breach of which could provide the pretext for malign activism. The needful will be done by extra-terrestrial convulsions within the confines of the mind. One can, quite literally, jump on one's nextdoor neighbour, should he or she happen to subscribe to a different religious denomination than one's own. It will be then the start of an exceedingly attractive season of recreation. The fundamentalists will have a roaring time; discovering agents of a hostile neighbouring country here,

there and everywhere will emerge as a full-time avocation. Sooner or later, blood will spill. But why is blood in the body for? The communal frenzy spliced with drummed-up patriotic emotion will be precursor of additional outlays for defence and internal security. No money is available to finance a meaningful programme of universal literacy or a nutrition project for the millions of helpless women and children. Money will however be automatically arranged where the nation's external and internal security is concerned. If not, a further degree of freedom, the sensible Americans will bail both the skirmishing countries out, but only after hitting them hard on the knuckles for their

naughty-boy acts. A feeling of snug comfort spreads like a warm rug across the body on a cold, shivering dog: the superpower has, most kindly, agreed to be our patron and bossman.

The outlook nonetheless refers to be anything but sombre. Forget Kargil, forget even Jammu and Baramula. The menace of militancy, so described, is casting a shadow over the entire north-east, Assam not excluding. Notwithstanding the carnival of elections, life is threatening to come to a screeching halt, even passenger trains have stopped running. Assigning the credit for the disturbed state of affairs to overactivism on the part of Pakistan's Inter-Service Intelligence is laziness par

excellence: the real danger lies in the possibility that we might actually come to half-believe some of the fictions we make up.

The moving hand writes. It writes fiction too. Will the country itself, in due course, be reduced to a fiction? The suspense tucked into this expression of doubt was not a part of the basic data a decade ago. The landscape has therefore changed. And yet it has not, for New Delhi, enjoying the indolence of both the free market and the ersatz glory, courtesy the Americans, of military success, does not accord it formal recognition. Is there much point then in revisiting the scene of one's past indiscretions? The doubt does not abate.

## COMMENTARY

# Setting the Agenda for Change in Indian Capital Market

## Five years of National Stock Exchange

Sucheta Dalal

*In India it was not the capital market regulator or the government which drove the change towards automated trading systems and modernisation of stock exchanges. The National Stock Exchange (NSE), through example, has forced a relentless pace of change in the markets. The question now is what next?*

CAPITAL market reforms in India have far outstripped the process of liberalisation in every other sector of the economy. In fact, barring issues such as the residual problems of paper-based trades, the lag in bank automation and the absence of derivatives trading, the Indian securities trading infrastructure compares with the best in the world – and in some respects is even better.

A careful study of stock market reforms indicates that in India it was not the capital market regulator or the government which drove the change towards automated trading systems and modernisation of stock exchanges. The National Stock Exchange (NSE), a market intermediary, through example, demonstration and sheer success forced a swift and relentless pace of change in the markets.

The pace of reforms has been so dramatic that it is difficult to recall that less than five years ago the picture of stock trading in India was one of sweaty, raucous jobbers jostling to conduct trades in the crowded trading ring of India's oldest stock exchange. As the NSE completes five years of operation, it is interesting to examine the process of change that ended the saga of broker defaults, counter party risk, low

liquidity, delayed settlements and frequent closures, which were the hallmark of Indian bourses and their antiquated trading systems.

The creation of an independent capital market regulator was the starting point. It laid the grounds for experimenting with a professionally managed stock exchange. When the Securities and Exchange Board of India (SEBI), under chairman G V Ramakrishna, began to draw attention to malpractices on the bourses and demanded better regulation, discipline and accountability it led to a tremendous storm of protest from the brokers and underlined the need for a professionally run alternative.

Around that time a committee headed by M J Pherwani, until then the darling of the brokers, recommended, among other things, the creation of a second stock exchange in Mumbai to be called the 'National Stock Exchange'. Once again, this let off howls of protest from the trading community, but over time the continued recalcitrance of brokers and their intemperate protests against SEBI led to the establishment of the NSE.

Whatever the public posture of support with regard to the NSE, neither government nor the regulator expected it to be more

than a threat to the Bombay Stock Exchange (BSE) forcing it into accepting regulatory supervision and modernising its systems. Nobody certainly expected the NSE to emerge as a clean and efficient nationwide trading system providing investors in 280 cities direct access to a single, safe and transparent system.

The BSE those days was dominated by a broker coterie whose power lay in its ability to dominate trading across bourses in Calcutta, Ahmedabad and elsewhere. The BSE had begun the process of automation in the early eighties, under the leadership of executive director MR Mayya and president Mahendra Kampani. In fact, the duo had gone so far as to decide on the specific computer system that the BSE would buy. But the broker coterie simply forced it to drop the move, fearing that automation and transparency would end their dominance. The process was revived only after the NSE's turnover crossed that of the BSE and continued to rise relentlessly.

NSE's biggest break was probably the fact that nobody expected it to succeed. The broker community had successfully perpetrated the myth, that "technology does not build markets, it is brokers who build markets". They claimed, and even believed, that only brokers understood the complicated mechanics of stock trading and they alone could run bourses. This complacency had two positive consequences: the BSE, by refusing to change, allowed the NSE to set the agenda for change in the capital market without pressure, threat or interference. Since nobody gave the exchange more than a fighting chance of survival, no one coveted the top jobs and this set the stage for six honest and dedicated professionals to take on the challenge of creating a new exchange.

The team first discarded the concept of a national stock exchange only in name

as proposed by the Pherwani committee report. It chose instead to be a truly national exchange which provided investors across the country access to a single screen through a VSAT network. (India was the first country to use a VSAT-based trading system in the capital market. The NSE's VSAT network remains the largest such facility in financial markets linking over 4,000 terminals across 280 cities.) A system which documented the exact time and price of each transaction ensured vastly improved transparency. Ravi Narain, deputy managing director of the NSE says that low expectations from the bourse allowed the team to take "humungous risks". S S Nadkarni, then chairman of the Industrial Development Bank of India (IDBI) and the NSE, allowed the team complete freedom to decide on the systems and structure. All he did was to "check every now and then if everything was going well".

Trading on the NSE took off on November 4, 1994 amidst predictions that it would soon fail. The faceless automated trades of its system had none of the drama and excitement of an open outcry system. The VSAT-based system would never work, one was told. Wait until the first settlement had to be completed, said brokers. A bunch of 'sarkari' development bankers would never be able to conduct a weekly settlement, leave alone one at multiple locations, they said.

When the exchange refused to oblige by collapsing, the dire predictions were postponed to the time when turnover would increase. At the newspaper that I then worked for, not a single day passed without calls from brokers announcing perceived and potential failures of the NSE. Some savvy investment analysts even said that NSE's very transparency and efficiency would be its undoing. Nobody in India wants a clean and transparent market; markets had to provide an avenue for investing ill-gotten money, they argued.

Institutional investors, including those who helped promote the exchange, had as little confidence in its future as the rest of broker community. The NSE had assumed that at least a portion of institutional business would be directed towards it. This did not happen. Even foreign investors, who had never lost an opportunity to ridicule and speak disparagingly about our primitive trading systems took a long time to shift their trades to the new exchange. Some explained that it was because they only had BSE brokers on their approved panels.

NSE's main support came from new brokers who couldn't get on to the BSE's limited membership and from small town investors who had no direct access to the market. The latter group was tired of

waiting for nearly three days to get a trade confirmation, usually at the worst price of the day. Another volume booster was the opening up of arbitrage opportunities between the NSE and other exchanges; these alone accounted for a big chunk of trading.

Predictably, trading picked up very slowly. After six months of existence, NSE chairman S S Nadkarni asked the team "Are you ever going to cross into double digits?" The BSE turnover was then a grand Rs 100 crore per day. It slowly became clear that the NSE was not going to go bust and that weekly settlement on a nationwide basis was possible. Turnover then began to grow at a spanking pace. From single digit turnover for six months, the NSE turnover crossed that of the BSE on November 5, 1995 – exactly a year and a day after it began operations. One significant reason for NSE's growing turnover was the rate of order conversion. In the open outcry system conducted for

barely two hours in a trading ring, just about 30 percent of the orders were actually converted into trades. The automated system raised this to a whopping 90 per cent.

The NSE's clearing corporation proved for the first time that not only were weekly settlements possible but that they could be conducted with clockwork efficiency out of four clearing houses across the country. The settlement procedure was followed by ruthless auctions to ensure that delivery and payment schedules were not messed with. This has to be seen in the context of the BSE insisting to then SEBI chairman G V Ramakrishna that weekly settlements were impossible for any exchange to handle. The BSE those days had a fortnightly settlement cycle and even these were always so off-schedule that it was fairly routine for two or three settlements to be clubbed together.

This was the turning point. As NSE's turnover continued to grow, the BSE

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**Other things being equal, candidates belonging to SC/ST will be given preference.**

**Applications indicating qualifications and experience duly supported by true copies of the certificates and testimonials should reach to the Secretary, within 15 days.**



launched a blitzkrieg of criticism, alleged unfairness over NSE's national operations and continued to predict potential defaults and collapse of the NSE at every new trading milestone. But nobody missed the writing on the wall. With the BSE's own member acquiring NSE memberships, its leadership realised that it either had to shape up or wither away. It took the smart option and began to implement its own automation programme in a hurry and spruce up its administration to conduct its own weekly settlements without clubbing, delays or glitches. The NSE continued to find ways to make the market fail-safe. Writing in the safety factor:

As NSE's turnover began to shoot up, the larger trades and order conversion also increased market risk. The next agenda was to introduce fool-proof risk containment measures. Unlike international bourses, the NSE had to rely as little as possible on the slow and stodgy legal system for redressal of issues related to broker default or fraud. The choice was to go for multiple risk containment measures borrowed from different types of markets.

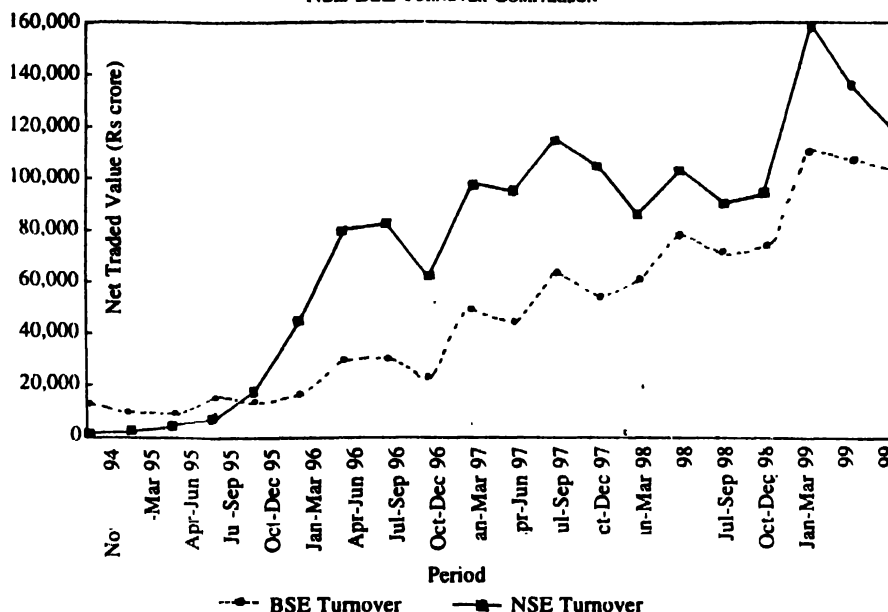
\* It forced members to be adequately capitalised by imposing high network requirements. This attracted corporate members and allowed it to get away from the dominance of the 'fourth generation family broker model'. Next, it introduced a centralised insurance cover for all trading members in June 1995.

\* An online risk monitoring system, which was introduced in January 1997, was a big innovation. Over a period of time it began to track open positions in real time, not merely at the end of the day. Brokers who crossed their exposure limits are immediately and automatically logged out of the system without any scope for bias or favour. They are re-connected as soon as they permit the exchange to close out their excess positions or bring in additional margins.

\* When trading volumes began to approach the Rs 1,000 crore a day level, NSE decided to tighten up security even further, by borrowing the concept of settlement guarantees from the options and futures exchanges of Chicago. The settlement guarantee was provided through the National Securities Clearing Corporation, which is the NSE's subsidiary specifically set up to handle all clearing operations.

\* The high level of automation could not wish away the dangers of fake and forged trades being dumped on the system, particularly since NSE's guarantee initially covered these risks as well. After being hit by deliberately introduced fake and forged certificates on several occasions, they put in place a strong surveillance system, headed by a former police commissioner.

NSE-BSE TURNOVER COMPARISON



\* In January 1998 it began a 100 per cent pre-verification of securities introduced to detect fake, forged and stolen shares.

While the NSE modernised the trading system, it was helpless against paper related problems, fake and forged shares and signature mismatches. Its reaction was to promote a depository to push the move towards paperless trading. The Stock Holding Corporation of India, set up in the early eighties, had not made much headway in transiting to a depository and continued to operate as a custodian for the investments of financial institutions. Initially, the NSE tried to work with the SHCIL, but in 1996 it decided to set up the depository on its own. In less than two years, the National Share Depository has made rapid strides and the value of shares dematerialised has crossed one trillion rupees. The introduction of compulsory dematerialisation in select scrips by SEBI has enabled it to move towards a rolling settlement in a few of these stocks.

One of the NSE's significant achievements was to prove that the separation of ownership and management of the exchange from trading rights can create a better, more efficient and transparent trading system. The NSE is owned by financial institutions and managed by professionals, without representation to brokers on its board of directors.

The question is what next? At the end of five successful years, the NSE is no longer the unfancied underdog – and that is when the troubles begin. Its growth now seems choked by bureaucratic and legislative roadblocks, almost as though the authorities want to give other exchanges a chance to catch up with the NSE. This has already begun to impact the NSE. The growth in turnover has not only stopped,

but it has also conceded its number one position with regard to volumes to the BSE in the last week of August. Part of the reason may be SEBI's refusal to allow it to increase trading exposure in line with the imposition of higher margins mandated by SEBI.

The NSE's attempts to introduce Futures and Options trading has also been blocked for over two years for want of legislative and regulatory approvals. It had opted for internationally accepted derivatives trading, instead of the primitive and out-dated badla system. However, vague fears about the danger of derivatives trading and the uncertain political situation have kept this business from taking off. From September 6, the NSE kicked off a second three-days settlement cycle, which will run parallel to the regular weekly one. According to brokers, this settlement will offer arbitrage opportunities between the two settlements within the exchange, and could help boost volumes again. Only time will tell whether this turns into yet another significant innovation or just a damp squib.

Its attempts to introduce stock lending through the Automated Lending/Borrowing Mechanism have also received a lukewarm response. Stock lending volumes average barely Rs 50 lakh per settlement. The lack of enthusiasm is attributed to high lending/borrowing charges and the non-participation of financial institutions.

The NSE's debt market is also a sore issue with several of its members who coughed up big fees for the debt segment membership. The exchange, which planned to develop the debt market, has failed to make much headway for several reasons beyond its control. The silver lining is that following Yeshwant Sinha's 1999 budget,

debt trading has slowly begun to pick up and daily volumes have touched Rs 1,000 crore.

But the future is clearly uncertain. The NSE is now a big and formidable player – which will be watched and blocked at every opportunity. Ironically, while stock-brokers are fond of dubbing it a 'sarkari' exchange, it receives very little support or encouragement from the government. For instance, if the mandarins at the finance ministry had devoted to the introduction of derivatives trading even a fraction of the time they did to the reintroduction of badla trading or the expansion of the BSE trading system, India would have been able to boast a full menu of international trading instruments including derivatives.

In fact, the NSE's role in revolutionising Indian capital markets in so short a time is scarcely recognised.

It would be short-sighted to believe that the process of development and modernisation of Indian capital markets can now come to a halt. International money flows and our constant progress towards currency convertibility will put the Indian bourses in direct competition with aggressive and innovative exchanges in the west and the far east. Only constant innovation and aggressive marketing will ensure that trading in Indian shares remains in India. If the government recognises this, it will ensure that the young and innovative NSE is not stymied and killed – after all an exchange is only as good as its best professionals.

## ANDHRA PRADESH

# Politics of Opportunism

Ambrose Pinto

*What does the regional politics of the Telugu Desam of Chandrababu Naidu mean to the people in the forthcoming elections? A critical essay on the emergence of Telugu Desam, the changing leadership of the party and its programmes.*

ANDHRA PRADESH was ruled by the Congress Party since its formation till 1982. From 1953 to 1982, a period of 29 years of Congress rule the state had seen 11 chief ministers, the average tenure working out two-and-a-half-years each. The instability of the chief ministerial chair was a direct spin off from the Congress style of functioning. Though Brahmananda Reddy had a majority support in 1971, he was dropped and P V Narasimha Rao was nominated. With the imposition of the CMs came interference by the centre. Almost everything in the state came to be decided in New Delhi. There was dissatisfaction in the state as a result. To please the high command even transfers and promotions of middle ranking officials were referred to the national capital by the nominated CMs. The bureaucracy, the opposition parties and NGOs were outraged. Within the party itself there were groups. The three major factions were of Narasimha Rao, Chenna Reddy and Anjiiah. There were caste formations – reddy and kmmas were the dominant groups. Till 1982 seven of the 11 CMs belonged to the reddy community who comprised 12 per cent of the population. The kmmas were 8 per cent of the population and yet no CM came from the community. The group had felt marginalised. With less than 5 per cent of the population, two brahmins were chief ministers of the state. That means the reddy

power in Andhra was far beyond their numerical strength. Every fourth MLA in the state was a reddy. They occupied the commanding heights of the village society and operated as the traditional vote banks of the Congress.

The Congress became stronger in Andhra through the years. From 41.3 per cent votes polled in 1957, it received 56.2 per cent votes in 1980. However, the achievements of the Congress were hardly any. The party was voted to power because there was no other alternative. A Planning Commission study had ranked Andhra 14th on development in 1978. The state's position had slipped from eighth rank in 1961 to 14th in 1978. The literacy rate of Andhra was lowest among southern states, a mere 29.9 per cent in 1981. The state public sector undertakings were losing heavily because of mismanagement and political interference. To add to the economic chaos there was political instability, factions within the Congress settling scores against each other. The bureaucracy was in a state of anarchy. With constant change of CMs and other ministers, decisions taken by one CM were overturned by the next. Then there were scandals of land grabbing, etc. involving Congress politicians. It is under these circumstances a new party, Telugu Desam, challenged the Congress in the legislative assembly elections of 1983 and won 199 of 294 seats. The party at its origin drew inspiration

from the DMK and ADMK of Tamil Nadu and made use of the 'Andhra' or 'Telugu' sentiments to capture power.

Like the DMK, Telugu Desam too hurled attacks on the centralising tendencies of the Indian state and lack of autonomy to the states. The major issue of centre-state relations was fiscal devolution and unimpaired state autonomy without central encroachment in the functional spheres of economic and social development. The vast section of the electorate had become disenchanted with the Congress by 1980. Even in pro-Congress states like Karnataka and Andhra the debate on centre-state relations was on. More than the elected state government the powerful popular movements in states were prepared to challenge the central government on the overwhelming centralisation of the central government. There were not many people in the southern states willing to buy the argument that the enhancement of the powers of the state would lead to the weakening of the centre and undermining national unity. All through his campaign in 1983, N T Rama Rao, made it clear that he would be inclined to take the initiative of appointing a committee of enquiry to go into all aspects of centre-state relations and its report would constitute the basis of the Andhra Pradesh government's approach to the central government.

As leader of the Telugu Desam, N T Rama Rao brought the 'Telugu nation question' to the open. By raising the slogan of Andhra self-respect, he posed a challenge to the Congress. In his speeches, NTR explained to the people how the Congress had treated the state as a national property without due consideration to Telugu aspirations of the people, how the high command had imposed inefficient chief ministers at the whims and fancies of the party. His comments on the three chief ministers Bhavanam Venkatram who had a short-lived reign of seven months, N Jaradhan Reddy and Vijayabhaskara Reddy nominated and removed by the party high command often roused derisive laughter. Indira Gandhi had replaced local leaders with strong local moorings with hand-me-down non-entities without grass roots support. She had utter disregard to local sensitivities.

TABLE: CONGRESS PERFORMANCE IN LOK SABHA ELECTIONS

Year	(Per cent)	
	Votes Polled All Over India	Votes Polled in Andhra
1957	47.8	41.3
1962	44.7	47.9
1967	40.7	16.8
1971	43.0	55.1
1977	34.5	57.3
1980	42.6	56.2

Source: India Today, October 15, 1982

In the 1978 state elections the Congress had won with a thumping majority of 248 seats in a house of 294. But the infighting within the party was so bad that in the crucial municipal corporation election of 1981, the Congress lost out to the communist parties in Vijayawada and to the BJP in Visakhapatnam. The party triumphed because of the inefficient and ineffective policies followed by the Congress Party. There was discontentment both within and outside the party. Andhra was ready for desiring a change which came in the person of N T Rama Rao and his Telugu Desam. The Congress on account of internal infighting and bickering lost its appeal to the electorate.

#### ENTRY OF NTR

The man behind the party was Nandamuri Taraka Rama Rao, an actor with over 30 years of film career behind him, having acted in 300 films, a household name in Andhra. He had acted as the just ruler and capable of providing good government in his films. It was his personality which acted as the catalyst to activate a process of changes towards a new political build-up. Being wealthy and affluent the first thing that he communicated to his people is that he was not after money and power:

I did not come here for money. I did not come here for status and prestige. I enjoyed all this and more. I came here as a sanyasi to follow you. I have earned money. I have status. And all because you gave it to me (*India Today*, January 1983, p 25).

As an actor NTR did have enough of money as well as status. What impressed the people is his rhetoric of renunciation – service without self. “I came here as a ‘sanyasi’ to follow you”. His saffron garb further mesmerised the audience, giving an impression of a religious figure in secular action. People, specially the poor, need messiahs. NTR’s rhetoric was one of providing salvation. In the party manifesto, NTR stated:

The 35 years Congress misrule has created such a mess that the Telugus have to hang their heads in shame. Despite overwhelming majority of the ruling party in the state assembly, political instability has become the order of the day. The enthronement of four and dethronement of three chief ministers within a span of five years is an indication of the sorry state of affairs. The elected representatives of the people have become mere pawns. They have neither the power to elect their leader nor to impeach him. Nor is all well with the opposition which is hopelessly divided leaving the field free for the Congress(I) to rule the roost. There is no limit to the injustice meted out to the people of the state. It is because of this historical necessity, Telugu Desam has

come into existence in Andhra Pradesh.

The Congress Party in Andhra Pradesh was so centralised that it provide no local autonomy. The constant change of leaders in the state was an indicator of the dictatorial tendencies of the party. The need was to assert Telugu pride. That was the essence of NTR’s message. NTR was able to enter into the Telugu psyche. In his intensive election campaign, he travelled in a specially designed car and made use of modern media like audiotapes. Like his counterpart in Tamil Nadu, he was quick to mock the Congress and assert that for 35 years Andhra had been neglected and humiliated by the people of the north. As a popular scheme, he assured the electorate he would offer a kilo rice at Rs 2 through the public distribution system and midday meals to school children.

Right from the start NTR projected himself as the saviour of Andhra people. To convey his message to the people he used expressions like ‘atma gouravam’ (self-respect), ‘dharma yuddham’ (war of righteousness) and kurushetram (epic war in Mahabharata). One of his cutouts in a public place, had this message: ‘Telugu desam pilustondi, lea, kadaliraa’ (Telugu desam is calling, arise, join). The Telugu Desam Party men used expressions like ‘jaati gouravam’ (honour of the Telugu race) and Teluguvalla gappatanam (the great heritage of the Telugu people).

Pamphlets, cassettes, posters and films were all used to propagate Telugu pride. Songs of the patriot Gurujada Appa Rao and plays and other works of Kandukuri Veerasalingam and Alluri Sitarama Raju were used to tell the people that the party is committed to social reform of Telugu society. These reformers of Andhra Pradesh had advocated equal rights to women, abolition of dowry and equality of all humans. In his speeches, NTR lamented that the land where Gurajada had left his footprints, where Alluri had laboured and produced people like Nannayya, Tikkanna and Errapragada, the trio who had translated Mahabharata into Telugu have fallen prey to rulers in Delhi. With professional skills of the movie world there was a finesse to his appeal. Besides he made use of religion extensively to garner votes. His role in films as Krishna, Karna, Bhishma, Veera Brahmendra Swamy, Sri Krishna Devaraya, Sri Rama and Brahma Nayadu all mythological figures were paraded prior to the election. Of course, a secular interpretation was offered.

The approach of NTR was one of integration of Andhra with the nation. Though he asserted for regional autonomy, he was not a separatist. The Telugu Desam movement was very different in some ways from that of the DMK in Tamil Nadu. In fact, NTR had made it clear that Telugu

Desam does not stand for separatism. While seeking more autonomy for Andhra he asserted: “We stand for national unity and integration. We owe allegiance to the centre and wish to strengthen it so that it could fulfil its responsibilities” (*Deccan Herald*, January 10, 1983). On the other hand, he also stood for local autonomy. His opposition was to a centralised Congress system that looked at India in terms of uniformity. His vision was constitutional – ‘unity in diversity’. While asserting local pride and making use of it extensively to capture votes, he never once made an issue of separatism. His economic programme was populist: He assured during the campaign to make rice available at Rs 2 a kilo through the public distribution system, free midday meals to school children and assistance for weddings of the poor. No one can transform an ailing economic system into a flourishing one with such populist measures. NTR did not make use of the popular support he had for building a strong economy with long-term goals. The consequence was that the same economic problems grew in magnitude. People’s disenchantment led to the loss of power of TDP in the 1988 election. The rice at Rs 2 a kilo proved costly to the exchequer. The midday meals for school children ran into trouble. School teachers were unwilling to handle the scheme. TDP lost the election in 1988. It was returned to power at the state level in 1994 and N T Rama Rao was sworn in as chief minister again. He died in office in 1995. Chandrababu Naidu, his son-in-law took over governance.

#### AFTER NTR

Chandrababu joined politics in 1978 when he contested the Chandragiri constituency and won. He joined the Telugu Desam when his father-in-law founded the party and got elected in 1989 to the Kuppam constituency. He was re-elected in 1994 and was entrusted with the finance portfolio by his father-in-law. When his father-in-law died in 1995 he became the chief minister at the age of 45. The 1996 elections produced a hung parliament. The United Front, a coalition of 14 parties formed the government with Deve Gowda as prime minister. Because of the strength of Telugu Desam and Chandrababu Naidu’s stature as regional leader, he was accepted as chairman of the United Front government. The 1978 general elections too, it was a hung parliament. Chandrababu Naidu once again proved a brilliant tactician. Though opposed to the BJP, he was more averse to the Congress, his arch rival. Given his home situation in Andhra, he instructed his 12 TDP parliamentarians to abstain from voting against the BJP-led govern-

ment in the confidence motion. For his support, the party was awarded the speaker's post.

Known as a 'modern' chief minister of India, Chandrababu Naidu has received wide applause – from Bill Gates to Atal Behari Vajpayee – for his achievements in placing the twin cities of Hyderabad and Secunderabad on the 'Netlas'. His was the first state to embark on a massive programme of restructuring in accordance with the guidelines of the World Bank and IMF. His first task as chief minister was to fill the empty coffers of the state treasury. One of the instructions of the World Bank was to cut subsidies. Naidu increased power tariffs, water rates and bus fares, while there was reduction in rice subsidy, professional tax and turnover tax on trade was increased. For the rapid growth of the state, he was for borrowings from the World Bank. To instil confidence in investors, he has succeeded in building super class infrastructure including the information technology industry.

Chandrababu wants the state to be fastest growing state in the country. The areas identified for growth are pharmaceuticals, mining, labour-intensive export-oriented units, contract farming, agro-based industry, tourism and information technology. For improving environmental health, he has initiated a campaign for a 'clean and green' state.

According to V Hanumanta Rao who has analysed the state's financial performance during the first two years of Chandrababu Naidu's governance the following facts are quite revealing. When Chandrababu Naidu worked as finance minister in N T Ram Rao's cabinet, in the very first year (1993-94) the state's surplus of assets over liabilities deteriorated to a deficit of Rs 1,302 crore. In 1996-97, his first year as CM, that amount further deteriorated to Rs 5,116 crore. Concretely, while the liabilities rose by about 14 per cent, assets declined by over 4 per cent. The consolidated receipts increased by 12.54 per cent and the expenditure by 15 per cent. Public debt amounted to 26 per cent of receipts. The net deficit in the consolidated fund rose by 91 per cent over the previous year.

A glance at expenditure reveals that the axe of increase in non-plan expenditure fell on social services in 1996-97, from 44 per cent of the total revenue of expenditure to 36 per cent. Along with it loans and grants given to different local bodies in 1996-97 declined. The internal borrowings in 1996-97 were Rs 2,792 crore. Around 82 per cent of this was repayment of principal and payment of interests. Again 93 per cent of receipt of small savings, provident fund and deposits was used for repayment of principal and payment

of interest. Internal debt has increased by about Rs 500 crore every year since 1991-92. In 1996-97 it was up by Rs 1,000 crore. Because the state had no money it postponed repayment of loans to the centre six times in 1996-97. To make matters worse Rs 2,140 crore of the budgeted amount was not spent in 1996-97. It is intriguing that a state under resource crunch was not able to spend even the allotted amounts. The story was the same for external loans. Loans received have not been fully used. What impact does a financial policy of the kind have on the poor of the state?

Though the education expenditure increased, much of the increase was in higher education. On nutrition and medical health, areas of concern for the masses, the expenditure was low.

Under Chandrababu Naidu Andhra Pradesh sought and implemented a World Bank guided Economic Restructuring Programme – a Rs 2,200-crore loan was given to Chandrababu Naidu in spite of sanctions imposed on India for its nuclear explosions. The state won the World Bank's accolades for quality of work and strict adherence to norms. The state has committed itself to reforms. A grant of Rs 3,300 crore was for investment in education, primary health, irrigation, rural roads and nutrition; Rs 280 crore was to be invested for restructuring of public enterprises to be utilised for voluntary retirement benefits. Indiscriminate borrowings have pushed the state into a debt trap. A year ago Andhra had a debt of Rs 20,470 crore and the annual debt servicing used to cost the state Rs 2,722 crore.

Chandrababu Naidu has travelled from district to district exhorting the people to take up activities like road, building on voluntary bases. The Janmabhoomi programme is a community participation programme of self-help. The programme observed every three months for a week was started to focus on the needs of the people. The entire government machinery gears up to work with the people. Students too are involved. The idea is to change the mindset of both people and officials about public causes and to usher in social changes by propagating against the ills of dowry, untouchability, bonded labour and child labour. How serious is the government about the programme? There are different perceptions. While ruling Telugu Desam considers it a success story, the opposition has levelled charges of diversion of panchayati raj development funds to 'janmabhoomi' programmes and have argued that this was more for consolidating vote banks than interest in the rural poor.

N T Rama Rao capitalised on the misdeeds of the successive Congress governments and made use of the 'Telugu

pride' rhetoric to capture votes. But if one has to critically look at the programme of his party, it was no different than of the earlier governments. The very same ills that plagued the Congress regime affected the Telugu Desam's governance. What began as a government with a difference ended up with a government with no difference. That is why Telugu Desam lost power in the election of 1988. Chandrababu Naidu was of course different from his father-in-law. He had options as he took over governance. Both NTR and Chandrababu Naidu were chief ministers from the kamma community. While Congress was perceived as 'reddy raj', given the small percentage of (8 per cent) kmmas in the state, the Telugu Desam government had to project itself as the government of the poor – the minorities, dalits and other OBCs. Chandrababu Naidu was not comfortable with that image. He wanted to project an image beyond the nation to his stage, going beyond caste in the name of modernity and change. He is consciously pro-rich. All his programmes are meant for the wealthy sections of Andhra. For the poor, things have become worse ever since Chandrababu Naidu initiated his reform programmes.

Naidu no doubt has emerged as the most visible chief minister and the darling of the rich because of this pro-rich policies. His concept of development is limited to cities and towns. The construction of flyovers does not provide food, clothing and shelter to the poor. It makes the rich contractors richer and provides better infrastructure facilities to capitalists and traders. The huge amounts spent on industry oriented infrastructure are normally at the cost of rural development. The closure of several state level public sector undertakings has increased unemployment.

Andhra has the lowest literacy rate in south India. The Telugu Desam as a regional party had provided hope of development for Andhra. What has happened is just the opposite. The challenge of development is to improve the quality of life specially of the poor. Progress and development must therefore look beyond the mere growth in per capita incomes to the question of equity. Increasing economic inequality in a growing economy is unavoidable. Privatisation and liberalisation are mantras of the global capitalists whom Chandrababu Naidu has been sensitive and welcoming. Markets do promote efficiency and serve the consumers who have the requisite purchasing power. The fact is markets eliminate physically all those who do not have purchasing power. That is why we have witnessed suicides of farmers in Chandrababu Naidu's state. The major policies to transform any society is abolition of zamindari system,

introduction of land reforms, initiation of community development programmes and panchayati raj institutions. Traditional hierarchical patterns have to be changed. This is possible by doing away with zamindars who continue their exploitation on caste-class lines and do not permit the dalits and the marginalised communities to climb the ladder of progress and development. Andhra Pradesh is yet to see an agricultural revolution. If the Peoples War Group and naxalites have increased their activity, it is because the domination and exploitation of the landlords and money-lenders is on the increase. Even political murders are on the increase. According to the government of Andhra release, during 1990-94, when Congress was in power 132 TDP workers and 195 Congress workers were killed. From 1995-98 of TDP rule 205 TDP workers and 236 Congress workers were killed.

While Chandrababu Naidu was the chairman of the national front of secular forces in 1997 and a critique of BJP, in 1998 his party abstained from voting against the BJP to save the Vajpayee government. While other allies of the BJP were divided on the issue, there was no such division within the TDP. Chandrababu holds that it was better to sail with the BJP than help the Congress come to power. It is the fear of the Congress that pushed the TDP into the BJP's arms. Com-

munalism was never an issue to the TDP. His single principle is survival in politics.

It is the anti-Congress rhetoric that brought N T Rama Rao to power and it is the same rhetoric that continues with Chandrababu. Though in terms of policies there is no big difference between Congress, BJP and Telugu Desam. The last has no intention to go with the Congress, its arch rival in Andhra. But as a shrewd tactician Chandrababu is aware of the dangers of aligning with BJP. He will lose around 20 per cent of the minority votes – Muslims and Christians. And if he loses that vote bank, the party is bound to hand over power to the Congress in the state. Will he emerge as the leader of rural Andhra in the forthcoming elections? Chandrababu's influence will remain restricted to the cities. That too if he does not align himself with the communal BJP. With a big cluster of minority voters in the twin cities of Hyderabad-Secunderabad if he aligns with BJP he may have to take to political sanyasa. In the rural areas the voters may have to find an alternative in the Congress. One cannot sing the regional rhetoric of 'Telugu Desam' while at the same time going out of the way to appease the dons of World Bank, MNCs, TNCs and the business groups.

[My sincere thanks to Ferando Franco, director of research, Indian Social Institute for his comments on the draft of this article]

TABLE: COTTON PRODUCTION AND CONSUMPTION

Season	Production		Consumption: Textile Ministry
	Economic Survey	Textile Ministry	
1994-95	119	138.50	135.04
1995-96	129	156.50	151.00
1996-97	142	177.90	170.16
1997-98	111	158.00	158.88

Note: Figures of consumption include offtake by mills, small spinners as well as by non-mill consumers

A glance at these figures shows that production figures given by the textile ministry are in line with consumption figures given by it, but those given by the *Economic Survey* are far lower than these consumption figures. It is irrational to argue that cotton consumption can, somehow, be higher than its net availability. If, for instance, one were to accept that the figure of cotton production of 111 lakh bales in 1997-98 as given in the *Economic Survey* is correct, it may be impossible to explain how, in that case, cotton consumption could reach 158.58 lakh bales. Imports in that year were of the order of four lakh bales and exports, 3.50 lakh bales. Thus the net availability would be just 111.50 lakh bales. Looking to the *Economic Survey's* production figures even for earlier years, there was no possibility for any spillover from the previous seasons either. Similar arguments can prove that the *Economic Survey's* figures for the earlier seasons also cannot be correct. Unless the finance ministry can convincingly prove that the textile ministry's figures of cotton consumption are all wrong and actual consumption was far lower than the production figures given by itself, it may have no option but to concede that its own figures of cotton production are wrong. If data on cotton production in the country can thus be wrong how reliable statistics in regard to other crops?

The union finance ministry may well argue that it obtained the data from the agriculture ministry but that may not absolve it of its own responsibility to cross check them before incorporating them in the *Economic Survey*. The union finance ministry cannot be unaware of the fact that the International Cotton Advisory Committee which keeps track of cotton demand-supply position in the entire world completely ignores cotton production statistics given by the *Economic Survey* as well as by the agriculture ministry. When, however, the *Economic Survey* continues to give publicity to such questionable statistics, other government publications as well as school and college textbooks are inclined to follow them. The *Economic Survey* may, therefore find it difficult to avoid the charge of presenting unreliable data on a vital crop in parliament.

## How Much Cotton Do We Grow?

M D Dewani

*Are the data on domestic production of cotton crop reported in the Economic Survey 1998-99, reliable?*

SOME divergence in the cotton crop estimates for the current season given by different agencies is understandable in view of the difference in their sources of information and the methodology followed by in compiling these figures. However, there should be no such divergence in crop statistics for the previous seasons since they can be corrected by comparing them with the actual ginning and pressing statistics which are available, if effort is made, from ginning and pressing factories, as also with figures of cotton production and consumption maintained by the union textile ministry. The union finance ministry appears to have neglected to undertake any such reconciliation of statistics as is evident in the *Economic Survey 1998-99*.

If even a private organisation like the East India Cotton Association (EICA) can compile figures of actual ginning and pressing of cotton in the country every season, there can be no convincing reason

for the union finance ministry not to have done so. It can also issue a directive to all ginning and pressing units to supply such information to it at regular intervals. However this is not being done. The union textile ministry, moreover, regularly publishes in its annual reports figures of cotton production and consumption even for earlier years. The union finance ministry can certainly attempt a reconciliation of its production figures for the previous years by comparing them with these statistics available from the textile ministry. The *Economic Survey*, however, continues to neglect doing so, though this costs it its credibility.

That the figures of cotton production for the past few years given in the *Economy Survey* are not incredible can be easily shown, if one compares them with data on cotton output and consumption reported by the textile ministry in its *Annual Report, 1998-99*:

# Scheduled Castes in Transition

Narender Kumar

*Education, political representation, development schemes have helped the younger generation of scheduled castes in Haryana to opt for modern occupations and value-orientation. Yet, the landlessness among rural SCs and violation of human rights of rural as well as urban dalits persists.*

ACCORDING to the 1991 Census, Haryana has a total population of 1,64,63,468. The scheduled castes (SCs) number 32,50,933 (rural – 26,75,277, urban – 5,75,656) forming 19.75 per cent of the total population in the state [GoI 1991]. Haryana with an area of 44,212 sq kms, is largely an agrarian economy with a burgeoning industrialisation.

In various programmes launched by the government to alleviate poverty a special preference is given to the SCs. Jawahar Rozgar Yojna tries for overall development of unemployed and underemployed people in the rural areas. Haryana has spent Rs 91.96 crore on Jawahar Rozgar Yojna. Under this scheme, which promotes overall development of unemployed and underemployed in the rural areas, Haryana has provided population-based representation to the SCs. Under Indira Awas Yojna, expected to construct houses for homeless SCs, an amount of Rs 985 crore has been spent and 7,081 houses have been constructed during the 8th Plan [GoH 1995:6].

Haryana Harijan Kalyan Nigam has been set up to provide special loans to SCs to purchase buffaloes, vehicles, cultivable land, etc. Under a scheme called 'lai-mai' loan for the purpose of construction of houses, 30 per cent of the loans are reserved for the SCs. The central co-operative banks enrolled almost all SC families in the state and advanced loans to them for small business. A new scheme called 'Apni Beti Apna Dhan' has been launched by the state government to establish respect for the girl child, though the scheme excludes SCs who are class I and class II officers.

Table 1 gives a fairly clear picture with regard to the socio-economic position of SCs in Haryana.

Table 1 reveals the position of SCs of Haryana with regard to income level, landed property, occupational status and educational level. The income level of majority of SCs (59 per cent) in Haryana is up to 10,000 per annum, which shows that a marginal lower middle class is emerging amongst them. Moreover, the

SCs who have been benefited by the various measures introduced by the government, falling in the income brackets Rs 10,001-15,000 (22 per cent), Rs 15,001-20,000 (4 per cent) and Rs 20,001 and above, constitute a sizeable 36 per cent.

The SCs of Haryana are still landless as shown in Table 1. Only 2 per cent have of surveyed SCs have land between 2-5 acres which suggests that there has been hardly any implementation land ceiling in Haryana. Interestingly, there is a noticeable shift in the occupations of the SCs, with only 15 per cent of them performing traditional caste occupations. Wage earners, including landless labourers and industrial workers constitute 61 per cent of the SCs. Nevertheless, it should be mentioned that occupational mobility among the balmikis in the state is negligible.

On the education front, the situation is grim. Sixty-one per cent of SCs are illiterates, indicating that in spite of constitutional provisions, majority of SC children remain out of school. It also illustrates the observation offered by a commentator, Sangeeta Mall, "A number of attempts have been made to camouflage our utter callousness on this issue (illiteracy). The question begging an intelligent answer is that if every year millions of uneducated children become adults, then the burdening adult literacy is going to increase. In which case how is the adult literacy going to reduce the number of illiterate people in the country" [Mall 1997].

The poverty alleviation programmes have benefited the rural SCs. Loans and funds provided by the government to establish small business or purchase buffaloes, etc, has increased the income of SC families. Yet, it must be added that economic change, at occupational level in terms of government, public sector or industrial employment, has been possible because of the political participation of SCs.

Educated SC youths are persuading SC leaders in gram panchayats to forsake their

traditional occupation and take advantage of government schemes to enter new occupations.

Until a few years ago SC houses were outside the village. But now there is a perceptible change in the geographical locations of their houses. The SCs and other castes have their 'badas' or 'ghers' (space for cattle) adjacent to each other. Yet, though interaction among males of different castes has increased over the period, interaction among females of different castes is still uncommon. The superior-subordinate relationship between the dominant castes and the SCs was observed in neither of the three villages studied. When a person belonging to a dominant caste comes in their 'bagadd' (colony), the SCs no more stand from their seats as was the practice earlier.

There are two reserved Lok Sabha seats (Sirsa and Ambala) and 17 reserved assembly seats in Haryana. Table 2 gives

TABLE 1: SOCIO-ECONOMIC POSITION OF SCs IN HARYANA

Variables	No of Respondents (100)
<i>Economic position (per annum)</i>	
Earning up to Rs 5,000	20
5,001-10,000	39
10,001-15,000	22
15,001-20,000	4
20,001 and above	10
<i>Landed property</i>	
0-1 acre	0
2-5 acres	2
6-10 acres	0
11+ acres and above	0
<i>Occupation</i>	
Traditional	15
Government job	11
Business	8
Wage-earning	61
<i>Educational status</i>	
Illiterate	61
Middle pass	24
Above middle	15

Note: \* There were 3 students and 2 housewives in the sample survey.

Source: Field study done by the researcher.

TABLE 2: SCs IN HARYANA POLITICS

Variables	Seats for SCs	Total
Lok Sabha	2	(20)
State assembly	17	(18.89)
Zilla parishad (president)	3	(18)
Zilla parishad (member)	61	(21)
Panchayat samiti (chairperson)	22	(20)
Panchayat samiti (member)	484	(20)
Sarpanch	1191	(20)
Panch	11884	(22)

Note: Figures in brackets indicate percentage of the seats or members with respect to their respective total.

Source: Reports of Haryana Institute of Rural Development.



the number of reserved seats for SC members at various levels of the panchayati raj system.

The SCs in Haryana are largely supporters of the Congress but the Bahujan Samaj Party (BSP) lately has created a base of its own among the SCs. The party got 5 per cent votes in the last assembly elections. The SCs are determined not to vote and campaign for candidates who practise untouchability in any form. The 73rd constitutional amendment has brought a change in the traditional power structure of the village with the emergence of SC leadership at various levels. Even if majority of village level SC leaders are illiterate but they have realised that power is important for upliftment of their community. Political empowerment has induced a change-oriented attitude among the SCs in Haryana.

Bhabasaheb Ambedkar argued for the welfare measures for the SCs but his intention was not to make the SCs imitators of mainstream dogmatism and irrationality. Economic development and political empowerment was to bring social respect. Regretfully, such consciousness among all sections of SCs is still lacking in Haryana. The lacuna persists because there

was no discussion on the annihilation of caste system in the constituent assembly; as a result, no conceptual framework exists to do away with caste. R M Pal, a human rights activist and editor of *PUCL Bulletin*, maintains that problems relating to SCs centre around their human rights. He writes, "the culture of human rights and civil liberties espoused by great and good men have not yet taken roots in our country" [Pal 1997:5]. Upholding the human rights and dignity of the dalits is in fact the need of the hour.

[The article is based on an empirical study conducted in January 1996 in three villages of three different districts of Haryana, for the MPhil dissertation submitted to Jawaharlal Nehru University.]

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## Indo-Bangladesh Cross-Border Migration and Trade

Paula Banerjee  
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Ranabir Samaddar

*Almost all of the outstanding issues between India and Bangladesh continue to be related to disputes along the common border. The article puts forth a few suggestions for successful negotiation of the immigration problem which is also linked to the larger issue of enhanced sub-regional communication and trade.*

### I The Problem

BOTH India and Bangladesh have proved woefully inadequate in dealing with the reality of the border between the two countries. It is ironic that the border which was drawn by the British in 1947 to rationally re-organise the political space in the region has eventually not only generated its own irrationality, but has also created many new problems for the region. The border, with its long history of movements between people, cultures, beliefs, ideas and customs was completely unreal from the beginning. Land on both sides of the border was mostly cultivable

and was locked, and there were farms within 40 yards of zero point on either side. Perhaps the most important characteristic of the border was that in many cases it was not contiguous. There are 53 rivers in the region which make functioning of the border more complicated. Almost all of India's disputes with East Pakistan related to this border, mostly involving rivers (Report of the Indo-Pakistan Boundary Disputes Tribunal, 1958). The dispute over the boundary between Murshidabad and Rajshahi was a typical example of these initial disputes where even the tribunal decided that the demarcation of the line made by the boundary commission "is

found to be impossible". Even more problematic was that each country had its enclaves within the boundary of the other, meaning that the border was rife with potential for problem.

After the liberation of Bangladesh it was hoped that the border would lose much of its potential for creating disputes and enmity with the improvement of bilateral relations. Sadly, even after more than 25 years of the birth of Bangladesh, almost all the outstanding issues between India and Bangladesh continue to be related to the common border. These include sharing of water-resources of common rivers, CHT, demarcation of maritime boundaries and the ownership of South Moore/Talpaty Island, illegal cross-border activities, illegal migration, Berubari corridor and the granting of entry/exit facilities. Conviction about the sanctity of the border is weaker in this region than elsewhere in India.

Efforts to curb the movement of people and goods, including timber, cattle, textiles, electronic goods, sugar, medicine and kerosene, have failed. Out of a combination of despair and political pressure, the government of India has built barbed wire fencing on parts of both Assam and West Bengal sides of the border. Fencing programme of 358 kms and 159 kms in south Bengal and Assam respectively has been sanctioned. Other measures such as regular patrolling and checkpoints continue. But these have not stemmed the flow of either people or goods; indeed, it is no secret that border guards on either side accept and demand bribes from those seeking to cross illegally. As a result of the influx, the size of which is difficult to estimate, a constant state of tension exists, in Assam in particular and other states of the north-east as well as between migrants, perceived migrants and the host communities. If one is to accept that migration is a natural human phenomenon that occurs in varying degrees worldwide, one must also accept the fact that few countries in the world have successfully contained it, be it a superpower like the United States or a small country like Germany. Again, if one is to go by the premise that immigration, especially illegal immigration cannot be stopped, one must go a step further and say that it can only be contained or regulated. Or rather, it can be negotiated through a process of meaningful economic activities, exchanges, regulatory mechanisms, and above all through dialogue.

The problem of cross-border migration is sometimes complicated by religious factor. Either the people of the minority communities look to the option of taking



shelter in the neighbouring country exasperated with majoritarian insensitivities, or remain potential refugees or illegal migrants. During 1972-1993, a total number of 41,25,576 people arrived in India from Bangladesh. Out of that a total of 8,36,524 overstayed (difference between the immigration and emigration figures). Of them 5,38,501 were Hindus (GOI data).

## II

### Some Policy Suggestions

In terms of the Indian side of the border, particularly on the eastern side of Bangladesh, some specific suggestions that require inputs from the legal specialists for improvement and better implementation are given below. These suggestions need more study and detailed work.

(1) A system of identity cards acceptable to local population, particularly those living on the border in the eastern and the north-eastern region has to be ensured.

(2) While the system of visa for nationals of either country will continue, for those who cannot or do not want to use the visa system for economic and quasi-economic reasons, a specific, time-bound legal system sanctioning their presence in the host area for mutual economic benefit of both sides, legal and acknowledged, has to be devised. We can take the specific case of the Indian border district of Dhubri that shares both a river and land border with Bangladesh. The process of acquiring a passport (for which one has to travel eastward in an opposite direction, to the capital city of Guwahati) and a visa (for which one has to travel again to Calcutta) are both cumbersome and time-consuming. It is therefore, often tempting to simply cross the contiguous border 'unofficially' by paying some money to the dalals or brokers who arrange for a quick and safe cross-over for almost a paltry sum. A less cumbersome and more practical system of arranging for both passport and visa in the region will help in turning many such 'unofficial' border-crossing into legal entrance and thus help in a meaningful monitoring and negotiation of the phenomenon.

(3) This will involve the development of a scheme to allow migrants to come legally into the region on the basis of work permits issued by a Central Work Permit Authority with the backing of the relevant state set up by an Act of the Parliament, with specific clauses involving the officials of the local state and village-level administrators who will act as checks and balances to each other ensuring that no one group becomes too powerful so as to be able to bend the system. This may be worked out in association with the home

ministry as well as ministry for law and company affairs. A retired Supreme Court/high court judge may head such a panel and a member of the NHRC may be associated with it.

(4) Since the permits are intended to discourage illegal migration, and promote healthy economic co-operation at sub-regional and local level of both sides, the preliminary step may be that the permits be issued to groups (of say, 20 or so) rather than to individuals. It should be allowed in the following fields: agricultural operations at harvest time; construction; boat-building; fishing and allied activities. In doing so, the following procedure might be followed: the work permits could be issued at the border at posts set up for this purpose by cells that would include at its top a representative of the district magistrate with one senior member of the local panchayat or village council system, a police officer, a member of an NGO or some other public organisation, a representative of the labour board, with one of these five being a woman. Since the border is long, a system of such posts needs to be worked out either situating them at present places of checkpoints or beside them.

(5) The permits will be issued on spot after verification of the following documents: (a) the identity of the applicant(s) as proof of nationality/residency; (b) a clear statement on the place he/she will be residing for a maximum of next one year (work permits will be given for a maximum of one year to begin with) and the name of the employer who or whose representative must be present for the issue of the permit with supporting documents from his side; (c) a document of undertaking signed by the employer stating the employer's responsibility for the immigrant group/individual and his/her duty to report to the local authority (preferably local labour board) three times in a year; one, at the time of arrival to register; two, after six months to reconfirm their presence; three, at the time of departure at the end of the year. If the permit is to be extended, it can be done by the DC or the labour commissioner of the relevant district, for a period not beyond another two years; (d) the work permit will carry the photograph of the permit holder and will be laminated with his thumb impression/signature on the document to prevent misuse of the same; (e) the permit holders will have no voting or political rights but will have access to courts of the host country if their civil rights are injured in any way and will be permitted to receive payment for services at the same level as local workers and repatriate their savings to their home country; (f) the entire

arrangement will also give due consideration to the rights of local citizens while making use of a dynamic human resource.

(6) For the Indo-Bangladesh border, an autonomous bi-national commission can be formed to act as a flexible instrument for formulating strategies of co-operation. (a) such a commission will form temporary working groups of local parallels as existing between West Bengal/Assam/Meghalaya/India and Bangladesh on matters of land-holdings, employment, social and economic resources and formulate policies based on common factors and the market; (b) border demography, settlement problems in border areas, ethnic divisions within the region, viability of developing environmental provisions to convert the area into a self-sustaining unit with linkages to both countries will be ascertained by groups set up by the commission, the ultimate goal being to hand over local administration to largely de-centralised administrative units which can work with greater competence and stability in comparison to the vested interest groups and consequently the promotion of an atmosphere of greater understanding between two countries and also in the sub-region.

(7) Keeping in mind the enormous problems of surface communications suffered by north-east Indian states, it is strongly recommended that Bangladesh seriously considers the allotment of exit/entry visa facilities that will allow them to travel to other parts of the Indian mainland through Bangladesh territory. Bangladesh will generate a substantial revenue from this traffic. It is recommended that such exit/entry visa facility be available to Indian nationals who are residents of the seven north-east Indian states – Tripura, Mizoram, Manipur, Meghalaya, Assam, Nagaland and Arunachal Pradesh – for a period of four days. In case of transport problems due to unforeseen calamities such as floods the visa may be extended for another three days. The total duration of the exit/entry visa should not be for a period of more than seven days. Bangladesh already has a mission in Agartala that can be empowered to issue the exit/entry visas on the basis of an agreed amount of foreign exchange endorsement. In issuing such visas the Bangladesh mission may be guided by the permanent address of the visa applicant's passport.

(8) The proposed passenger bus service between Calcutta and Dhaka should be extended to Agartala and if possible to Silchar and Guwahati. This will provide cheap means of transport to residents in the area.

(9) To facilitate legitimate growth in Indo-Bangla border trade, customs and banking formalities of both countries should be simplified through direct interaction between Chamber of Commerce in Bangladesh and those in north-east India. Existing border area markets (hats) should be identified to develop legitimate border trade.

### III Larger Policy Issues

A successful negotiation of the immigration question is linked to the larger issues of enhanced sub-regional communication and trade, though this calls for a separate paper. Below we present some broad issues.

(1) In today's world, it is appropriate to emphasise the common elements, the need for greater co-operation and the need to abandon an 'isolationist mind-set', particularly in the backdrop of the partition of the subcontinent which has put both India and Pakistan/Bangladesh into serious economic disadvantage apart from the immense human cost that it has involved. The economy of East Pakistan remained as blocked as that of India's north-east. Minus East Pakistan/Bangladesh, the distance between the east and the north-east increased substantially, thereby acutely burdening the region with a quasi-permanent state of underdevelopment and underdeveloped communication. Experts have pointed out that the road distance between Calcutta and Agartala is about 2,000 kms longer than the distance between Calcutta and Mumbai. However, bulk commodities can be transferred from Calcutta or Haldia by ship along the coast to Chittagong port in Bangladesh, thereafter taken by Bangladesh railroad to Akhaura (about 100 km), adjacent to Agartala, and finally transported by Indian trucks to various destinations in the north-east, with the cost of transportation reducing drastically and the revenue of the Chittagong port increasing. India and Bangladesh, particularly the entire sub-region will gain consequently. Bangladesh can gain handsome royalty for the use of Chittagong port and the railway between Chittagong and Akhaura. This will help Bangladesh set off the current adverse balance of trade with India and have a trade surplus with the neighbouring states of the sub-region. Bangladesh does not have enough goods for export to India, but can export services to the region. Then again, this traffic will improve the berthing facilities at Chittagong. The additional traffic to Akhaura will open up employment opportunities along the route. The units of the sub-region enjoying common

facilities can undertake partial burden to construct berths at Chittagong port dedicated to the traffic, and also railway wagons and may also save foreign exchange.

(2) Another alternative is the re-activation of riverine traffic between Calcutta and Assam through the Sundarbans and the Bangladesh river system. There was considerable traffic on this route until 1965, when it was closed. On paper this route was revived after the independence of Bangladesh in 1971. But it has remained on paper only because of lack of investment necessary for maintaining a navigable channel all the year round, and because of inertia. According to experts, the river route is navigable all through the year from Calcutta up to the river port Ashugani on the Meghna, or even up to Karimganj. The distance between Ashuganj and Agartala is only about 40 km. What is needed is the activation of this route with advice and help from inland water transport experts of both the countries and also from Germany, the Netherlands and France which have traditionally used inland water-borne traffic. What is lacking is the political will in this region to give effect to this concept. With Haldia, Calcutta, Chittagong, Akhaura, Ashuganj and Karimganj becoming the pivotal points of the coastal and rail routes the entire sub-region will gain enormously. We may think of the co-ordination of the roads also with the opening of the new Jamuna bridge. What is principally needed is a fresh outlook which does not regard the common border and the common river as a burden but an asset to the entire region, i.e., the sub-region.

(3) The two countries as well as the units in the sub-region must give up its old attitudes and must get away from the habit of mutual suspicion, and treat questions of security or espionage as of lesser consequence to the prospect of economic co-operation between the two countries, and particularly in the region. Once the two countries as well as the units in the region decide on improvement of trade, utilisation of common resources, arrangement of transit and mutual co-operation in investment, they will realise that political differences are of secondary importance. In short, to strengthen the communication network we need in the first place a sub-regional perspective before we adopt a metropolitan outlook symbolised by an Asian highway that covers India (West Bengal and the north-east) and Bangladesh and can be utilised for the maximum benefit of the entire region. The truth is that the Asian highway can bring economic improvement in the region only when it is linked with a network of local com-

munication systems of rail, road and water transport.

(4) The improvement of air transport is also crucial here. Not being a member of the IATA the Bangladesh Biman (Bangladesh Airline) has its freedom and advantage to operate at a lower rate than most other international airlines. Once the Guwahati airport turns international, the Biman will have easy access to Guwahati, the gateway to the north-east. Besides operating passenger services, it can have cargo services and hence can export/re-export certain goods from Assam/north-east to the international market rapidly.

(5) Trade relationship can be augmented further when units in the sub-region have access to each others' markets. In this context it is important to note that most of the trade now is conducted illegally depriving both the government of Bangladesh and its neighbouring states. In such illegal trade, private traders have built a nexus with some of their government officials and corrupt politicians, which has to be countered at all cost.

(6) Some new items may be taken up for trade: to take the example of the north-east, the Meghalayan oranges and pineapples (which may be exported to Bangladesh and thence to Europe and the west Asia), in both raw and processed forms, so also the ginger, a kilogram of which costs Rs 120 in Dubai whereas the same costs Rs 10 in Guwahati. The famous Bangladeshi jamdaani and other high quality saris will have good market demand in Assam. Assam in turn is famous for her paat and mugaa silks which could be sent to Bangladesh markets. Trade between India/Assam and Bangladesh has not increased substantially despite 12 years of South Asian Association for Regional Co-operation and the South Asia Preferential Trading Agreement. What is needed today is a fast track approach and equity in trade. Trade relations lead to improvement of relations on a broad scale, like exchange of cultural troupes, artists, persons engaged in literary work, journalists, academics, researchers, and others.

(7) Finally, a joint sub-regional project to study the problem of borders and immigration should be initiated soon with a stipulated time-frame to complete the study. Admittedly hurdles are there and pose a challenge to our collective intellectual capacity. They also impel us to negotiate the problem of borders and immigration in the broader context of economic co-operation, sub-regional co-operation, cultural dialogue and human security in this part of the globe which can hardly afford to remain an island in a fast-changing world.



# Bank Muscat International S.A.O.G

BANGALORE BRANCH

(Incorporated in the Sultanate of Oman with Limited Liability)

Balance Sheet as on March 31, 1999			Profit & Loss Account for the Period Ended March 31, 1999		
(Amount in Rs. 000's)			(Amount in Rs. 000's)		
	Schedule	As on 31-03-1999		Schedule	Period Ended 31-03-1999
<b>CAPITAL &amp; LIABILITIES</b>			<b>I. INCOME</b>		
Capital	1	428,005	Interest earned	13	26,013
Reserves	2	Nil	Other income	14	4,407
Deposits	3	206,921			
Borrowings	4	45,000	<b>Total</b>		<b>30,420</b>
Other Liabilities & Provisions	5	9,018			
<b>Total</b>		<b>688,944</b>			
<b>ASSETS</b>			<b>II. EXPENDITURE</b>		
Cash & Balance with Reserve Bank of India	6	17,103	Interest expended	15	6,634
Balances with banks and money at call and short notice	7	416,016	Operating expenses	16	33,886
Investments	8	89,415	<b>Total</b>		<b>40,520</b>
Advances	9	80,801			
Fixed Assets	10	32,655			
Other Assets	11	52,954			
<b>Total</b>		<b>688,944</b>			
Contingent Liabilities	12		<b>III. PROFIT/(LOSS)</b>		<b>(10,100)</b>
Letters of Guarantee		2,003			
Bills for Collection		2,422			
Notes on accounts	17		Notes on accounts	17	

Schedules referred to herein form an integral part of the Balance Sheet and the Profit and Loss Account.

As per our report of even date

for Fraser & Ross  
Chartered Accountants

Sd/-  
M. Lakshminarayanan  
Partner

for Bank Muscat International S.A.O.G

Sd/-  
Samit Ghosh  
Chief Executive - India

Place: Bangalore  
Date: June 28, 1999



# Bank Muscat International S.A.O.G

BANGALORE BRANCH

(Incorporated in the Sultanate of Oman with Limited Liability)

Schedules Forming Part of the Accounts of the Indian Branch for the Period Ended March 31, 1999

(Amount in Rs. 000's)			(Amount in Rs. 000's)	
Particulars		As on 31-03-1999	Particulars	As on 31-03-1999
<b>SCHEDULE 1 - CAPITAL</b>			<b>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</b>	
<b>Capital</b>				
Amount of Capital inflow from Head Office (USD 10.350 million)	438,105		I. Accrued Interest Payable	3,142
Less: Loss for the period	(10,100)	428,005	II. Unearned Discount	388
			III. Other payables (including provisions)	5,488
<b>Total</b>		<b>428,005</b>	<b>Total</b>	<b>9,018</b>
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>		Nil	<b>SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA</b>	
<b>SCHEDULE 3 - DEPOSITS</b>				
(A) I. Demand Deposits			I. Cash in hand (including foreign currency notes)	906
(i) From banks	472		II. Balance with Reserve Bank of India	
(ii) From others	5,654	6,126	(a) In current account	16,197
			(b) In other accounts	Nil
II. Saving Bank Deposits		4,561	<b>Total</b>	<b>17,103</b>
III. Term Deposits			<b>SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>	
(i) From banks	20,000			
(ii) From others	176,234	196,234	I. In India	
(B) (i) Deposits of branches in India	Nil		1. Balances with banks	
(ii) Deposits of branches outside India	Nil		(a) In current accounts	1,922
			(b) In deposit accounts	256,800
<b>Total</b>		<b>206,921</b>	2. Money at call and short notice	Nil
<b>SCHEDULE 4 - BORROWINGS</b>			<b>Total (1 and 2)</b>	<b>258,722</b>
I. Borrowings in India			II. Outside India	
a. Reserve Bank of India		Nil	1. Balances with banks	
b. From other Banks		25,000	(a) In current accounts	303
c. From other institutions and agencies		20,000	(b) In deposit accounts	156,991
II. Borrowings outside India		Nil	2. Money at call and short notice	Nil
From banks		Nil	<b>Total (1 and 2)</b>	<b>157,294</b>
<b>Total</b>		<b>45,000</b>	<b>Grand Total (I and II)</b>	<b>416,016</b>
Secured borrowings included in I and II above				



# Bank Muscat International S.A.O.G

BANGALORE BRANCH

(Incorporated in the Sultanate of Oman with Limited Liability)

Schedules Forming Part of the Accounts of the Indian Branch for the Period Ended March 31, 1999

(Amount in Rs. 000's)		(Amount in Rs. 000's)	
Particulars	As on 31-03-1999	Particulars	As on 31-03-1999
<b>SCHEDULE 8 - INVESTMENTS</b>		<b>SCHEDULE 10 - FIXED ASSETS</b>	
<b>Investments in India</b>		(a) Leasehold premises - Furniture and Fixtures	
I. Government securities	2,570	Additions during the period	11,421
II. Treasury Bills	56,845	Deletions during the period	Nil
III. Debentures and bonds	30,000	Depreciation to date	1,270
		<b>Total</b>	<b>10,151</b>
<b>Investments outside India</b>	Nil	(b) Other Fixed Assets - including Furniture and Fixtures	
<b>Gross Investments</b>	<b>89,415</b>	Additions during the period	25,075
Less: Provision for depreciation	Nil	Deletions during the period	132
		Depreciation to date	2,439
<b>Net Investments</b>	<b>89,415</b>	<b>Total</b>	<b>22,504</b>
		<b>Grand Total</b>	<b>32,655</b>
<b>SCHEDULE 9 - ADVANCES</b>		<b>SCHEDULE 11 - OTHER ASSETS</b>	
A. I. Bills purchased and discounted	16,141	I. a. Interest accrued	5,060
II. Cash credits, overdrafts and loans repayable on demand	14,304	b. Other assets	1,226
III. Term loans	50,356	c. Stationery and stamps	2
		d. Staff loans	13,540
<b>Total</b>	<b>80,801</b>	e. Deposits and advances	20,882
B. I. Secured by tangible assets	63,653	f. Advance Interest tax	71
II. Covered by bank guarantees	16,919	II. Preoperative expenses to the extent not written off	12,173
III. Unsecured	229		
<b>Total</b>	<b>80,801</b>	<b>Total</b>	<b>52,954</b>
C. I Advances in India		<b>SCHEDULE 12 - CONTINGENT LIABILITIES</b>	
(i) Priority sector	4,022	I. Letters of guarantee	2,003
(ii) Public sector	Nil	II. Bills for collection	2,422
(iii) Banks	Nil	III. Claims against the bank not acknowledged as debts	Nil
(iv) Others	76,779	IV. Liability for partly paid investments	Nil
<b>Total</b>	<b>80,801</b>	V. Liability on account of outstanding foreign exchange contract	14,967
C. II. Advances outside India		VI. Guarantees given on behalf of constituents	
a) Due from banks	Nil	(a) In India	2,003
b) Due from others	Nil	(b) Outside India	Nil
i) Bills purchased and discounted	Nil	VII. Acceptances, endorsements and other obligations	Nil
ii) Others	Nil	VIII. Other items for which the bank is contingently liable	635
<b>Grand Total</b>	<b>80,801</b>	<b>Total</b>	<b>22,030</b>

Economic and Political Weekly September 4, 1999

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# Bank Muscat International S.A.O.G

BANGALORE BRANCH

*(Incorporated in the Sultanate of Oman with Limited Liability)*

## **Investments**

All investments held by the bank are current investments in view of the short maturity period

Government of India securities and Treasury Bills are stated at cost

## **Credit Losses**

The Bank has classified its loans and advances as per the asset classification norms prescribed by the Reserve Bank of India. Provisions for credit losses and writeoffs are made whenever necessary to conform to the prudential accounting norms prescribed by the Reserve Bank of India for asset classification and income recognition

## **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks

## **Fixed Assets**

### **Premises and Equipment**

Improvements carried out to the lease hold premises are capitalised and depreciated at 20% per annum on straight line basis

### **Equipment and other Fixed Assets**

Equipment, namely computers including computer software, fax machines, and other electronically operated machines are recorded at cost and depreciated at 20% per annum on straight line basis.

### **Furniture and Fixtures**

Furniture and Fixtures including those purchased from previous lessee are recorded at cost and depreciated at 20% per annum on straight line basis.

## **Preoperative expenses**

The bank has commenced business from 9th of September, 1998. All expenses incurred prior to commencement of business, that were not capital in nature, are being treated as a deferred revenue expenditure and are being amortised over a period of five years

## **Income recognition**

Interest receivable and payable are recognised on an accrual basis. Other fees receivable or payable are recognised when due. The bank follows a procedure of income recognition which satisfies the norms prescribed by the Reserve Bank of India. Interest income includes interest tax collected from the customers. Discount income on treasury bills is accrued periodically and recognised in the Profit and Loss Account.

## **C. Notes on Accounts**

### **Net Profit/Loss**

The net income/loss disclosed in the Profit and Loss Account is after provision for interest tax.

### **Preoperative expenses**

Preoperative expenses of Rs. 1,522 770/- written off (proportionate) in the accounts represent expenses incurred prior to commencement of the business.

### **Current Investment**

Following the YTM method of valuation in compliance with RBI requirements, no adjustment has been made in respect of the cost of investments as the market value exceeds the cost

Treasury Bills are valued at cost.

Twelve month floating rate non-convertible bonds are valued at cost

### **Branch Inauguration Expenses**

Other operating expenses include Rs. 4,155,814/- being the expenditure incurred by the bank on account of inauguration of the bank's branch in India. The entire expenditure has been written off in these accounts.

### **Taxation**

There is no tax liability for the period in view of the loss and provision for interest tax has been made on eligible interest under the Interest Tax Act, 1974.

### **Revaluation Gain/Loss**

The revaluation gain/loss in respect of foreign exchange contracts is being accounted in the Profit and Loss Account as per FEDAI guidelines.

### **Location of Branch**

The Indian branch of the bank as at 31st March, 1999 is at Bangalore.

### **Compliance of Sec 11(2)(b)**

The bank has lodged approved securities of the face value of Rs. 20 Lakhs with the Reserve Bank of India under Sec 11(2)(b) of the Banking Regulation Act, 1949 for the period ended 31st March, 1999.

### **Capital Adequacy Ratio**

The Capital Adequacy Ratio of the Bank Tier I as at 31st March, 1999 as computed under the guidelines issued by the Reserve Bank of India is 212.45%.





# Bank Muscat International S.A.O.G

BANGALORE BRANCH

*(Incorporated in the Sultanate of Oman with Limited Liability)*

**Note:**

Being a startup year for the bank, most of the funds have been deployed in other than 100% risk weighted assets. As the loan portfolio builds up, the CAR will reduce.

Substantial loans have been provided against 100% cash collateral. Hence, the high CAR for the current period.

In terms of guidelines issued by the Reserve Bank of India, the following additional disclosures are made:-

a. Capital Adequacy Tier I Capital	212.45%
b. Interest income as a percentage of working funds	3.34%
c. Non Interest income as a percentage of working funds	1.08%
d. Operating profit as a percentage to working funds	N.A (being loss for the period)
e. Return on assets	
(i) Operating Profit/Average Earning Assets	- do -
(ii) Net profit/Total Assets	- do -
f. Business (deposits and advances) per employee	Rs. 75.29 Lakhs
g. Profit per employee	N.A (being loss for the period)

**Y2K Compliance**

Adequate steps are being taken to ensure that the bank's IT infrastructure is fully Y2K compliant before December 1999

**Comparative Figures**

This being the first accounts relating to the operations of the Bank in India, there are no comparative figures.

For Bank Muscat International S.A.O.G.

Sd/-

**Samit Ghosh**

Chief Executive - India

Place : Bangalore

Date : June 28, 1999

For Fraser & Ross

Chartered Accountants

Sd/-

**M. Lakshminarayanan**

Partner

## AUDITOR'S REPORT ON THE ACCOUNTS OF THE INDIAN BRANCH OF BANK MUSCAT INTERNATIONAL S.A.O.G

We have audited the attached Balance Sheet of the Indian Branch of Bank Muscat International S.A O.G (Incorporated in the Sultanate of Oman with Limited Liability), as on 31st March 1999 and the Profit and-Loss Account of the Indian Branch of the Bank for the period from 9th September 1998 to 31st March 1999.

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of Section 211 and Sub-Section (5) of Section 227 of the Companies Act, 1956.

We report that:-

We have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.

The transactions which have come to our notice have been, in our opinion, with the powers of the Indian Branch of the Bank.

In our opinion, proper books of accounts as required by law have been kept by the Indian Branch of the Bank so far as appears from our examination of those books.

The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.

Attention is invited to:-

Note B2 in Schedule 17 regarding conversion of foreign currency balances and forward exchange contracts. Note no 11 regarding Y2K compliance. It may be noted in this context that our audit is not intended, designed, or performed to express an opinion on the same.

In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account, read with other notes thereon, give the information required by the Companies Act, 1956, in the manner so required, for the Banking Companies and give a true and fair view of the state of affairs of the Indian Branch of the Bank as at 31st March 1999 and its loss for the period ended on that date.

For Fraser & Ross  
Chartered Accountants

Sd/-

**M. Lakshminarayanan**

Partner

Place: Bangalore

Dated: June 28, 1999



(Incorporated with Limited Liability in U.S.A.)

**BALANCE SHEET OF THE INDIAN BRANCHES AS AT MARCH 31, 1999**

	Schedule	As on 31.03.99 Rs. '000	As on 31.03.98 Rs. '000
<b>CAPITAL &amp; LIABILITIES</b>			
Amount of deposit kept with RBI under Section 11(2) (b) of the Banking Regulation Act, 1949	1	2,520,000	2,280,000
Capital	1	2,000	NIL
Reserves & Surplus	2	8,789,977	9,842,849
Deposits	3	94,366,343	75,507,193
Borrowings	4	14,120,994	12,649,345
Other liabilities and provisions (includes sub-ordinated debt of the face value of Rs. 2,250 million)	5	11,599,355	9,979,937
<b>TOTAL</b>		<b>128,878,669</b>	<b>107,979,324</b>
<b>ASSETS</b>			
Cash and balance with Reserve Bank of India	6	6,631,629	4,747,794
Balances with banks and money at call and short notice	7	22,153,119	19,717,935
Investments	8	37,737,857	25,565,241
Advances	9	49,995,512	47,668,264
Fixed Assets	10	4,434,469	3,414,642
Other Assets	11	7,926,083	6,865,447
<b>TOTAL</b>		<b>128,878,669</b>	<b>107,979,324</b>
Contingent Liabilities	12	291,931,258	298,938,952
Bills for Collection		1,330,176	1,220,005
NOTES ON ACCOUNTS	18		

Schedules referred to herein form an integral part of the Balance Sheet.  
This is the Balance Sheet referred to in our report of even date.

**For Bharat S Raut & Co.**  
*Chartered Accountants*

Sd/-  
**Russell I Parera**  
*Partner*

Sd/-  
**David P. Conner**  
Chief Executive Officer - India

Sd/-  
**S. Venkatachalam**  
Vice President

Sd/-  
**Abhijit Sen**  
Vice President

Place: Mumbai  
Date: June 28, 1999.



(Incorporated with Limited Liability in U.S.A.)

**PROFIT AND LOSS ACCOUNT OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999**

	Schedule	Year ended 31.03.99 Rs. '000	Year ended 31.03.98 Rs. '000
<b>I. INCOME</b>			
Interest earned	13	13,445,616	11,873,860
Other income	14	5,263,924	4,200,489
<b>TOTAL</b>		<b>18,709,540</b>	<b>16,074,349</b>
<b>II. EXPENDITURE</b>			
Interest expended	15	9,067,709	7,130,359
Operating expenses	16	4,516,586	4,137,331
Provisions and contingencies	17	3,951,179	3,614,490
<b>TOTAL</b>		<b>17,535,474</b>	<b>14,882,180</b>
<b>III. PROFIT</b>			
Net profit for the year		1,174,066	1,192,169
Profit brought forward		6,688,617	5,745,704
<b>TOTAL</b>		<b>7,862,683</b>	<b>6,937,873</b>
<b>IV. APPROPRIATIONS</b>			
Transfers to statutory reserves		234,813	238,434
Transfer to H.O. Capital		2,000	NIL
Transfer to FX reserve		72,000	NIL
Transfer to Capital reserve on sale of immovable property (pertaining to prior years)		20,940	NIL
Transfer to Furniture and Equipment reserve (pertaining to prior years)		12,364	NIL
Transfers to Investments Fluctuation Reserve		69,594	10,822
Profits remitted during the year		2,234,331	NIL
Balance carried over to Balance Sheet		5,216,641	6,688,617
<b>TOTAL</b>		<b>7,862,683</b>	<b>6,937,873</b>
<b>NOTES ON ACCOUNTS</b>	18		

Schedules referred to herein form an integral part of the Profit and Loss Account  
This is the Profit and Loss Account referred to in our report of even date.

**For Bharat S Raut & Co.**  
*Chartered Accountants*

Sd/-  
**Russell I Parera**  
*Partner*

Sd/-  
**David P. Conner**  
Chief Executive Officer – India

Sd/-  
**S. Venkatachalam**  
Vice President

Sd/-  
**Abhijit Sen**  
Vice President

Place: Mumbai  
Date: June 28, 1999.



(Incorporated with Limited Liability in U.S.A.)

**SCHEDULES FORMING PART OF THE ACCOUNTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999**

	Rs. '000	As on 31.03.99 Rs. '000	As on 31.03.98 Rs. '000
<b>SCHEDULE 1 - CAPITAL</b>			
<b>CAPITAL</b>			
Amount of deposit kept with RBI under Section 11(2) (b) of the Banking Regulation Act, 1949 (see schedule 18 - note E)		2,520,000	2,280,000
<b>Capital</b>			
Opening Balance	NIL		
Add: Created during the year by capitalisation of reserves	2,000	2,000	NIL
<b>TOTAL</b>		<b>2,000</b>	<b>NIL</b>
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>			
<b>I. Statutory Reserves</b>			
Opening Balance	1,855,859		1,617,425
Additions during the year	234,813		238,434
		2,090,672	1,855,859
<b>II. Citibank Cards Reserve</b>		67,500	67,500
<b>III. Furniture &amp; Equipment Reserve</b>			
Opening Balance	15,722		15,722
Additions during the year	12,364		NIL
		28,086	15,722
<b>IV. Properties Investment Reserve (see schedule 18 - note B)</b>		619,431	619,431
<b>V. Revaluation Reserve (see schedule 18 - note A(v))</b>			
Opening Balance	582,766		613,438
Less: Depreciation during the year	29,138		30,672
	553,628		582,766
Additions during the year	38,532		NIL
		592,160	582,766
<b>VI. Investments Fluctuation Reserve</b>			
Opening Balance	12,953		2,132
Additions during the year	69,594		10,822
		82,547	12,954
<b>VII. Capital Reserve on sale of immovable properties</b>			
Opening Balance	NIL		NIL
Additions during the year	20,940		NIL
		20,940	NIL
<b>VIII. FX Reserve</b>			
Opening Balance	NIL		NIL
Additions during the year	72,000		NIL
		72,000	NIL
<b>IX. Balance in Profit and Loss Account</b>		5,216,641	6,688,617
<b>TOTAL</b>		<b>8,789,977</b>	<b>9,842,849</b>



(Incorporated with Limited Liability in U.S.A.)

**SCHEDULES FORMING PART OF THE ACCOUNTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999**

	As on 31.03.99 Rs. '000	As on 31.03.98 Rs. '000
<b>SCHEDULE 3 – DEPOSITS</b>		
<b>A. I. Demand Deposits</b>		
i) From banks	506,046	478,772
ii) From others	18,394,149	12,141,398
	<u>18,900,195</u>	<u>12,620,170</u>
<b>II. Savings Bank Deposits</b>	3,423,030	2,311,323
<b>III. Term Deposits</b>		
i) From banks	15,994,150	45,000
ii) From others	56,048,968	60,530,700
	<u>72,043,118</u>	<u>60,575,700</u>
<b>TOTAL</b>	<u><b>94,366,343</b></u>	<u><b>75,507,193</b></u>
<b>B. i) Deposits of branches in India</b>	<u><b>94,366,343</b></u>	<u><b>75,507,193</b></u>
<b>SCHEDULE 4 – BORROWINGS</b>		
<b>I. Borrowings in India</b>		
i) Reserve Bank of India	6,436,032	1,414,100
ii) Other banks	5,589,901	8,447,519
iii) Other institutions and agencies	1,977,278	2,657,402
	<u>14,003,211</u>	<u>12,519,021</u>
<b>II. Borrowings outside India</b>	117,783	130,324
<b>TOTAL</b>	<u><b>14,120,994</b></u>	<u><b>12,649,345</b></u>
<b>Secured borrowings included in I &amp; II above</b>	<b>4,635,000</b>	<b>1,274,444</b>



(Incorporated with Limited Liability in U.S.A.)

**SCHEDULES FORMING PART OF THE ACCOUNTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999**

	Rs. '000	As on 31.03.99 Rs. '000	As on 31.03.98 Rs. '000
<b>SCHEDULE 1 - CAPITAL</b>			
<b>CAPITAL</b>			
Amount of deposit kept with RBI under Section 11(2) (b) of the Banking Regulation Act, 1949 (see schedule 18 - note E)		2,520,000	2,280,000
Capital			
Opening Balance	NIL		
Add: Created during the year by capitalisation of reserves	2,000	2,000	NIL
<b>TOTAL</b>		<b>2,000</b>	<b>NIL</b>
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>			
<b>I. Statutory Reserves</b>			
Opening Balance	1,855,859		1,617,425
Additions during the year	234,813		238,434
		2,090,672	1,855,859
<b>II. Citibank Cards Reserve</b>		67,500	67,500
<b>III. Furniture &amp; Equipment Reserve</b>			
Opening Balance	15,722		15,722
Additions during the year	12,364		NIL
		28,086	15,722
<b>IV. Properties Investment Reserve (see schedule 18 - note B)</b>		619,431	619,431
<b>V. Revaluation Reserve (see schedule 18 - note A(v))</b>			
Opening Balance	582,766		613,438
Less: Depreciation during the year	29,138		30,672
	553,628		582,766
Additions during the year	38,532		NIL
		592,160	582,766
<b>VI. Investments Fluctuation Reserve</b>			
Opening Balance	12,953		2,132
Additions during the year	69,594		10,822
		82,547	12,954
<b>VII. Capital Reserve on sale of immovable properties</b>			
Opening Balance	NIL		NIL
Additions during the year	20,940		NIL
		20,940	NIL
<b>VIII. FX Reserve</b>			
Opening Balance	NIL		NIL
Additions during the year	72,000		NIL
		72,000	NIL
<b>IX. Balance in Profit and Loss Account</b>		5,216,641	6,688,617
<b>TOTAL</b>		<b>8,789,977</b>	<b>9,842,849</b>



(Incorporated with Limited Liability in U.S.A.)

**SCHEDULES FORMING PART OF THE ACCOUNTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999**

	As on 31.03.99 Rs. '000	As on 31.03.98 Rs. '000
<b>SCHEDULE 3 - DEPOSITS</b>		
<b>A. I. Demand Deposits</b>		
i) From banks	506,046	478,772
ii) From others	18,394,149	12,141,398
	<u>18,900,195</u>	<u>12,620,170</u>
<b>II. Savings Bank Deposits</b>	3,423,030	2,311,323
<b>III. Term Deposits</b>		
i) From banks	15,994,150	45,000
ii) From others	56,048,968	60,530,700
	<u>72,043,118</u>	<u>60,575,700</u>
<b>TOTAL</b>	<u><b>94,366,343</b></u>	<u><b>75,507,193</b></u>
<b>B. i) Deposits of branches in India</b>	<u><b>94,366,343</b></u>	<u><b>75,507,193</b></u>
<b>SCHEDULE 4 - BORROWINGS</b>		
<b>I. Borrowings in India</b>		
i) Reserve Bank of India	6,436,032	1,414,100
ii) Other banks	5,589,901	8,447,519
iii) Other institutions and agencies	1,977,278	2,657,402
	<u>14,003,211</u>	<u>12,519,021</u>
<b>II. Borrowings outside India</b>	117,783	130,324
<b>TOTAL</b>	<u><b>14,120,994</b></u>	<u><b>12,649,345</b></u>
<b>Secured borrowings included in I &amp; II above</b>	<b>4,635,000</b>	<b>1,274,444</b>





(Incorporated with Limited Liability in U.S.A.)

**SCHEDULES FORMING PART OF THE ACCOUNTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999**

	Rs. '000	As on 31.03.99 Rs. '000	As on 31.03.98 Rs. '000
<b>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</b> (see schedule 18 - note C)			
I. Bills payable		4,354,817	2,652,307
II. Inter-office adjustments (net)		404,471	3,122,232
III. Interest accrued		1,060,663	1,189,698
IV. Subordinated debt (see Schedule 18 - Note H)		2,250,000	NIL
V. Others (including provisions)		3,529,404	3,015,700
<b>TOTAL</b>		<b>11,599,355</b>	<b>9,979,937</b>
<b>SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA</b>			
I. Cash in hand (including foreign currency notes)		288,387	209,292
II. Balances with Reserve Bank of India			
i) in Current Account	6,343,242		4,538,502
ii) in Other Accounts	NIL		NIL
		6,343,242	4,538,502
<b>TOTAL</b>		<b>6,631,629</b>	<b>4,747,794</b>
<b>SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>			
I. In India			
i) Balances with banks			
a) in Current Accounts	4,228,646		3,324,203
b) in Other Deposit Accounts	3,500		NIL
		4,232,146	3,324,203
ii) Money at call and short notice			
a) With banks	NIL		200,975
b) With other institutions	NIL		NIL
		NIL	200,975
<b>TOTAL</b>		<b>4,232,146</b>	<b>3,525,178</b>
II. Outside India			
i) in Current Account	69,376		42,570
ii) in Other Deposit Accounts	17,851,597		16,150,187
iii) Money at call and short notice	NIL		NIL
<b>TOTAL</b>		<b>17,920,973</b>	<b>16,192,757</b>
<b>GRAND TOTAL</b>		<b>22,153,119</b>	<b>19,717,935</b>



(Incorporated with Limited Liability in U.S.A.)

**SCHEDULES FORMING PART OF THE ACCOUNTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999**

	As on 31.03.99 Rs. '000	As on 31.03.98 Rs. '000
<b>SCHEDULE 8 – INVESTMENTS</b> (see schedule 18 – note A (iv))		
I. Investments in India		
i) Government securities	27,873,849	21,069,079
ii) Other approved securities	481,103	358,354
iii) Shares	65	103
iv) Debentures and Bonds	8,595,438	3,198,380
v) Others (schedule 18 – note F)	787,402	939,325
<b>TOTAL</b>	<b>37,737,857</b>	<b>25,565,241</b>
Gross Investments	38,263,846	26,254,977
Less: Provisions for depreciation	525,989	689,736
Net Investments	<b>37,737,857</b>	<b>25,565,241</b>
<b>SCHEDULE 9 – ADVANCES</b> (see schedule 18 – note A (iii))		
A. i) Bills purchased and discounted	2,641,944	2,004,621
ii) Cash credits, overdrafts and loans repayable on demand	15,431,116	7,116,929
iii) Term loans	31,922,452	38,546,714
<b>TOTAL</b>	<b>49,995,512</b>	<b>47,668,264</b>
B. i) Secured by tangible assets	24,720,132	27,782,121
ii) Covered by Bank/Government Guarantees	3,300,660	NIL
iii) Unsecured	21,974,720	19,886,143
<b>TOTAL</b>	<b>49,995,512</b>	<b>47,668,264</b>
C. I. Advances in India		
i) Priority Sectors	7,596,741	5,436,423
ii) Public Sector	80,797	79,533
iii) Others	42,317,974	42,152,308
<b>TOTAL</b>	<b>49,995,512</b>	<b>47,668,264</b>
II. Advances Outside India		
i) Due from banks	NIL	NIL
ii) Due from others		
a) Bills purchased and discounted	NIL	NIL
b) Syndicated loans	NIL	NIL
c) Others	NIL	NIL
<b>TOTAL</b>	<b>NIL</b>	<b>NIL</b>
<b>GRAND TOTAL (C. I &amp; II)</b>	<b>49,995,512</b>	<b>47,668,264</b>



(Incorporated with Limited Liability in U.S.A.)

**SCHEDULES FORMING PART OF THE ACCOUNTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999**

	As on 31.03.99 Rs. '000	As on 31.03.98 Rs. '000
<b>SCHEDULE 10 – FIXED ASSETS</b> (see schedule 18 – note A (v))		
I. Leasehold land		
At cost as on 1 April	NIL	NIL
Additions during the year	740,627	NIL
Deductions during the year	NIL	NIL
Depreciation to date	(2,394)	NIL
	738,233	NIL
II. Premises		
At cost as on 1 April	356,122	287,745
Additions during the year	394,154	154,296
Deductions during the year	NIL	(85,919)
Depreciation to date	(49,174)	(41,450)
	701,102	314,672
Add. Premises Revaluation	592,160	582,766
<b>TOTAL</b>	<b>1,293,262</b>	<b>897,438</b>
III. Other Fixed Assets (including furniture and fixtures)		
At cost as on 1 April	2,544,612	2,046,284
Additions during the year	1,090,360	535,244
Deductions during the year	(114,716)	(36,916)
Depreciation to date	(1,494,317)	(1,069,132)
<b>TOTAL</b>	<b>2,025,939</b>	<b>1,475,480</b>
Capital Work-in-progress	377,035	1,041,723
<b>GRAND TOTAL</b>	<b>4,434,469</b>	<b>3,414,642</b>
<b>SCHEDULE 11 – OTHER ASSETS</b> (see schedule 18 – note C)		
I. Due from Head Office	NIL	NIL
II. Inter Office adjustments (Net)	NIL	NIL
III. Interest accrued	1,607,192	1,348,811
IV. Stationery and stamps	10,424	17,910
V. Others	6,308,467	5,498,726
<b>TOTAL</b>	<b>7,926,083</b>	<b>6,865,447</b>
<b>SCHEDULE 12 – CONTINGENT LIABILITIES</b>		
I. Claims against the bank not acknowledged as debts	22,336	22,336
II. Liability for partly paid investments	NIL	NIL
III. Liability on account of outstanding forward exchange contracts	270,309,676	278,867,322
IV. Guarantees given on behalf of constituents		
a) In India	5,359,875	4,755,212
b) Outside India	1,123,554	2,227,188
V. Acceptances, endorsements and other obligations	13,435,216	11,675,514
VI. Other items	1,680,601	1,391,580
<b>TOTAL</b>	<b>291,931,258</b>	<b>298,938,952</b>



(Incorporated with Limited Liability in U.S.A.)

**SCHEDULES FORMING PART OF THE ACCOUNTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999**

	Year ended 31.03.99 Rs. '000	Year ended 31.03.98 Rs. '000
<b>SCHEDULE 13 – INTEREST EARNED</b>		
I. Interest/discount on advances/bills	8,227,475	7,864,656
II. Income on investments	4,080,945	2,986,250
III. Interest on balances with Reserve Bank of India and other inter-bank funds	1,035,931	1,001,374
IV. Others	101,265	21,580
<b>TOTAL</b>	<b>13,445,616</b>	<b>11,873,860</b>
<b>SCHEDULE 14 – OTHER INCOME</b>		
I. Commission, exchange and brokerage	3,230,577	2,985,783
II. Profit on sale of investments	972,774	675,712
III. Profit/(Loss) on sale of fixed assets	(7,702)	1,313
IV. Profit/(Loss) on exchange transactions	1,067,373	480,840
V. Miscellaneous Income	902	56,841
<b>TOTAL</b>	<b>5,263,924</b>	<b>4,200,489</b>
<b>SCHEDULE 15 – INTEREST EXPENDED</b>		
I. Interest on deposits	8,083,172	5,523,447
II. Interest on Reserve Bank of India/inter-bank borrowings	809,727	889,977
III. Others	174,810	716,935
<b>TOTAL</b>	<b>9,067,709</b>	<b>7,130,359</b>
<b>SCHEDULE 16 – OPERATING EXPENSES</b>		
I. Payments to and provisions for employees	1,013,583	782,230
II. Rent, taxes and lighting	408,986	378,389
III. Printing and stationery	156,584	133,088
IV. Advertisement and publicity	490,500	471,048
V. Depreciation on bank's property	454,011	323,765
VI. Local advisory board members fees, allowances and expenses	1,206	1,195
VII. Auditors' fees	3,000	3,000
VIII. Law charges	29,426	23,591
IX. Postage, Telegrams, Telephones, etc.	322,957	249,556
X. Repairs and maintenance	318,527	255,966
XI. Insurance	84,365	90,696
XII. Other expenditure	1,233,441	1,424,897
<b>TOTAL</b>	<b>4,516,586</b>	<b>4,137,331</b>
<b>SCHEDULE 17 – PROVISIONS AND CONTINGENCIES</b>		
I. Provisions for non-performing assets/writeoffs (Net)	1,173,961	836,894
II. Provision for taxation (1997-98 figures include Rs 592.6 million of earlier years) (1998-99 figures include Rs 950.2 million of earlier years)	2,940,965	2,477,022
III. Net provision for depreciation on investments	(163,747)	300,574
<b>TOTAL</b>	<b>3,951,179</b>	<b>3,614,490</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999****SCHEDULE 18****NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999****A. STATEMENT OF ACCOUNTING POLICIES****i) BASIS OF PRESENTATION**

The financial statements of the Indian branches of Citibank N.A. ('the Bank') have been prepared under the historical cost convention on the accrual basis of accounting in accordance with generally accepted accounting principles and conform to the statutory requirements prescribed under the Banking Regulation Act, 1949 and current practices within the banking industry in the country.

**ii) FOREIGN CURRENCY TRANSLATION**

Foreign currency assets and liabilities are translated at the balance sheet date at rates notified by the Foreign Exchange Dealers Association of India ("FEDAI"). Revenues and expenses are translated at rates prevailing on the transaction date. Foreign exchange trading positions including spot and forward contracts (other than those from foreign currency swaps) are revalued monthly at prevailing market rates (notified by FEDAI) and the resulting gains and losses are included in Foreign Exchange revenue. The profit or loss on revaluation is recorded in the profit and loss account is the present value equivalent using appropriate discount rates. The revaluation gain/loss in respect of foreign exchange contracts are being consistently accounted in the profit and loss account as per FEDAI guidelines in preference to AS-11, as required under the Reserve Bank of India (RBI) Circular No. DBOD No. BP.BC.24/21.04.048/99 dated March 30, 1999.

Certain foreign currency deposits are swapped into Indian Rupees at the spot rate prevailing on the date of the swap. The premium or discount on the swap arising out of the difference in the exchange rate on the swap date and the maturity date of the underlying forward contract, is amortised over the period of the swap and recorded as interest expenses.

Foreign currency swaps are marked to market using respective discount rates for rupee and foreign currency cash flows. All conversions are then recorded at spot rates notified by FEDAI. The profit or loss on revaluation is recorded in the Profit and Loss Account. The notional value of these swaps are recorded as contingencies.

Foreign currency options are recorded as contingencies at their underlying notional principal amount. As these are fully hedged contracts, the profit or loss on these contracts is recorded in the balance sheet under other assets and other liabilities to reflect the credit risk on these transactions.

**iii) ADVANCES**

Advances include portfolio purchases and are stated net of provisions and interest in suspense. The Bank has a consistent internal policy of classifying its commercial and consumer loans and advances. Provision for credit losses and write-offs, satisfy the prudential norms prescribed by the RBI for income recognition, asset classification and provisioning. All provisions against doubtful advances are made on a gross basis with tax relief being accounted for only in the year of write-off. Advances securitised are recorded as sales.

**iv) INVESTMENTS**

All investments held by the bank are 'current investments' and are valued at the lower of cost and market value or below that value (book value) in aggregate for each category in compliance with the RBI requirements. Treasury Bills, Capital Indexed Bonds, Certificate of Deposit, Commercial Paper, Pass Through Certificates and Floating Rate Notes are valued at carrying cost. Provisions and contingencies include valuation adjustments in compliance with RBI Circular No. BP.BC.28/21.04.048/98-99 dated April 15, 1999.

Market value is determined in accordance with RBI Circular No. BP.BC.28/21.04.048/98-99 dated April 15, 1999 which sets out indicative maximum market quotes/yields. Shares, debentures and Capital Indexed Bonds are valued in accordance with RBI Circular Nos. BP.BC.28/21.04.048/98-99 and DBOD no. BC.8/12.02.001/97-98 dated April 15, 1999 and January 22, 1998 respectively.

Repurchase and reverse repurchase transactions are considered as separate sale and purchase contracts. Commitments under these transactions are disclosed at contracted rates and the excess of contracted rate over market value is recorded in the profit and loss account.

**SCHEDULES FORMING PART OF THE ACCOUNTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999****SCHEDULE 18 (contd.)****NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999****v) PREMISES AND EQUIPMENT**

Premises and equipment are stated at cost/valuation less accumulated depreciation. Assets purchased prior to April 1, 1997 are depreciated either on a WDV basis or on SLM basis while assets purchased after April 1, 1997 are depreciated only on SLM basis with reference to the estimated useful lives of the assets. The following depreciation rates are currently used

<b>Asset Description</b>	<b>Depreciation Rate (% p.a.)</b>
Land and Buildings	2.00
Installations, Furniture and Work of Art	10.00
Equipment	15.00
Computer Mainframe/Hardware/Software	20.00/50.00
Personal Computers	33.33
Vehicles	33.33

Certain premises in India belonging to the Bank were revalued in the financial year ended March 31, 1994 and March 31, 1997 and an incremental value of Rs 686.6 million and Rs. 6.2 million respectively was credited and debited to Revaluation Reserve account. Current year depreciation amounting to Rs. 29.1 million on the net enhanced value of those assets has been charged to Revaluation Reserve account. These properties have been revalued during the financial year ended March 31, 1999 by an approved valuer and the incremental value of Rs. 38.5 million has been brought into the books of account and credited to the Revaluation Reserve account.

**vi) STAFF BENEFITS**

Contributions to the Pension Fund and Superannuation benefits for its employees are fully funded with the Life Insurance Corporation of India.

**vii) INCOME RECOGNITION**

Interest income is recognised in the profit and loss account on an accrual basis, except in the case of interest on non performing assets which is recognised as income on receipt.

Fees and commission income is recognised when due.

**viii) NET PROFITS****A. The net income disclosed in the Profit and Loss Account is after:**

- Accounting for credit losses
- Provision for taxation
- Other usual or necessary provisions
- Valuation adjustments in respect of investments
- Charge for Head Office and Administrative Expenses for the year.

**B. The Bank has retained in the "Properties Investment Reserve" as at March 31, 1999 Rs. 619 million (1998: Rs. 619 million) as per the RBI guidelines.****C. Other Accounts under the head "Other Liabilities" and "Other Assets" include amounts pending transfer to appropriate accounts.****D. Bills received from constituents for collection on their behalf are controlled through memorandum registers and are recorded in financial ledgers only when collected. These bills for collection outstanding as at the year end have been stated in the Balance Sheet.****E. The Bank has to lodge additional securities with the Reserve Bank of India u/s 11(2)(b) of the Banking Regulation Act, 1949 amounting to Rs 240,000,000 for the year ended March 31, 1999.****F. Other Investments include Pass Through Certificates Rs. 692,726,803 (1998 - Rs. 625,803,858).**



(Incorporated with Limited Liability in U.S.A.)

**SCHEDULES FORMING PART OF THE ACCOUNTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999**

**SCHEDULE 18 (contd.)**

**NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS OF THE  
INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1999**

- G. No provision has been made for claims amounting to Rs. 352.3 million decreed against the bank against which appeals filed have been admitted by the Supreme Court of India and Rs. 102.5 million in respect of which the Bank is in arbitration. The Bank has been advised that there are good and reasonable chances of success in the appeal and in the arbitration. These balances are included in other assets.
- H. "Other Liabilities and Provisions" includes an amount of Rs. 2,250 million representing sub-ordinated debt bearing a coupon rate of 13% p.a. payable semi-annually and maturing on June 26, 2006.
- I. The Capital Adequacy Ratio of the Bank as at March 31, 1999 as computed under the guidelines issued by the Reserve Bank of India is 10.00% (1998: 8.61%).
- J. Previous year's figures have been audited by a firm other than Bharat S Raut & Co. and certain previous year's figures have been regrouped and reclassified.
- K. The Indian Branches of the Bank as at March 31, 1999 are at:  
Mumbai (Fort and Nariman Point); Calcutta (Chowringhee Road); Chennai (Anna Salai);  
New Delhi (Parliament Street); Bangalore (M.G. Road); Pune (East Street); and Hyderabad (Begumpet).
- L. In terms of the guidelines issued by the Reserve Bank of India, the following additional disclosures are made:

	(1998-99)	(1997-98)
Percentage of Net NPAs to Net Advances	2.08%	0.57%
Capital Adequacy Tier I Capital	7.23%	8.29%
Capital Adequacy Tier II Capital	2.77%	0.32%
Interest income as a percentage to working funds	10.20%	10.89%
Non interest income as a percentage to working funds	3.99%	3.85%
Operating profit as a percentage to working funds	3.89%	4.41%
Return on assets	2.32%	2.85%
Business (deposits plus advances) per employee (Rs. Thousands)	83,189	80,375
Profit per employee (Rs. Thousands)	764	781

**SIGNATURE TO SCHEDULES 1 TO 18**

Sd/-  
**David P. Conner**  
Chief Executive Officer - India

Sd/-  
**S. Venkatachalam**  
Vice President

Sd/-  
**Abhijit Sen**  
Vice President

Place: Mumbai  
Date: June 28, 1999.





(Incorporated with Limited Liability in U.S.A.)

**AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF CITIBANK N.A. –  
INDIAN BRANCHES UNDER SECTION 30 OF THE BANKING  
REGULATION ACT, 1949.**

We have audited the attached Balance Sheet of Citibank N.A. – Indian branches ('the Bank') (incorporated with Limited Liability in the U.S.A.) at 31 March 1999 and the annexed Profit and Loss Account for the year then ended. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of the sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account together with notes thereon, are not required to be drawn up in accordance with Schedule VI (revised) to the Companies Act, 1956. The accounts are therefore drawn up in conformity with Forms "A" and "B" (revised) of the Third Schedule to the Banking Regulation Act, 1949.

In respect of matters mentioned in note 18G to the financial statements, we are unable to form an opinion on their outcome and consequently their effect, if any, on the results of the Bank for the year.

In our opinion, subject to the effect of such adjustments, if any, that might have become necessary had the outcome of the matter referred to above been known, the financial statements give a true and fair view of the state of affairs of the Bank at 31 March 1999 and of its profit for the year then ended.

In our opinion the accompanying Balance Sheet and Profit and Loss Account comply with Accounting Standards referred to in sub-section 3(C) of Section 211 of the Companies Act, 1956, to the extent applicable except for non compliance with Accounting Standard 11 as explained in note 18A(ii).

We further report that:

- The financial statements are in agreement with the books of account and give the information required by the Companies Act, 1956, in the manner so required for banking companies and other circulars issued by the Reserve Bank of India from time to time;
- The Bank has maintained proper books of account as required by law insofar as appears from our examination of these books;
- The returns received from branches of the Bank have been found adequate for the audit; and
- The transactions that came to our notice are within the powers of the Bank.

**For Bharat S Raut & Co.**  
*Chartered Accountants*

Sd/-  
**Russell I Parera**  
*Partner*

Place: Mumbai  
Date: June 28, 1999.

## Beyond Growth and Globalisation

Richard B Norgaard

*The early critique of undifferentiated, undirected growth, emerging from the north as well as the south, has been diluted over the years. The idea of 'sustainable development' co-opted social and environmental agendas into a mainstream now geared to market liberalisation and globalisation. It is time to reassess and join forces in a new critique of growth, and redefine progress.*

THE idea of human progress dates back thousands of years in western thought. People of all cultures have held ideals they hoped they would meet. Economic growth, on the other hand, is a very recent human preoccupation. Its arrival had to await the development of an indicator, the measure of gross national product. Its spread across the globe awaited the concept of economic development and the establishment of development agencies. Thus, as an obsession institutionalised in numbers and agencies, growth is younger than I am.

After second world war, we began to meld a variety of endeavours – our concerns with material well being, economic stability, reducing inequity within and between nations, and even world peace – into a single fixation. To some extent, economic growth does intersect each of these separate concerns, hence its bonding nature. However, soon after we began to meld these concerns, what had started with at least a modicum of real, direct interest in human progress transformed into a GNP growth race between two economic systems. I remember October 1957, going out with thousands of other people into the hills surrounding San Francisco Bay to huddle beneath spots of dark sky where we could get a glimpse of Sputnik. My first economics professor at Berkeley carefully explained how the US economy was growing at less than 4 per cent per year while the Soviet Union's economy was growing at more than 8 per cent per year. I can still see the growth curves on the blackboard. Even though we were more than twice as rich at the starting point, the Soviets would surpass us in 15 years. I can recall posters on city buses showing Nikita Khrushchev holding a shovel and saying 'we will bury you'. And the crossing growth curves and the specter of Khrushchev framed president Kennedy's speeches urging us to

prove that our system could out-perform theirs. A quarter century of growth mania followed.

Undifferentiated, undirected economic growth soon had its critics from the industrial north, most notably E J Mishan, Nicholas Georgescu-Roegen, E F Schumacher, Dana and Dennis Meadows, and Herman Daly. Similarly, development programmes stressing economic growth over human well being, also had their critics in the south. From Gandhi through Mahbub ul Haq and continuing to this day, voices of concern and dissent from south Asia have been especially important. The questioners of undifferentiated economic growth, north and south, are among the founding fathers of ecological economics, a movement I have the honour to temporarily head. More importantly, the critique of growth on social and environmental grounds stirred sufficient controversy that those behind growth eventually suggested a compact. Thus the idea of sustainable development was institutionalised a little over a decade ago. That compromise has been extremely influential in bringing different interests together in search of a new course. But the river of history had other currents swelling, and that compact is now only a swirl in a yet larger, new mainstream.

Sustainable development will never emerge the same. We are now in a different course of economic history. With the collapse of the former Soviet Union, many proclaimed the victory of the market model, indeed zealots proclaimed the triumph of a pure form that never existed in practice. Thus the push for yet faster growth through ever stronger reliance on markets. While economic growth is still the dominant rationalisation given for globalisation, we increasingly hear that each country must be ever more competitive simply to stay in the race. Countries

must adapt new technologies, train workers continuously, and provide institutional environments for domestic and foreign capital. If they do not, they will fall out of the race. With only a little imagination, we can see nations like tired mice tumbling off a treadmill that whirs on under the power of the yet still vigorous. President Clinton expressed this clearly in his speech of September 14 on the global economy with respect to what expectations Russians should have:

No nation, rich or poor, democratic or authoritarian, can escape the fundamental economic imperatives of the global market...

At least economic growth both promised more of some thing that conceivably could have been good and did not threaten dire consequences should a nation choose to slow down or take its own course. Now, simply keeping our economies going faster and faster has become an end in itself. And what growing economies might provide for us is secondary, if addressed at all. Thus it is time to confront economic growth anew and to address globalisation as well. Sustainable development may never emerge the same, but sustained critique may yet bring us closer to our senses.

This lecture contributes to the critical chorus. This is an appropriate time and place first to document how far we have veered from a reasonable course, second to ask how current myths that have co-evolved with current economic thinking have kept us from distinguishing between growth, globalisation, and human progress, and third to suggest how we might get back on a path, or many paths, of progress.

Obviously I am speaking from my own station in life, as a rich, formally educated westerner. Optimists among my culture, class, and age group argue that much progress has occurred in our lifetimes. They point out that more people are living better than ever before. Rich and poor eat a greater variety of food, live longer through improved medical technologies, and enjoy material comforts and forms of entertainment never before imagined. New agricultural knowledge, inputs, and practices have staved off the mass famines repeatedly predicted in our youth, and we are moving into a bright new era of biological engineering. Authoritarian governance is waning. Global exchange has

been democratised by electronic media, inexpensive air travel, and the rise of both transnational corporations and a rich network of non-governmental organisations. Of course, even optimists concede that these brief words are too simple and glowing. To realistically elaborate on the exciting, positive developments would require the rest of this lecture, and I assure you I could do it without drifting into hyperbole.

Nevertheless, I still think the whole economic project needs re-directing. Again, I cannot speak for the great masses of people whose hopes are whetted far in excess of what they receive. Empathy does not confer authority to be their voice. I can only speak from the world I know, acknowledging not only that my understanding is that of a privileged academic but also that my understanding has been greatly enriched through extensive personal and professional associations facilitated by modern global developments. With these caveats made clear, I will speak freely.

#### WHY UNDIFFERENTIATED GROWTH AND GLOBALISATION ARE NOT PROGRESS

One of the basic reasons growth and globalisation are not leading to progress is because there are no linkages, no feedbacks, between current changes and what can continue on into the future. There is nothing to assure that the past half century has not simply been a 'feeding frenzy', like a delirious swarm of piranha attacking a bloodied victim. We cannot foresee all possibilities for the future, but we can maintain perspective by questioning history in the context of how natural science helps us understand global capacities and hence sustainability. As is the convention in such approaches, I will start with population.

The world's population was probably a little over a quarter billion people 2,000 years ago. Population doubled over the next 1,600 years or so reaching half a billion. The doubling time shortened dramatically to about 200 years, and then to 100 years, putting us at about 2 billion people at the turn of this century, after which the doubling time shortened again to about 60 years. The doubling times have begun to lengthen again, perhaps to 100 years, perhaps longer, with the uncertainty in the net effect of rapidly changing birth and death rates. With a base of 6 billion people, the absolute number of additional people each year continues to soar. The planet has not gotten any bigger. We must keep asking ourselves, 'how dense can people be?'

Yes, I know I should not speak of population without speaking of consumption and inequality. I am coming to these. And yes, I hope I will be among the many who have already died before their Malthusian concerns prove true in the universal sense that such concerns are typically asserted. But I also know that it is irresponsible to dismiss population as a factor both in the total picture and in its many parts.

Global consumption has increased six-fold since 1950. This increase is fully reflected in material and energy flows. Oil use increased more than seven-fold, from 451 million tonnes per year in 1950 to about 3,500 million tonnes now. Natural gas use increased twelve-fold, from 190 to about 2,300 million tonnes of oil equivalent. Even coal use has increased faster than population.

Energy use and material flows are simple prior indicators of environmental impacts. To be sure, the actual relationships are extremely complicated. Fossil energy used to produce fertiliser to intensify agricultural production increases groundwater pollution, but it also reduces the rate of extending agriculture onto marginal lands that harbour the remaining natural biological diversity. Many renewable energy sources also have environmental impacts. Nothing, of course, is really simple. But we also need to admit that it is absurd to try to define sustainable development in case specific terms when the problem is systemic and the system is continually re-configuring. Thus I have come to the conclusion that crude indicators like total population and material and energy flows are the best we have at the macro level.

This consumption is highly unequal and getting worse. Globally, 86 per cent of private goods are consumed by the richest 20 per cent of the population while the poorest 20 per cent consume only 1.3 per cent. This means that the top 20 per cent consume approximately 66 times as much in private goods per capita as the lowest 20 per cent. The US with 5 per cent of the world's population consumes 25 per cent of the world's oil. Nor will the poor ever catch up for within and between most nations inequality is growing and in a considerable number of nations, there are significant groups whose absolute consumption is decreasing.

The consumption statistics are from the recently released *Human Development Report 1998* (HDR 1998). Since the poor presumably consume a greater portion of private goods that are not traded in

markets, the extremes are not quite as great as this. On the other hand, imagine what the ratios look like when the top and bottom 10 per cent or 5 per cent are compared. And while the extremes for income are immense, the extremes in who holds how much wealth are far greater still.

The 1998 HDR argues that Americans spend more on advertising and Europeans on ice cream in a single year than is needed to provide basic education and sanitation to the third of the global population who need schooling and toilets. Of course, we would not want American advertisers running schools in developing countries more than they do now. Nor is it clear that European ice cream makers could do the plumbing. Still, given how well we have trained people to switch careers in the new global economy, at least the lag times for reaching social goals were we to try should be lower.

While numerous measures have been taken to manage the environment and some environmental conditions have clearly improved, new problems keep arising and our understanding of problems is increasing faster than we are responding. Current rates of bio-diversity loss, the appearance of climate change and threat of its acceleration, and the accumulation of toxics in the environment provide ample evidence that we are living on our children's natural inheritance.

Considerable economic and ecological thought has gone into how we can measure the importance of the services of our climate system, of our ecological systems, and of biodiversity as a part of our natural inheritance. New indicators are being derived to help us achieve sustainability. A comparable effort has gone into thinking about mechanisms for achieving environmental goals. While I support all of these efforts, I am concerned about the naivete of using the marginal approach of neo-classical economics to derive utilitarian values and control mechanisms for a system that is clearly not close to the path we want it to be on. Even if we included every possible interaction within the market system so that it worked perfectly efficiently, we would still have to grapple with what distribution of rights will get the system to go where we want it to go. My fear is that insights and mechanisms rooted in efficiency analyses will be accepted as sufficient given the dominant ideology when in fact that ideology largely serves the purpose of protecting the current distribution of rights. A significant move toward an ethics of care for

people and stewardship of nature is sorely needed.

The combination of excessively high consumption among the rich and growing inequality both drives environmental problems and makes us incapable of effectively responding to them. This problem is exacerbated by the rise of market ideology, further reducing our ability to make decisions together.

The rich are so physically and socially removed from most of the social and environmental impacts of their consumption that they have difficulty seeing it, let alone responding to it. The 'distance' between rich people living modern lifestyles and between them and the poor is also driven by knowledge and experiential specialisation that limits the ability of the specialised to perceive the whole and learn together. Many among the poor, on the other hand, are likely to be closer to the land and a viable local community, but they are also more likely to be too poor to contribute to social sustainability and must degrade the land to feed their children and elders today. While the environmental crisis has always been a crisis for society in that society must change, it is important to understand that environmental problems arise due to deficiencies in our abilities to collectively perceive, learn, and act and these same deficiencies that drive the problem hinder us as we try to overcome it. Thus our primary difficulty is one of getting out of the circle we are in.

To too great an extent, technological change has simply helped us live on our children's natural and social inheritance faster rather than helped us live with nature and each other better.

Historically, social systems co-evolved with natural systems. For the past 150 years, we have been co-evolving around fossil hydrocarbons, not natural systems. Fossil hydrocarbons continue to drive a wedge between us and the environment, allowing us to co-evolve forms of social organisation, technologies, and values around fossil fuels rather than co-evolve with our environment. We need to think much more systemically about where different technologies are likely to take us over the longer term.

Even while we share in experiencing a globalisation of our material lives and the triumph of the market over the nation-state, these homogenising economic forces are proceeding in a manner that tolerates an increase in cultural diversity within and between nations. Cultural understanding,

respect, and tolerance, as well as common standards of what should not be respected or tolerated, however, are not sufficient to sustain peace.

Peace is a minimal requirement for fulfilling human potential, maintaining human dignity, building sustainable communities, and thereby achieving environmental sustainability. Under the myth of progress through modernisation, we thought the cultural differences which seemed to underlie war would be reduced. The French would still prefer to use more butter, the Thai more interesting spices, but all were imagined to be living comfortably together through the spread of scientific rationality and the use of the best technologies and ways of organising. Economic growth offered a similar promise of reducing differences. And now we are being told that global inter-dependence is the best way to reduce conflicts.

The record is clearly otherwise. The worst wars have been among the richest people with surprisingly similar cultures and considerable economic inter-dependence. War has not ceased with modernisation or economic growth or economic inter-connectedness, and human atrocities extend down through all income levels to the lowest. Clearly the facts do not support the myth. Nevertheless, the myth of a universal human nature to which all cultures would merge and framed how we thought about each other, was central to our expectations for the world, and affected how we responded to conflicts. As cultural diversification continues within countries and whole countries set out on their own paths, what might we share that could at least provide the hope of peace?

These problems are not simply looming in our future. Though our descendants will certainly bear the greatest burden of our inaction today, most of these problems are seriously hindering the fulfilment of human potential now. Yet it appears, at least to me, that we are largely in a state of denial. It is to this that I would like to turn.

#### SHARED MYTHS SUSTAINING OUR DENIAL

Our social denial and inaction are facilitated by a set of broadly shared myths. I am using the term 'myth' here simply as the ideas and concepts that give coherence to the many separate details with which we cope in our personal and political lives. Myths give wholeness to a whole we cannot really know. Myths influence our collective behaviour when they are shared by a wide spectrum of people, allowing them

to comprehend and act, or not, together. I will give special emphasis to how shared myths have co-evolved with economic thinking.

*It is immoral to hurt peasants to save the forest:* Recently a journalist, interviewing me defended the 'present orientation' of conventional economists with the argument that "when you have to choose between peasants trying to subsist in the Amazon and saving the rainforest against the ravages of economic growth, any reasonably compassionate person will defend the right of peasants to continue farming, of growth being allowed to proceed." This deep moral dilemma is often posed by conventional economists to their more environmental colleagues. We are presented with even more heart wrenching trade-offs here in India where protected elephants trammel unprotected villages and rare Bengal tigers prey on common young children and old ladies.

Over the decades, I have had to address again and again this juxtaposition of the poor today versus reasonable hopes for the future of all. Initially, I accepted the sincerity of those posing the dilemma, not infrequently fellow economists, and certainly from both the political right and the left. In the last decade, however, I have realised that the dilemma is symptomatic of a larger problem, how economics and public discourse have co-evolved in a particularly intellectually dishonest and morally vacuous way. Now I ask why the choice is between the peasant and the forest that our descendants might need. Where are the people driving the BMWs today, or even those driving Fords, in this myth? Why is it that we have these debates between rich environmentalists and rich developmentalists over moral dilemmas where the rich themselves are absent?

The first answer, and one that pervades the second, is that the powerful have more influence over which myths are repeated and become dominant than do the weak. The second, is that this dominance is also reflected in the history of economics from where it now feeds back on public discourse. As economists assumed power in government, they had to rationalise when economic theory allowed them to make recommendations on the behalf of the public directly, without resort to the moral discourse and politics represented by the social welfare function of their theory. Recommendations were justified if they were 'Pareto optimal', i.e., if they could be shown to benefit some without hurting anyone. From here, economists slipped

into an imaginary world filled with such win-win choices. Economies were either imagined to be so far from their efficiency frontier that the vast majority of possible moves met the Pareto optimal criteria or they imagined economies to be growing such that all could gain soon. Either way, economists did not have to present legislators or the public at large with the range of non-Pareto optimal moves over which moral struggle and political debate would surely ensue.

My own research with Richard Howarth has shown that sustainability is a matter of intergenerational equity, not efficiency. While none have challenged our formal model, many economists have been disturbed by our repeatedly pointing out that moral decisions must be made, that sustainability is not about Pareto optimality.

And so I am arguing that these peasant-forest, village elephant, tiger-child dilemmas stymie us because economists and non-economists alike have grown dependent on those so-called win-win solutions. Without them, economists, legislators, and the public simply fold their cards and give up. In short, I now see the presentation of these dilemmas as part of protecting the status quo.

*You have to be rich to appreciate the environment:* This commonly told myth was elegantly introduced only days ago into a class discussion. While living in China, a graduate student learned to her surprise that the Chinese were not interested in environmental quality. She convincingly argued that this was because they thought first of having food in their bellies and a roof over their heads. Furthermore, now they were aware of a wealth of consumer durables they wanted to buy. Until something well beyond basic needs were met, the quality of the environment would surely decay. This widely accepted myth has been around for a long time. The only surprising thing is that it took until the 1990s for econometricians to encode the myth into an environmental Kuznets curve.

The myth reigns in spite of the fact that the rich nations cause the vast majority of pollution. Never mind the fact that an American farmer contracts tilling and harvesting out to a specialist who drives a tractor with eight foot diameter tires from an air conditioned cab listening to a stereo system to produce food for consumers even far more distant from the land. Most of the respectable rich people have for the land descends from ancestors far poorer than we are. Again, I cannot speak for the poor, but respect for the land

figures heavily in survival and hence can be found in the cultural heritage of all peoples.

Nevertheless, the myth is propagated by both rich and poor alike. It allows the rich to be complacent in the knowledge that they have environmental controls that developing countries do not have. It allows the poor to defer what responsibility they do have for the environment until economic growth has come.

*If capitalist economies do not grow, they will crash:* The myth that we have no choice but to grow, hence there is little hope for the environment, is invoked by business page editors, frustrated environmentalists, and green Marxists ever ready to bash capitalism. While there are antecedents in the works of many economists trying to explain business cycles, many economists think the Harrod-Domar model that arose in the late 1940s proves the case for steady growth. It is, important, however, to keep in mind that the Harrod-Domar model is just a model, the most simple model that is still capable of demonstrating a relationship between savings, investment, and growth. The amazing thing about the model is that it has no actors or institutions whatsoever, and so is just as applicable to socialist or communist economies as to capitalist. Further, if I am not mistaken, the parameters can be set so that the economy runs at zero growth, or even a negative rate of growth, with the same unstable properties as when it is set for a positive rate of growth. Thus, what the model illustrates in a very simple way is not that economies have to grow but how changes in savings and investment rates might make them unstable.

There are other myths which sustain denial with which economics has co-evolved. One is the myth that agriculture and resources make up a smaller and smaller portion of GDP as economies mature, and therefore become less and less important. Another is that human capital can be substituted for natural capital continuously, until there is only a grain of sand left. These myths have been dealt with very effectively by Herman Daly and other ecological economists, so I will move on to the most important myth of our times.

*The gains from reducing government expenditures and expanding trade justify social and environmental losses:* Now, I am going to be really heretical in an age of government down-sizing and globalisation driven by neo-liberalism. For two centuries, the logic of exchange, Adam Smith's great discovery, has been used to

promote free exchange by individuals and corporations, unfettered by the complications of interactions with government. The logic is simply that *when two parties who are free to choose actually choose to enter into an exchange, it is because the exchange makes each party better off.* This logic is impeccable, but economists early deduced from the logic and have long intoned that *therefore governments should not restrict opportunities for people to make themselves better off through exchange.* It is this second step that does not logically follow.

The logic of exchange itself is faultless under the assumption that both parties are fully informed and utility maximisers. But the political agenda of free markets for individuals and corporations unfettered by regulations, taxes or trade controls imposed through collective choice does not logically follow, even if there are no effects on third parties. The problem, quite simply, is that the logic of exchange is indifferent to how the parties conducting an exchange are defined. It is true whether the parties are individuals, communities, bio-regions, or nations. If it is true for nations, why should nations not be 'free to choose' including being free to choose to affect the choices of individuals and corporations through taxes or trade controls? Some criterion beyond economics is needed to determine which parties should be free to choose under different circumstances.

While we might applaud the political agenda of Adam Smith to cast doubt on mercantilism, the agenda of those furthering this argument pretty much since has been to empower individuals and corporations and restrain collective action through government. The current arguments against government and for globalisation are an especially viral form of the myth of exchange. The policy problem remains one of deciding when individuals, groups, communities, or the state should be entrusted with decision-making authority, the central issue of political economy for millennia.

#### GUIDELINES FOR GETTING BEYOND GROWTH AND GLOBALISATION

Even while the dominant myths and understandings driving our economy appear to be firmly in control, the outcomes are increasingly indefensible and contention is increasing. Hence, the potential for change is great. I see a new world view developing from the global experiences and environmental discourses of past decades. It includes new basic

assumptions about the world, about desirable ends, and is pragmatic about the means for reaching ends. The following guidelines are key to challenging undifferentiated and undirected growth and globalisation:

Economic systems exist to provide for people, not *vice versa*. Markets should be tuned to reach socially determined ends and not promoted *per se*. The scope of markets should match the scope of effective governance. The gains to capital from globalisation must not be at the expense of communities and effective governance. Economic justice is as important as individual economic freedom. Economic freedom should not be pursued to the detriment of other freedoms.

Economic systems should complement, not override or commoditise, the non-material dimensions of social systems. Natural capital must be sustained. Renewable resource systems must be managed well away from key thresholds to avoid the collapse of critical services and ecosystem support functions. Material resources should be used effectively and recycled. The depletion of stock energy sources, undertaken within the limits of climate system concerns, must be offset by investments in new renewable energy technologies.

Human capital must be sustained. Communities, like renewable resource systems, must be maintained to provide critical services including community support functions.

There are limits to the substitution of human for natural capital.

Environmental and social sustainability is easier with fewer people.

The precautionary principle must continue to replace the historic *de facto* rule that "environmental and social change is 'innocent until proven guilty'". The shift from the scientific arrogance that marked the beginning of this century toward the humility of the present must not be offset by a new arrogance of multinational corporations and global capital.

I would like to be able to elaborate on what our goals should be. Frankly, while I have some idea of my own, new visions are still insufficiently discussed in the academic company I too frequently keep. The utopia literature of the 19th century was pretty much replaced during the past half century by simple growth worship offset by little more than cynical portrayals of a future to which we could only acquiesce. Now I sense an increasing interest again in thinking about the kind of future we want to have. While we have not seen a new wave of utopia literature

comparable to that in the late 19th century, there are more journal articles discussing communities that are doing things better. Breakthroughs in biological technology are begging us to learn from what earlier scientific breakthroughs promised and wrought. And cultural re-diversification is forcing us to acknowledge our desire for community and continuity.

With this redefining of progress only beginning to occur and with considerable variation in paths likely forthcoming, it is very difficult to generalise about alternative futures. Nevertheless, the diversity of ends and new world view themselves require us to seek a plurality of means. While retaining the advantages of expertise, the emphasis must shift toward multiple indicators, synthesis through communication and shared learning, and the use of discursive democracy to resolve action in the face of contradictory information and uncertainty. As an alternative to simply forging ahead with growth and globalisation, we need to move toward the use of the following means:

Improved information systems. Environmental impact assessment, environmental valuation and accounting, and new geographical techniques for organising information are contributing to this end, but much more is needed. Improved aggregate social and environmental indicators are needed such as those contained in the HDR; bio-physical indicators such as the 'ecological footprint' approach; environmental valuation, environmental accounts, and greening of the GDP.

Improved communication and learning systems are needed. The pursuit of specialised knowledge must be balanced with inquiry across specialities and formal and experiential training in trans-speciality communication. Ecological economics is an example of such an effort and many more are needed.

Adaptive social and environmental management needs to be used much more. By initiating multiple, deliberately diversified, smaller projects that are continuously monitored as real world laboratory experiments, we will be in a better position to adjust our course. Large projects with irreversible impacts should be avoided. The separation between science and management should be reduced through adaptive management practices.

Technological paths need to be debated early and openly so that their social and environmental implications can be foreseen and managed democratically.

Property rights, regulations, and taxes need to be redefined to favour social and environmental sustainability. Many institu-

tions determine our current course, no one type of economic institution, for example such as 'green taxes', can be modified sufficiently to set us on a new course. Improved, shared environmental and social understanding, combined with the development of social mores, are needed to complement the effectiveness of property rights and economic mechanisms. Specifically, and initially in the industrialised countries, we need to select technologies, define systems of property and incentives, and develop understanding and mores to rapidly reduce energy and material use. Rather than continually and incompletely assessing the impacts of individual projects and debate over the meaning of sustainable development, energy and material use need to be seen *a priori* as driving forces in environmental and social disruption.

We need to strengthen social mechanisms, and develop new mechanisms, that reinforce nonmaterial values so that they work as well as economic systems have worked, to reinforce material values.

The national, regional, and international institutions that have centrally directed development need to be transformed into facilitative agencies.

Going beyond undifferentiated and undirected growth and globalisation will require both the north as well as the south taking action. Obviously, the call for rapid dematerialisation applies more to the north and there are great differences between countries, and so these guidelines are not equally appropriate for all. These differences also offer the opportunity for each country to help others and to learn from others.

The early critique of undifferentiated, undirected growth had a significant impact, but that impact has been diluted over the years. In retrospect, the 'sustainable development compromise' co-opted important social and environmental agendas into a mainstream that was subsequently too easily overwhelmed when it converged with the tributaries – I must say surprisingly large tributaries, of market liberalisation and globalisation. It is time to reassess and join forces in a new critique of growth and now globalisation as well. We must incorporate what we have learned over the past quarter century, we must address the new myths that stymie constructive action, and we must assert when and for whom growth and globalisation are appropriate and push for de-materialisation and community otherwise.

[This is a textual version of the 10th V T Krishnamachari Lecture delivered by the author at the Institute of Economic Growth, Delhi, September 25, 1998]



# Water Management in India, China and Japan

Niranjan Pant

**Water Resource Management: Institutions and Irrigation Development in India** by A Vaidyanathan; Oxford University Press, New Delhi, 1999; pp xi + 271.

THE title of the book is a bit misleading as it diverges from the actual contents of the book. The book is not mainly about India as nearly half the book covers irrigation management in China and Japan. The book consists of four chapters. The first and fourth chapters are based on author's research as a visiting research fellow at the Institute of Developing Economies, Tokyo in 1982. While the first chapter deals with irrigation institutions in China, Japan and India, the fourth chapter deals with the same subject in respect of China in a more comprehensive fashion. The second and the third chapters cover India.

Starting the first chapter with the two opposite theoretical propositions centring on centralised/decentralised authority structure for irrigation management, the author finds useful some of the studies emanating from this debate. Accordingly, he advocates the necessity of comparative studies of water control institutions in different agro-climatic regions and countries for a better understanding of the phenomena.

The chapter covers relations between water control and agricultural production, role of irrigation institutions in acquisition, conveyance and distribution of water, including system maintenance and its sustainability. Since the chapter is based on his earlier research in Japan, China and India, the comparative illustrations are drawn from these countries. Based on some illustrative comparisons, the author suggests that the nature of water control necessary for efficient agriculture as well as the kinds of works that are feasible in a given situation are, in effect, conditioned by a variety of factors such as rainfall, temperature, topography, physical environment, the scale of water control structure, the design, the cost, the stakes of concerned parties.

The central argument of this chapter is that a proper understanding of the form and effectiveness of irrigation organisations requires that their structure and

functioning be viewed in the context of agro-climatic, technological and socio-economic environment in which they operate. However, caution needs to be observed while generalisations are made on a comparative basis. For instance, the author's observations that in China water users' contribution in terms of the cost of construction and subsequently their role in the management is quite extensive compared to users' negligible role in India (p 10, pp 25-26) needs to be appreciated in the fuller context, where a variety of intervening factors are at work. Those that are important in the Chinese context are mobilisation of corvée labour, existence of small surface systems, role of the party cadre in a totalitarian communist regime, etc. In pre-independence India also, users' role in construction and management was no less impressive whether one is examining the small tank systems of south India or indigenous irrigation systems such as *ahar-pynes* of south Bihar (Niranjan Pant, 'Indigenous Irrigation in South Bihar: A Case of Congruence of Boundaries', *Economic and Political Weekly*, December 5, 1998, pp 3132-38). This was mainly due to the existence of feudal or colonial centralised regimes, which has been an all-pervading feature of China.

The second chapter reviews the salient features of India's irrigation development during 1950-90, the problems that have emerged, the responses such problems have evoked and the reasons for failure to eliminate these problems.

The author is of the view that Indian plans have accorded high priority to irrigation sector and consequently massive investments have been made in this sector. As a result, irrigation facilities have made a major contribution to sustaining agricultural growth during the past five decades. At the same time the performance of irrigation sector, particularly that of public sector, has not matched the expectations both in terms of pace of development and use of facilities and their

impact on productivity of land. He lists a number of problems which have arisen during 1950-90. The ones highlighted by him are inordinate delays in completion and cost escalation of large surface projects, underutilisation of their irrigation potential, unsatisfactory quality of irrigation, low cost recovery and sustainability of such projects. In addition, there are problems which have led to ecological and environmental degradation on account of waterlogging caused by major and medium surface projects, and problems of salinity and groundwater saturation on account of its excessive extraction.

A very pertinent issue raised and examined by the author relates to major divergence in the data relating to 'area irrigated' emanating from the Planning Commission and the Land Use Statistics (LUS). As per plan documents, between 1950-51 and 1993-94, gross irrigated area in the country as a whole increased by around 53 m ha, while LUS estimates an increase of 45 m ha. The author has gone in considerable details to pinpoint the shortcomings of the procedures adopted and the reasons for variations (pp 58-63). Another area where wide variations in estimates have been highlighted by the author relates to state-wise estimates of waterlogging arrived at by different agencies. At the all-India level in 1990 the Central Water Commission (CWC) estimated waterlogging to the extent of 1.61 m ha, while the ministry of agriculture's estimate during the same year was 8.52 m ha, which is more than five times estimated by the CWC (p 104).

Similarly, the issue of irrigation potential and its utilisation has been examined to highlight the pitfalls arising on account of faulty estimates of 'potential created'. The author rightly observes that part of the problem lies in ambiguities in definition of 'potential' as well as differing interpretation of guidelines. Further, estimates of potential gross irrigated area are based on a number of assumptions which do not hold once actual irrigation starts (pp 63-65).

An important development during mid-1970s resulting on account of utilisation of irrigation potential from large surface projects was the initiation of CAD programme. It was a centrally-sponsored programme which provided large amounts of funds for on-farm development works. Although huge funds were spent under the programme, the programme was never



evaluated in terms of its impact of water utilisation. The most comprehensive studies available relate to the organisational aspects and the constraints on the implementation of certain categories of physical improvements in the system (p 94).

The reviewer of this book had found execution of on-farm development works under the CAD programme in 1981 in Bihar virtually of no use despite the fact that a good amount of money was spent on these works. Again in doing a micro level detailed study in 1986-87 of one minor in Sharda Sahayak project in Uttar Pradesh, the reviewer found that the impact of on-farm development works in increasing the irrigated area was marginal (Niranjan Pant, 'Utilisation of Canal Water below the Outlet in Kosi Irrigation Project: Administrative and Community Level Solutions', *Economic and Political Weekly*, September 26, 1981). It was further found that the money spent on these works did not necessarily lead to increase in irrigated area (Niranjan Pant, *Irrigation and Agricultural Development in a CADA*, Ashish Publishing House, New Delhi, 1992, pp 51-54). This being the case, even

today there is an urgent need of evaluation of the impact of CAD programme in enhancing the irrigated area in respect of some of the selected projects drawn from different states, more particularly from UP and Bihar.

The third chapter entitled 'Aspects of Institutional Reform in Irrigation' focuses on institutional failures. The author's emphasis on institutions is due to his contention that institutional deficiencies are the root causes of many of the problems and that restructuring the management structure is a sine qua non for tackling such problems. He goes on to spell out the directions of reform in three key areas: (a) planning and operation of large surface systems, (b) rehabilitation and expansion of local irrigation works to benefit rain-fed agriculture through integrated watershed development, and (c) regulation of groundwater. The crux of his argument is that solutions in respect of reforms area no doubt require more and better technology for a holistic approach to the problems. Yet technology alone is not enough and the effectiveness with which technology is used and its impact depends crucially on the way

irrigation systems are structured and managed.

In respect of the first area of reform, the following suggestions of the author are very useful and deserve serious consideration. Integrated planning for harnessing water from all sources (rainfall, streamflow, and groundwater), and to ensure optimal allocations between different uses and users is a technically demanding task and needs to be accorded high priority. A substantially larger and better-organised effort to broaden and deepen the database is essential. Irrigation engineers need to interact more with agricultural and social scientists. Water resource planning has to be much more open and sensitive to the social and environmental impact of the projects (pp 126-31).

While discussing the issue of user participation in irrigation management (pp 131-39), the author has mixed up government policy and efforts of past with those of the present. Starting from the mid- 1970s until late 1980s, government policy was to encourage user participation below the outlet level (about 40 ha). There was a shift in government policy over the

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years and at present user involvement, particularly by the government of India is advocated at the minor/distributory level commanding 300-1,000 ha (above the outlet). It is because of this confusion that the author quotes conditions for the success of user involvement below the outlet, while the conditions actually refer to water user groups above the outlet (p 137).

In respect of the second area of reform, the author advocates *in situ* moisture conservation through integrated watershed development. This, he thinks, is necessary to check erosion, restore the vegetative cover in the upper reaches and remove impediments to the free flow of water into the tanks. In due course of time, such measures lead to better utilisation of rainwater for irrigation instead of the same being wasted.

In examining the subject, the author recounts various government and donor efforts during plan periods and the efforts made by the NGOs in this venture. He stresses the importance of a database for planning the watershed development. In the execution of the programme, the right mix of measures and proper design of each is advocated. In assessing the utility, emphasis is laid on the need for much closer scrutiny of costs in relation to expected benefits. In respect of organisation and management of the programme, stress is laid on community participation and how to go about it.

There are some who think looking at water from a narrow angle is not conducive to irrigation reforms. It is felt that reform initiatives like participatory irrigation management need to be made part of broader efforts at integrated water resources management and rural development to be able to address farmers' overall needs. Such an approach envisages greater integration between the measures of irrigation development and watershed development (Peter P Mollinga, 'The Policy Process in Irrigation Reform: Technology, Rural Development and Politics', paper presented in the fourth international INPIM in Bali, Indonesia, July 14-20, 1998, p 14).

The third area of reform dealt with in the chapter relates to regulation of groundwater sustainability. On account of historical antecedents, comparatively smaller investment requirements, easy manageability and government encouragement and support to the farmers, groundwater development has witnessed a phenomenal increase in all parts of India. This has led to the twin problems of salinity and groundwater saturation. In the midst of such a scenario, two

opposite views have emerged. On the one hand, there are the water market proponents who argue in favour of its free use. On the other, there are regulation proponents who ask for strict control and enforcement of a legislation in this respect. The author suggests a number of steps to be taken by the government to regulate the excessive extraction of groundwater. While some of these relate to measures restricting government encouragement and subsidies to farmers, the others relate to regulating mechanisms. The author lays special emphasis on forcefully and continuously publicising emerging trends and their consequences in specific endangered areas by dramatising potential dangers in such areas.

The fourth and the last chapter examines the organisation and management of water control in China in a historical perspective. A postscript on post-1979 reforms has been added to the chapter based on papers presented in an international conference on irrigation management transfer held at Wuhan, China in September 1994.

The Chinese water control system is said to be both extensive and diverse in character. The total irrigated area is placed at 53 m ha. This constitutes 40 per cent of the total cultivated area. The system shows marked regional variations. However bulk of the Chinese system comprising of its small-localised projects continues to be planned and executed locally with local resources of labour and material. This has been so since ancient times. No doubt the basis of resource mobilisation has undergone changes—from corvée labour mobilised by feudal landed gentry to the one organised by the Communist Party and its cadres and ultimately to the present day contract management. The systems have evolved and grown by expansion and integration of older works earlier constructed.

According to the author, massive local resource mobilisation for water conservancy work was a hallmark of the 'Great Leap Forward' period. Problems and solutions relating to efficient management and cost recovery have been widely debated since the 1970s. The abolition of communes in favour of individual cultivation in the post-Mao period has created new problems in irrigation management. As a matter of fact, several of the problems of Chinese irrigation faced in the post-reform phase such as poor management, successive reliance on bureaucracy, inadequate cost recovery, and resistance to increase in water charges are not new as most of them existed in the pre-reform era.

The most important contribution of the chapter to the understanding of the development of irrigation institutions in India seems to be the derivation that the author has made on the basis of his study of China. The derivation is that the Chinese experience demonstrates that centralised user management does not by itself solve the problems of technology upgradation, integrated management and harmonious relations between users of water and its managers.

The collection of essays constituting the book, according to the author, draw on his research extending over two decades and seek to provide a more comprehensive holistic view of the problem of water resource management. Two of the essays dealing with India fully justify the statement of the author. Here his long and varied experience, deep understanding, wide knowledge and insightful judgment bring forth most vividly the true picture of Indian irrigation scenario in general and its institutional aspects in particular. While dealing with India, whether it relates to quality of data or with irrigation operations or even with integration of technical complexities and institutional realities, his understanding is most profound and his suggestion most pragmatic. However, when it comes to other two essays that cover Japan and China it is difficult to justify their inclusion in the present book. It appears as if some discrete pieces have been put together to force an integration and unity which apparently does not exist. The main reason for this misfit is that there are no comparable parameters referring to a similar timeframe. In case of China and Japan, most of the data and understanding are based on what the author collected in 1982. On the other hand, in case of India, author's understanding as well as the data are most recent.

Overall this book makes a very important contribution and a highly useful addition to the available literature dealing with Indian irrigation since independence.

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# Towards Federal Nation Building

Supriya R Kanetkar

**Rethinking Indian Federalism** edited by Rasheeduddin Khan; Indian Institute of Advanced Study, Shimla, 1997; pp 271, Rs 350.

"IN the 50th year of our sovereign existence as a modern state, it is critically significant for us to rethink our federal polity and plural society in order to design a federal India which can successfully combine 'federalism' and 'pluralism' in the institutional framework of 'self-rule plus shared-rule'," says Rasheeduddin Khan in his introduction to *Rethinking Indian Federalism*. The volume, edited by Khan, reflects upon the macro rubrics of Indian federalism in order to search for a new federal identity for building a more equipoised and co-operative federal polity with better centre-state relations.

The book has come at a juncture when Indian polity, society and economy are undergoing a sea change. The one party dominance of the Congress, both at the centre and in states has come to an end. A new era of coalition politics has begun with the regional parties at its centre stage. There is a greater demand for state autonomy. Assertive parochialism is gaining ground. On the economic front, India can no longer keep away from the 'globalisation' and 'market economy'. States are no longer waiting for the central assistance for their developmental projects but are directly negotiating with the global agencies like World Bank for aid and assistance. It is in this context that the present work assumes significance. It reflects upon the need to reconcile the twin process of political unification and social diversity.

Globally, federal idea and federal systems are acquiring relevance in our age. But federations in the last two centuries have exhibited a strong propensity for centralisation of power and decision making. India is no exception to that. Indian Constitution in fact describes India as a 'union of states' and is often described as 'federal' in nature and 'unitary' in spirit. Of course, the political and economic compulsions at the time of independence made it 'union type'. But today our five decades of experience of nation-state building indicates that the term 'federal' ought to include a large dimension of India's reality, not merely in terms of administrative reality but also in terms of

socio-economic reality. And therefore, Khan emphasises the need for evolving a new Indian identity reconstructed by its own vision and political courage. In his opinion the process of nation building will be counter-productive unless it is a 'federal' nation building, for India is not a nation in the traditional accepted sense of the term. It is a plural society and this plurality needs to be recognised. Federal India, therefore, has to include segments and diversities in its efforts of nation-state building.

The essays of T K Ooman, Harish Puri and Aijazuddin Ahmad have sought to examine the process of federal nation building in the context of socio-cultural pluralism. While rejecting most of the western hypotheses that poly-ethnic (multicultural) states eventually breaking into many mono-ethnic states, T K Ooman observes that there were several instances where numerous nations had never staked claim to separate sovereign statchood, though they had opted for separate administrative arrangements especially in the spheres of identity-maintenance within a federal system. In fact, pluralism is a value orientation to the fact of diversity. But whenever discrimination against ethnics either by the state or by the dominant nation in the context of economic opportunities, civil rights (human rights) and political privileges is made, the crisis begins. In this theoretical context, he also identifies the major problems of building a federal nation.

Various contributors while recapitulating the trends in the working of India's federal polity observe that the new era brought to surface the unitary trends – the foremost reason being the Congress dominance in the national and state politics and Nehru's dominating personality. During the late years Indira Gandhi's 'personalised politics' further resulted in centralisation of decision-making at various levels of governance. The institutions like Planning Commission and All India Civil Services, over the years, have only encroached upon the autonomy of the federal units. Increasingly governors too are acting as agents of the centre and are

playing partisan role in state politics, especially in a situation of hung parliament.

Arshi Khan observes that even the constitutional provision of Article 356 dealing with the breakdown of constitutional machinery in a state, too does not provide remedial measures to prevent its misuse. Moreover, the centre has overplayed this provision in order to serve its own political interests. Even when legally and constitutionally justified, the centre has rarely taken into account the Article 355 before making proclamation under Article 356. This has also made the role of governor critical and controversial. He remarks that in principle the factor of maintaining national unity and integrity should be reconciled with the imperatives of state's autonomy and Article 356 should be sparingly used, that too after exhausting the remedial measures available in other provisions of the Indian Constitution. Also it is the need of the hour to take a fresh look on the entire gamut of the issues and to make necessary amendments in the Constitution to prevent the misuse of Article 356 and to make the institution of governor a non-partisan and non-political one.

The Indian Constitution is a product of two conflicting cultures – one representing the national leaders' normative concern for India's unique personality and the other over-emphasising the concern for national unity, security, etc. And as a result, the founding fathers opted for a semi-hegemonic federal structure where the balance is in favour of the centre, says Amal Ray.

Despite the unitary characteristics and centralising tendencies, the Indian Constitution is yet a federal Constitution of its own kind. India is a diverse society with a fundamental unity. P R Dubhashi argues that India which has begun with the concept of 'co-operative federalism' has degenerated into a 'disintegrating federalism'. He emphasises the need to develop loyalty to the nation among citizens because without such loyalty to the Indian nation state, India cannot survive. The disintegration of Soviet Union, Yugoslavia, Czechoslovakia created fear in the minds of many Indians about a similar experience here. But both, Khan and P R Dubhashi reject such a situation. Khan points out that there is no denial of fragilities in the federal system but India is neither a multi-nationality state like USSR nor a multi-ethnic state like the US, it is a multi-regional

state. Dubhashi feels the unity of India is firmly based on geography and deeply rooted in history. And past experience clearly shows that though divided on the basis of caste, region, language, we as Indians have often stood united at the time of any external aggression. The common historical past and culture binds us together.

Apart from the centralising tendencies India's federal secular identity is being seriously threatened by politically militant, socially homogenising and culturally hegemonising assertive communal forces in recent years. Sunil Shastri critically examines the relevance of secularism to India's federal polity. Though secularism is one of the basic features of our Constitution, it is still less emphasised in the socio-economic and political culture of India. The strengthening of secular forces would not only include cosmetic legal changes but also initiating the fundamental changes at the social and political levels, says Shastri. In other words, secular order should be promoted from and by society itself. Strengthening secularism also involves enriching the content of Indian democracy. He also outlines the strategy for promotion of secularism.

Against this background, Kumar Suresh analyses the conceptual implications of hindutva in the process of federal nation building. The objective of hindutva, he says, is to impose upon the people of India a self-invented, monolithic, homogeneous and hegemonic Hindu identity. But he also expresses that conceptually hindutva is inherently limited, therefore its public appeal to Hindu nationalism would be short-lived phenomenon. In the course of the discussion, the relationship between caste, class and politics is also reflected upon. Caste and class constitute an important dimension of India's federal polity. In order to analyse the operational dynamics of politics, both caste and class factors must be taken into consideration. And thus, there is a need to evolve an alternative model in India where caste and class, two important realities of Indian society could be analysed within a single framework.

The formulations on these macro themes have been supplemented by certain micro-studies (caste studies), the problem of regionalism and demand for separate states have been discussed in the studies of Jharkhand movement and Uttar Pradesh. Ajay Kumar Singh observes that in more than one sense present-day Bihar is an

'imaginary state' as it consists of different socio-culturally distinct and geographically different regions of Mithila, Magadh and Jharkhand. Over the years, Jharkhand has emerged as a classic example of 'internal-colonialism' and cultural suppression by the people of other regions (mostly from north and central Bihar). Similarly, Uttar Pradesh is too large for its size, making it unmanageable for the administration to fulfil its administrative and developmental responsibilities. Rasheeduddin Khan emphasises the need for re-organising the existing states for creating a more federal balance and to avoid centralisation of political power. Unfortunately regionalism has always been looked upon as a negative phenomenon, detrimental to 'national unity' and 'integrity'. But with assimilation being proved facile, a new thinking of regionalism is required. Regionalism should be seen as a federal mechanism of organising society and polity that can accommodate the matrix model of 'self-rule with shared-rule'.

Most of the papers have been revised by their respective authors in the light of

discussions during the 'Study Week; organised at the Indian Institute of Advanced Study', Shimla. With certain variations apart, the papers have been arranged according to the themes of each session of the discussion. Though a minimum uniformity of style and format has been maintained, the reader may find a variation in the pattern of referencing of the authors. The individual style of the authors, too has been retained. This nonetheless disturbs a coherent reading of the book, but perhaps, justified as a matter of 'intellectual autonomy'.

Unlike the conventional reductionist approach to the study of 'federalism' that restricted federalism only to the legal formalism of distribution of power and authority between federal government and state/local/provincial governments, the emphasis here is on relevance of federalism to a plural society with a paradigmatic shift from mere statism to federal nation building with added emphasis on multi-disciplinary approach to the study of federalism. 'Rethinking Indian Federalism' is certainly enlightening and undoubtedly a book with a vision.

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## Ladies & Gentlemen,

On behalf of the Board of Directors and on my own behalf, I welcome you all today to this third Annual General Meeting of the Bank. As you must have seen from the Bank's Annual Report 1998-99, your Bank has posted an all round improvement in the performance in its various key parameters during the year under review. Amongst all nationalised banks, your Bank has recorded the highest net profit of Rs. 421.44 crore and the Board has proposed 30% Dividend for the year 1998-99. I am happy to inform that your Bank has adopted the global best practices by making prudential provisions, recommended by the Narasimham Committee-II, well ahead of the time schedule, which will go a long way in strengthening the financial fundamentals of the Bank. Before I elaborate upon the Bank's performance, it will not be out of place to dwell upon the economic and banking environment that was prevailing abroad as well as in our country during the year under review.

### Economic Scene

Close on the heels of the South East Asian currency crisis, the international financial markets were faced with the meltdown of Russia and the problem of Brazilian and Japanese economies, which saw the Stock Exchange indices throughout the world falling down. The year also witnessed some mergers and closures of the banking as well as non-banking companies across the globe inviting a tighter regulatory framework. Issues of solvency and capital adequacy were debated in banking circles leading to tightening of global prudential standards. Your Bank, though having its presence in a number of other countries, did not face any problem thanks to its good risk management practices and prudent accounting policies. But at the same time it was an opportunity to learn a few lessons in international banking.

Notwithstanding the recessionary trends affecting many parts of the world, the Indian economy displayed greater resilience during 1998-99. A strong GDP growth of 5.8% was mainly fuelled by the robust farm output as well as a vibrant services sector. However, it is the industry and trade that generally feels the brunt of financial institutions. The recessionary trends in steel, cement, textiles and automobiles had a cascading impact on many other industries having forward or backward linkages. The negative export growth resulted into a negligible rise in the non-funded business of commercial banks.

Compared to many other emerging market economies, India showed better stability and confidence as reflected among other things, in the success of Resurgent India Bonds, the national endeavour to beat the economic sanctions. A total fund of Rs. 18,000 crore of non resident deposits was mobilised by the banking system. Besides, the volatility in the foreign exchange market was quite minimal. Now there are strong signs of recovery in the industrial economy of the country, propelled by a good monsoon, which I am sure will revive the demand for credit as well as pave the required boost to the equity market. The economy is expected to end up with a robust GDP growth of about 6 to 6.5 per cent.

### Second Phase of Reforms

The banking environment was characterised by further doses of reforms. In the first phase of reforms, the focus was on accounting policies including income recognition, asset classification and provisioning norms which aimed at bringing in a fair degree of transparency in the bank balance sheets.

In the second phase of reforms, the objective is to encourage banks to streamline their internal systems and procedures for achieving better operational efficiency. Certain banks including yours, have been given autonomy in certain areas

besides fixation of interest rates on deposits and advances. In the area of credit, banks are now given lot of freedom for assessing the requirements of bank finance, deciding the industry wise exposures within the overall ceilings of 75% & 50% for single party and group exposure respectively.

The recommendations of Narasimham Committee-II were also accepted by the Reserve Bank of India and accordingly banks are required



to maintain higher capital adequacy ratio of 9% from 31/03/2000. The asset classification and income recognition norms were tightened further to bring them closer to international standards. But apart from these measures, Indian banks are now oriented towards sophisticated tools of risk management and asset liability management. The focus is certainly shifted from mere growth to profitable growth, which your Bank had realised and internalised in the early nineties. The Reserve Bank of India's initiatives of widening and deepening of the money, debt and forex markets are welcome, though some hard measures of removing the systemic hurdles are badly needed. Adoption and implementation of new information technology and faster recycling of funds through better recovery are the two critical factors where the Indian public sector banks look to the regulators to get a helping hand.

Moreover, the Khan Committee recommendations on universal banking called for broadening the skill levels to enable banks to render a range of financial services through a single window. Keeping in view the growing aspirations of customers, your bank has been striving for speedy product innovation, product modification and better product delivery system with the help of technology. The entry of Internet banking and emergence of E-commerce indicates the road map of banking services in the new millennium. As a growing organisation committed to serve the customers efficiently, your Bank has been gearing up for the critical inputs identified to prepare the bank to measure up to this task. Your bank has been transforming such strategic vision with pro-active measures to achieve the corporate goals ahead of the system.

Notwithstanding the declining interest rate regime, your Bank has been able to maintain the net interest margin above 4 per cent. In fact the objective of lowering the PIR was to enable the economy to move on to low cost structure. But such initiatives of individual banks have to be supplemented with an improved recovery climate. If banks are able to bring down their net non-performing loans to international standards, this could greatly improve their ability to operate with even lower net interest margins. The recent initiative taken by Reserve Bank of India in preparing the guidelines for compromise/settlement, which are also adopted by our Board, is a welcome step. Further, the setting up of 12 DRTs, activation of BIFR and proposed legislation announced for DRI/BIFR and other legal procedures for realisation of banks' securities will

go a long way in enabling the banks to improve the asset quality.

### Performance of the Bank during 1998-99

Now let me give you financial details of your Bank's performance during 1998-99.

You will be happy to learn that your Bank is the only public sector bank to have implemented all the new prudential guidelines announced by Reserve Bank of India as a sequel to the recommendations of Narasimham Committee-II. Your Bank's capital adequacy far exceeds the revised ratio of 9% to be achieved by 31/ March 2000 by a wide margin. Similarly, the Bank has

not possible. Many of the weak banks are on the verge of defaulting on 9% capital adequacy ratio as of 31/3/2000. The well managed banks were able to comply with the norms by tapping the long term debt or equity market. However there is an urgent need to remove the regulatory constraint if these banks have to have a free access to these private sources. Today, there is a constraint of minimum Govt. holding of 51%. Similarly the FI holding in the equity of banks including GDRs/ADRs cannot exceed 20%. As a result, the well managed banks are finding it difficult to augment their capital through equity or GDR/ADR route. Banks like yours, having foreign branches, need to raise capital even in foreign currency as with us

## Speech of Shri K. Kannan, Chairman & Managing Director, Bank of Baroda at the Bank's Third Annual General Meeting of Shareholders, at Vadodra on 30th July, 1999.

made provisions for standard advances, Government guaranteed advances and sub-standard advances of more than 18 months. All these provisions have been made by your Bank without adversely affecting the profit position in the current year, by falling back upon the excess unmarked provisions created in previous years.

Apart from complying with the RBI norms with respect to Narasimham Committee-II, I am happy to inform that your Bank has made full provisions for the impending wage revision. It has also adopted AS 15 in respect of other employee benefits like leave encashment and pension. You will agree with me that all these provisions provide a strong cushion to your Bank to face future challenges with confidence.

During the year under review, the operating profit of the Bank increased by 17.22% from Rs. 806.06 crores to Rs. 945.30 crores. This has to be viewed against the provision of Rs. 95 crores made for wage revision which is accounted for as staff expenses. Similarly the net-profit of your Bank at Rs. 421.44 crores, though marginally lower than that of the previous year, should be seen against the write back of investment depreciation at Rs. 168 crores (net of taxes) available to the Bank during 1997-98. Adjusted for these factors the net profit of the Bank would have shown a satisfactory rise over the previous year. The income from treasury accounted for as high as 38% of the total income of the Bank's domestic operations. Your Bank has initiated a series of steps to establish the Asset Liability Management System as also the comprehensive risk management system.

As the Indian banking industry is graduating and integrating into the global financial system it will be interesting to dwell upon certain critical benchmarks relating to management and financial accounting practices and view the bank's performance in the light of these benchmarks. While doing so, I would also like to share my views and concerns about the systemic constraints and initiatives needed in the industry level.

### Capital Adequacy

Since 1993 Indian banks are required to adopt the Basle Committee norms on capital adequacy by maintaining 8% capital on the risk-weighted assets. This ratio is now raised to 9% from the year 1999/2000. In an industry where the balance sheet assets are growing at the rate of 15 to 16 per cent per annum, capital augmentation is a continuous process for which banks have to either look to the Govt. or tap other available alternatives. Looking to the budgetary constraints which the Govt. is already facing, additional infusion of capital through budgetary support is

depreciation of the value of Rupee vis a vis the currency of other countries, would call for high capital requirement. Unless these hurdles are removed by the Govt., the banking system as a whole will suffer on account of stunted growth which in turn will adversely affect the funding of genuine credit demand in the economy.

Nevertheless your Bank is having a big CAR of 13.30%, and is confident of maintaining double-digit capital adequacy ratio in the years to come to achieve uninterrupted balance sheet growth.

### Quality of Assets

Talking about the asset quality, I would like to emphasise here that the incidence of NPAs is a global phenomenon. Both developed and developing countries are grappling with the same trends in NPAs. We have to clearly understand that NPAs are nothing but the reflection of the economy and its performance. If economy performs well, NPAs will be less whereas NPAs tend to rise in a recessionary environment. Rising trend in NPAs during 1998-99 was the fallout of economic recession. Further, in tackling the problem of NPAs, much emphasis is laid on accounting system rather than addressing the real issues of NPAs viz. legal problem, improving recovery climate etc.

Within these systemic constraints, your Bank has performed well in tackling the problem of impaired assets. I am happy to inform that it has initiated various proactive steps to improve the quality of its credit portfolio. A comprehensive database on each and every borrower account created at the corporate level for tracking the accounts causing concern and corrective measures have been initiated at every level of the organisation. The net non-performing advances of your Bank stood at 7.70% as of March 1999. However, if the total assets are taken into account the ratio of NPAs to total assets worked out to only 3.10%.

However, we should be pro-active in tackling the problem of NPAs. There is over emphasis on quantifying the NPAs rather than finding solution to bring them down. As mentioned earlier, NPA is not a bank specific or industry specific problem but a global problem. Also it is closely linked with the performance of the industry and economy as a whole. When the economy is not doing well, there is a greater need to identify the genuine borrower who need to be extended the necessary comfort so that they can be saved from slipping back. Here is all the financing agencies can work in close co-ordination with each other, they could find better and effective solutions to the problem rather than each one trying to deal with the affected borrowers in an isolated manner. Such coordinated effort on the part of all the financing

ies would also result into a common stand on earned borrowers and also ensure effective working of the agencies like BIFR/DRI.

Another aspect I would like to stress upon is there is a need to view NPAs from a different perspective. Internationally, NPAs relate to Performing Loans (NPLs) only which is due to excessive exposure of banks in loan assets. As this, Indian banks are much more leveraged, loan exposure is only about 40-45% with 30% to 35% of their assets in the form of risk securities. The loan to GDP ratio in is only 28% as against 100% or more in

than 1000 shares. In view of such widespread shareholding pattern, I am confident that when the above scheme for elected Board members is implemented it will further strengthen the concept of corporate governance.

The ability of the bank management in tackling the emerging challenges is however limited to some extent by lack of autonomy in certain areas. In order to obviate such limitations, it is necessary to initiate necessary facilitating measures in the years to come so as to create the level playing field for public sector banks. Freedom to enter into strategic alliances in new

Bank is also engaging its attention on business process re-engineering and restructuring of the organisational structure. Your bank has developed an effective MIS to help improve the quality of decision making. But unless the MIS for the entire banking system is integrated at industry level, the islands of information will not serve the needs. The MIS has to be actionable. An industry wide initiative is called for at the level of IBA/RBI for enabling public sector banks to adopt and implement the new technology and thereby ensure that technology upgradation in the system remains cost-effective.

### Management of Associates & Subsidiaries

Your Bank is having a well-diversified portfolio, through its wider branch network and subsidiaries in the areas like housing, credit card, merchant banking, mutual funds. In response to the strategic business compulsions, your Bank has taken over the Bareilly Corporation Bank Limited. Its 463 branches have begun to operate as Bank of Baroda branches.

### Technology

In the area of technology up-gradation, installation of V-SAT, introduction of intra-bank web site and networking of some of the key branches has been undertaken so as to improve competitive edge. There is a network of 17 ATMs of which 10 are linked to shared payment network system (SPNS). Your Bank proposes to add more ATMs to this network and also introduce tele banking services. Your Bank has already started offering the depository services at its Mumbai branches which will subsequently be extended to other centres.

Considering the changing face of banking, your Bank is gearing up for the challenges of the new millennium. With the conclusion of the tenure of earlier strategic plan Vision 2000, Bank is formulating a five year strategic plan Vision 2005. It is the endeavour of your bank to achieve the distinct edge in risk management, technology and human resources development in the next couple of years.

### Acknowledgement

On behalf of the Board of Directors of the Bank and on my behalf I thank every shareholder and customer of the Bank for their continued patronage and support and look forward for ever greater cooperation in the coming years. I also place on record my appreciation to the staff of the Bank at all levels for the efficient and dedicated services and the constructive role played by the employees' organisations in sharing fully the Bank's corporate objective and working towards their realisation. Bank will look forward for a continuing patronage and cooperation of staff stakeholders to help your Bank emerge as a strong global link in the new millennium. I am grateful to the Government of India, Reserve Bank of India and SEBI for their continued guidance and support. I am also thankful to the various State Governments and Union Territories for their continued support in our operations.

K. Kannan

Chairman & Managing Director

Date: July 30, 1999  
Place: Vadodra

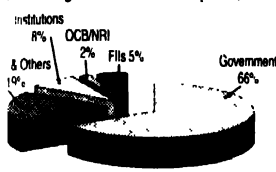
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**बैंक ऑफ बड़ोदा**  
(भारत सरकार का उपक्रम)  
**Bank of Baroda**  
(A Government of India Undertaking)

Head Office: Bank of Baroda Building,  
Mandvi, Vadodra - 390 006

### Shareholding Pattern as on 31st March, 1999



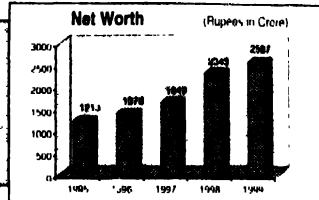
Last Asian countries. Viewed against this ground, banks in India are much better off than their international counterparts. For your total NPLs work out to only 31% of assets which compares well with the banks in emerging economies. Even then, your bank is using prudent norms of income recognition, classification as well as provisioning so as to strengthen the balance sheet further and improve shareholders' value.

### Corporate Governance

Globalisation and deregulation is generally viewed not only in terms of the freedom to the interest rates, introduce new products and services and implement the prudential norms but also to install best practices corporate Governance. Hence, in order to achieve the above, it is also necessary to have management systems in place. The core of planning, co-ordination, control and evaluation are to be performed by the top management in line with the best management practices. I am happy to inform that your Bank is with talented Board Members, representing various interest groups and professionals like Chartered Accountants, Economists, Environmentalists, Engineers, Bureaucrats and academicians. The committees/Sub-committees of the Board constituted for taking decisions on operational and policy matters. These committees closely look for the performance of the Bank in various areas like audit, inspection, risk management, and new financial services. With a view to enhancing the shareholders' value, Bank is striving to achieve high levels of transparency and accountability by adopting best management practices. As a responsible corporate citizen your Bank has initiated measures to help the societies through institutions, hospitals, schools etc. in such measures.

In terms of General Regulations, 1998, stated by your Bank in exercise of the powers conferred by Section 19 of the Banking Companies (Acquisition & Transfer of Undertakings) Act, in consultation with Reserve Bank of India, interested shareholders shall appoint their representatives on the Board from amongst themselves. Initially, four directors (excluding the Government) will be elected by shareholders after following the procedures. This will be in accordance with the present non-official Directors on Board. Necessary steps in this regard are taken.

Your Bank is fortunate to have the patronage of a large number of small shareholders. It may be noted that 2,51,251 shareholders (90% of the total) of your Bank are holding less



areas of banking, redesigning the remuneration packages, allowing banks to pursue productive programmes and guidelines for mergers and acquisitions will go a long way in creating a healthy and enabling environment.

### Operational Efficiency

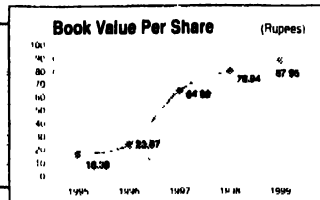
With increased competition in deregulated interest rate environment, banks in India have to learn to live with lower interest margins. The initiatives taken by the Reserve Bank of India in introducing Asset Liability Management System and Risk Management process are most welcome. However, this being a new concept, banks will take some more time to orient themselves to the new management tools. Further, the vast network of branches working on manual system is going to remain a major challenge to Indian banks. Massive investments in computerisation as well as human resource development are needed on the part of banks to equip themselves with the required database. This is one area where an industry wide initiative is badly needed so as to ensure uniformity of approach and reduction in the learning costs. The Indian Banks' Association may assist banks in strategy formulation and networking with other banks.

### Liquidity and Risk Management

Your Bank has also integrated its treasury operations by combining the functions of money market, investments and dealing operations under one roof. Your Bank is also in the process of integrating its Overseas Money Market Operations with the domestic treasury, thereby optimising the returns from globalised treasury operations. During the year under review, your Bank preferred to maintain a high liquidity due to the volatile international scenario. As a result, Bank of Baroda has been a net lender in the Call Money Market throughout the year. With the establishment of full-fledged Asset-Liability Management System, your Bank will be in a better position to identify, quantify and manage the liquidity as well as interest rate risk.

### Support System

Management of change is the key to success of your bank in the new banking environment. Information Technology (IT) and Intellectual Capacity (IC) are the prime movers which your Bank have adopted in coping with the challenges of reforms. Your Bank has embarked upon a massive technology upgradation plan, involving V-Sat networking, LAN, WAN, ATMs and Internet banking. In tune with these initiatives,



### Emerging Scenario

As it moves towards the new millennium, the Indian banking industry faces new challenges in terms of narrowing spreads, new banking products and players, multi-currency operations, global sourcing and deployment of funds and mergers and acquisitions. Adoption of risk management tools and new information technology is no more a choice but a business compulsion. Internet technology is multiplying the opportunities of business expansion. Success of banking sector in the new millennium hinges on technology, product innovation and sophisticated risk management systems.

Further the increasing expectations of customers coupled with easy alternatives have created a systemic pressure on banks to improve productivity. Besides the traditional services, customers today also want structured products catering to their specific requirements. The speed of response to the changing business environment has become a critical factor for the success and survival of banks.

### Strategic Initiatives: Technology, People & Vision

While preparing to become a leading global player in the new millennium, your Bank has identified three important inputs to be harnessed to their optimum level and take the Bank to greater heights. These ingredients are Technology, People & Vision. Keeping the long term vision in view, Bank has embarked upon the task of introducing the new information technology intended to improve the speed and quality of banking services. However, banking industry still continues to be people oriented and hence the attitudes, orientation and skills of employees have to change in keeping with the changing times.

### Asset Liability and Risk Management

Your Bank is seized with these strategic issues and has initiated appropriate measures to convert the opportunities into successful business deals. Bank of Baroda is in the process of appointing consultants for enterprise wide risk management system including treasury and ALM. Your Bank is also aiming at integrating its overseas treasury operations with the domestic treasury and thereby developing a competitive global treasury function with state-of-the-art technology. Appointment of in-house committees for product development, re-organising the functioning of various departments etc. are some of the initiatives taken by your Bank to enhance organisational efficiency.



# Economic Reform Strategy for the Next Decade

Raja J Chelliah

*As we near the end of this decade and century, it seems opportune to look back, review the developments that have occurred in the Indian and the world economies and examine what lessons we can learn from our experience with reforms in the context of world developments. In the light of these lessons, we can determine the kind and pace of reforms that should be pursued during the coming decade.*

ALTHOUGH the need for changes in the structure and elements of economic policies that were being followed since the beginning of the Second Plan had been recognised in the eighties, only mild reforms had been introduced till the end of that decade in the form of some reduction in the rigour of controls and of allowing the market a little more play. Some little liberalisation of imports had also taken place. There was no general willingness to give up or alter in any substantial way the philosophy that was the foundation of the economic policy framework. Then, in the midst of the grave balance of payments (BOP) crisis of 1990-91, the decision was taken in 1991 by the government of Narasimha Rao to give up the old paradigm. It initiated far-reaching reforms that would transform India from a controlled closed economy into a fairly open economy in which not only would the private sector have a much enhanced role, but the market would be given the prime role in the allocation of resources. Further, there would be a gradual opening up of the economy so that the economy would become linked to the world economy to a substantial extent.

That changes in these directions were necessary and indeed inevitable was tacitly accepted by a large section of industry, business, political parties and economists, but it would be wrong to say that there was a general consensus among the political parties or intellectuals. Opposition came notably from the vested interests that were adversely affected, from those who could not or would not change their ideology and also from many who had genuine fears about the possible negative impact on the poor and on our sovereignty.

But fortunately, the major reforms carried out in the years 1991-92 to 1994-95 had by and large very favourable effects on the economy. In the years immediately following the start of the structural adjustment programme (SAP), or later, India did not suffer any drop in total GDP, high inflation or sizeable increase in unemployment unlike in many other developing countries which carried out SAP with or without stabilisation measures. In my view

the stabilisation programme had some negative effect because of the compression of imports and of government expenditure. The SAP had on the whole a positive impact.

In the nineties the growth rate of GDP could reach the level of 7 per cent per annum (Table 1). After three years of high growth, the economy entered a period of downswing and deceleration in growth with the onset of political instability and the east Asian crisis. Still, the rate of growth of GDP hovers around 5 per cent. The average rate of growth in the nineties up to 1996-97 (including the early years affected by the BOP crisis of 1990-91 and the stabilisation attempt) is not much higher than that of the eighties. But there is a significant difference. This rate has been achieved in the context of a slowdown in the world economy and has been sustained along with a remarkable build-up of our foreign exchange reserves. Indeed in the external sector there is a remarkable transformation. Three significant developments may be noted: (a) a tremendous increase in foreign investment; (b) a very large flow of remittances with a realistic exchange rate; and (c) remarkable growth in exports until the beginning of the world economic slowdown and no balance of payment problem after 1991-92.

The most significant gain from the reforms so far carried out is the capacity to grow at a fairly high rate without running into BOP problems, provided of course reasonably sound fiscal policies are followed. As Bimal Jalan has pointed out, in 30 of the 36 years preceding 1990-91, we had some BOP problem or the other [Jalan 1992]. Now it can be said that we have achieved self-reliance in one important respect. Ironically, the extreme left is saying that we have come under the dominance of IMF and the World Bank, whereas the fact is, unlike in the past, we do not need to go to the IMF at all, and can carry on even without World Bank loans.

During the next decade, to sustain a high rate of growth, we need, among other things, to maintain a high growth of exports and obtain large and growing remittances and sizeable foreign investment. For this

purpose, we have to have a fairly open economy with a realistic exchange rate and the efficiency of our economy has to be further increased. Therefore, there is no doubt that the major reforms carried out from 1991-92 to 1996-97 were in the right direction. In the subsequent two years some more reforms have been carried out, but owing to political instability and quick changes of government, the reform initiatives have not been quite consistent and in some areas the action has not been carried out on a sustained or consistent basis.

## CONSIDERATIONS FOR DETERMINING THE DIRECTIONS OF REFORMS

As we near the end of this decade and century, it seems opportune to look back, review the developments that have occurred in the Indian and the world economies and examine what lessons we can learn from our experience with reforms in the context of world developments. In the light of these lessons, we can determine the kind and pace of reforms that should be pursued during the coming decade.

While undoubtedly the major structural changes have benefited the economy, we must recognise that there is some genuine fear in some sections of the population that the direction of reform – greater role for the market, vastly reducing the importance and role of public enterprises and opening up the economy to foreign investment and MNCs – would adversely affect the vulnerable sections of the population and even erode the substance of our national sovereignty. We should examine

TABLE 1: GROWTH OF GROSS DOMESTIC PRODUCT  
(At constant prices, 1990-91 to 1996-97)

Years	Rs Crore	Per Cent
1990-91	2,12,253	5.36
1991-92	2,13,983	0.82
1992-93	2,25,240	5.26
1993-94	2,39,145	6.17
1994-95	2,57,700	7.76
1995-96	2,76,132	7.15
1996-97Q	2,96,845	7.50

Annual average rate of growth, 1980-81 to 1989-90 = 5.69.

Annual average rate of growth, 1990-91 to 1996-97 = 5.75.

Q – Quick Estimates.



the grounds for these fears in the light of our and other countries' experiences. I know that some groups like the extreme left are repeating old arguments on ideological grounds or to please their special constituencies. However, it would be quite useful to consider if a re-orientation of the economic reforms is needed to minimise their adverse economic, social and political effects.

The ratio of population below the poverty line is subject to a secular trend but is also influenced by fluctuations in output in particular years. It is seen that according to official figures, the poverty proportion in India (the so-called head-count ratio) fell from 38.5 per cent in 1987-88 to 35 per cent in 1993-94. (In between there was a slight rise in the ratio in one year according to calculations based on a smaller sample.) The reforms have not reversed or altered the trend of steady fall in the head-count ratio since 1973-74 [Chelliah and Sudarshan 1999:5, Table 1.1]. Also, it is seen that the economically better off states (in terms of higher per capita incomes) such as Kerala, Punjab, Haryana and Gujarat have lower poverty ratios. (In Kerala, the per capita income is distinctively higher than per capita SDP.)

Fast growth is thus essential for reducing poverty and it does reduce poverty. However, the economic reforms that accelerate growth could adversely affect some poorer sections in the short run. Also, when substantial changes take place, there are gainers and losers. Hence the society (government) has to provide a safety net for those affected and also slow down or modify the reforms to safeguard the interests of the vulnerable sections. We need to look back and examine whether during the decade we have imposed undue hardships on some sections of the population and how similar effects can be avoided or mitigated.

In considering the directions of reforms in the next decade we must also keep in mind the fact that India, which has been criticised by strongly pro-reform economists (westerners as well as Indians) as being too tardy and too slow in carrying out structural reforms, was not affected by a financial crisis such as those suffered by the south-east Asian nations or Mexico. Furthermore, we survived, fairly unscathed, the severe impact on the world economy of the crisis that overtook the Asian economies. From this experience we might perhaps legitimately draw the conclusion that there is a trade-off between stability and growth in efficiency and productivity. Hence, in the pursuit of efficiency we should not expose ourselves to excessive instability by proceeding too fast with reforms *in some directions*. In

my view, this is an important lesson we have learnt (or should learn) from the events of the last three or four years.

It is also to be kept in mind that the relatively small size of the external sector in India, in terms of the ratios of imports/exports to GDP, is a factor that helps ensure that the economy is relatively less affected by fluctuations in the world economy. This of course does not mean that the degree of openness should not be increased; indeed exports as a percentage of GDP must grow from its present level (8.5 per cent). But the extent of increase needed could be moderated or reduced by maintaining near self-sufficiency in basic foodgrains and increasing the efficiency and productivity of industries in several key sectors so that the need for greater imports also would be moderated. For maintaining near self-sufficiency in basic foodgrains we need to invest more in agriculture and further increase agricultural productivity and also drastically curtail the growth of population so as to bring about the state of zero population growth within the next 10 years.

At this juncture, with a fractured polity, it is difficult to bring about a general consensus, embracing at least the major parties, on the nature and pace of economic reforms to be carried further without some compromises. The compromises cannot be such that the growth rate of the economy will be significantly affected. I would say that a minimum 6 per cent rate of growth should be achieved and maintained. And improvement in resource allocation and increase in efficiency should continue to be given high importance. But the increase in efficiency needed to maintain a fairly high rate of growth could be attained even if some moderate compromises are made in areas where trade-offs are involved the choice among which is partly dependent on value judgments or differences in perception. In this context, I would urge that economists should clearly distinguish their value judgments from the positive economic propositions they are propounding on the basis of their empirical observations and scientific analysis.

Given that there are important trade-offs, there are bound to be differences in the relative weights attached to various objectives by different individuals, hence economic advisors have to work out certain compromise packages. In other words, we as advisors should give priority to reforms which are essential and most beneficial and agree to slow down or postpone reforms in some areas which would not cause any significant slowdown in growth. We need not accept all the advice that western economists might give.

The three basic objectives that we should set before ourselves for the next decade are: (a) 6 to 6.5 per cent annual rate of growth of GDP; (b) considerable emphasis on human development such that there is at least 20 per cent point improvement in social development indices such as rate of literacy, rate of infant mortality, expectancy of life at birth, extent of malnutrition and incidence of infectious diseases; and (c) reversing the trend of worsening regional disparities by initiating a trend of reduction in the gap between the per capita SDP of the poorest states and the highest per capita SDP; and also reducing the disparities in the state of infrastructural development.

The economic reform strategy for the next decade will be dictated and determined by these objectives. For achieving the objective of maintaining an average rate of growth of 6 per cent (from now on the figure of 6 per cent growth rate is used to stand for 6 per cent or slightly higher than 6 per cent) we will continue to need a high rate of domestic savings of around 24 per cent, foreign investment amounting to around 2 per cent of GDP (implying a current account deficit of the same magnitude), a fairly high rate of growth of exports (10 per cent), sustained further improvement in efficiency through competition, better resource allocation and beneficial changes in laws and procedures. There have also to be conscious efforts to considerably improve the infrastructure and performance of the backward states. For this purpose, there would be need to divert more investible resources as well as resources for human development to the backward regions. It is for this reason that the suggestion has been made that we should aim at around 6 per cent rate of growth although if resources are not to be consciously diverted to the backward areas and investment is concentrated in areas where the immediate rate of return will be quite high, we might be able to achieve even a 6 to 7.5 per cent rate of growth.

We should concentrate on carrying forward, or initiating those reforms which are essential for, or would be helpful in, achieving the objectives mentioned above. Considered in this perspective, I believe that it is not necessary to make any preparations for moving towards full capital account convertibility. Some relaxation in regulations regarding flows on capital account could and should be made, but past experience shows that for maintaining a 6 per cent rate of growth and attracting a fairly sizeable flow of foreign investment into India full capital account convertibility is not necessary. On the other hand, maintenance of stability is

greatly helped by the kind of controls we have on movements of capital.

#### INTERNATIONAL ASPECTS

There is difference of opinion among political parties on the degree of opening up of our economy to foreign trade and foreign investment. As regards foreign trade, we are members of WTO and as such we are bound to fulfil all the obligations entailed by that membership. It could be argued that developing countries could have obtained WTO rules more favourable to them in some important respects. It is now too late to go into that question. Anyhow, taking all the provisions together, India definitely stands to gain by the coming into operation of all the agreements. If we lose something in the area of pharmaceuticals and agrochemicals, we stand to gain in the field of textiles, etc.

Membership of WTO also requires that we should abide by the agreement on TRIPS. Out of the eight categories of intellectual property for which standards of protection are incorporated in the TRIPS agreement, our existing and proposed laws and regulations in respect of six categories of intellectual property are largely in consonance with the required standards. Our concerns with respect to TRIPS agreement are limited to granting product patent to pharmaceuticals and agrochemicals, patenting of micro-organisms or life forms and establishing an effective *sui generis* system for the protection of new plant varieties, i.e. plant breeders' rights [Ganesan 1999:vi].

To take the first category, namely, granting of product patents to pharmaceuticals and agrochemicals, the fear in the minds of many is that prices of new products will go up considerably after the product patent regime comes into effect by 2005. In the interim, that is until India introduces the product patent regime by January 1, 2005, we have to grant exclusive marketing rights (EMR) to products for which patent obligations were filed in India and elsewhere on or after January 1, 1995. A number of people have misgivings about granting EMR. This fear is not warranted because, as A V Ganesan points out, EMR will be extinguished by the end of 2004 and between now and that date probably 10 or less products will seek EMR. The reason is that it generally takes eight to 10 years for a new patented product to come into the world market from the date of filing the patent application [Ganesan 1999:v].

As regards product patents for pharmaceuticals, while it is true that the prices of new products will be higher than what they would otherwise have been, we must

recognise that the inventors' rights have to be protected and piracy should not be rewarded. Perhaps, if the representatives of developing countries had understood the implications better and had insisted during the negotiations on conditions that would have been beneficial and could have been obtained with pressure, we could have had a regime more favourable to developing countries. For example, the developing countries should not have agreed to a uniform period of protection of 20 years for all commodities. In respect of patents, for which applications are filed after 2005, the period could have been cut down to 10 to 15 years – 10 for pharmaceuticals and 15 for other products. But now we have to make the best of the existing situation.

We must remember that many developing countries have already enacted legislation granting product patents. Apart from that, since we have the capacity to conduct research and produce new pharmaceutical products, in course of time we would greatly benefit by product patents in this area. We should encourage R and D in the pharmaceutical field and at the same time the government should effect improvements in the working of the patent office and in procedures relating to the grant of patents.

The Uruguay Round of Multilateral Trade Negotiation was concluded in 1993 and the results of the negotiations were embodied in the Final Act or the international treaty that was signed by the ministers of the member countries in 1994. Apart from TRIPS, the Uruguay Round led to agreements in a wide area covering agriculture, textiles, tariffs, trade rules, services and trade related investment measures. All of these agreements are such as to promote more competition, liberalisation and fair play while affording protection to the rights of 'inventors'. It is the developed countries which pushed for greater competition, liberalisation and protection. Hence there is grave apprehension among several people in India which defines itself as a developing country.

There are fears that our agriculture and food security will be severely affected, that the agreements on trade related investment measures (TRIMS) will force us to accept foreign investment in all areas with majority participation and that our service industry will be totally submerged by large foreign service providers. Many of these apprehensions are not well founded. However, we certainly should be on our guard and in all future negotiations ensure that our gains will be at least as much as the gains of the developed countries. At the moment, we must concentrate on strategies to be adopted to maximise the gains

from, and to minimise the adverse effects of, the agreements. Generally speaking, we should adopt a conservative approach and take full advantage of the transition periods granted for the different agreements to be fully implemented. We should be prepared to be tough in the negotiations on opening up the field of services.

We are quite well placed as far as agriculture is concerned. Except for one or two commodities, our minimum support prices for different agricultural products are far below the prevailing international prices. Our public distribution system and the system of buffer stocks will not be affected. Our policies should aim at maximising our benefits from the agreement on agriculture [for detailed discussion, see Debroy 1998:pp 13-20].

As already pointed out, the agreement on TRIMS does not require a member country to grant unrestricted entry to foreign investment or to grant majority equity stake in all cases. It does not also prohibit export obligations. We have plenty of elbow room to formulate our policies regarding foreign investment to suit our needs and ensure that our long-term interests are not affected. My own view is that we need not go overboard in attracting foreign investment. Even with the restriction of majority foreign equity participation to some important industries where high technology is needed, to power generation and to construction of important infrastructure projects such as roads and ports, we can attract high volumes of foreign direct investment. The present rules regarding direct foreign investment go beyond this [see Government of India 1999: Annexure III] and 100 per cent equity can be granted to the foreign party by the Foreign Investment Promotion Board (FIPB). It is said that FIPB is becoming the main channel through which FDI is flowing. Under the present policy 74 per cent foreign equity is allowed in some areas which seems unwarranted. And in any case FIPB can give the nod to 100 per cent equity. There are some sections which are solidly opposed to all majority foreign equity. Here is an area where a compromise can be effected without losing the advantages of foreign investment. We certainly need to take a second look at the rules regarding FDI.

Another important area where we have to formulate a proper strategy is international trade. On the imports side, we have to shift from QR to tariff control of imports – except for food crops (this is part of WTO obligation) and we have to gradually reduce the level of import duties. The gradual reduction of import duties must keep pace with the increase in the degree of general efficiency of the economy and

the increase in the productivity of our industries. We must assiduously promote these two goals. And we must draw up a calendar for the phased reduction of import duties in consultation with industry groups. Such a policy will cause the least instability and give time to the affected industries to make the necessary adjustments. Domestic trade tax reform is also essential as cascading taxes place domestic producers at a disadvantage in the home market as well as in the world market. Instead of speeding up the reform of domestic trade taxes – especially the cascading taxes at the state and local government levels – the government of India has imposed a special additional duty on imports to counteract the cascading effect of the domestic taxes.

I have already underlined the importance of the growth of exports. A high growth rate of the economy cannot be sustained without a corresponding high growth of exports. This is because imports will grow *pari passu* with the growth of GDP and in order to maintain the viability of our balance of payments, we need sufficient growth of exports whose proceeds can pay for the cost of a high proportion of imports. In that case the deficit in the balance of trade can be kept down to manageable limits. However, we should not aim to transform ourselves into what may be called an export-oriented economy. The limited degree of openness shields us to a good extent from fluctuations and cyclical crises in the world economy. The large share of agriculture in GDP is also a cushioning factor.

The rate of growth of exports that I have suggested as a target is a modest one, and within our reach if we pursue the right policies and bring about the necessary changes in the economy and governance. With a 6 per cent growth rate, imports are likely to grow at about 9 per cent, if we base the calculation on the buoyancy of imports in the period 1993-94 to 1997-98. With remittances continuing at the same rate (as per cent of GDP) and a current account deficit of 2 per cent of GDP to be met largely by foreign investment, we should have a comfortable balance of payments situation. However, at the end of the decade (i.e. by 2010) the ratio of exports to GDP would be only around 12.5 per cent.

In order that our exports may grow at an average rate of 10 per cent per annum in dollar terms and also in order to be able at the same time to bring down gradually import duty levels, in most cases, to the levels prevailing in the Asian developing countries, we need to effect quickly other changes/reforms needed to bring about higher productivity and efficiency in all

sectors of the economy – industry, infrastructure, the transport system, the financial system, governmental laws and procedures and tax administration.

There will be general agreement about the need for bringing about improvement in the legal system and governmental procedures and the steps to be taken for that purpose. But there are obstacles to reforms in other areas or there are some ideological differences about how to proceed.

#### PUBLIC SECTOR REFORM

One sphere where reforms are absolutely necessary is the sector of public enterprises (we exclude the railways and the electricity boards for the time being). There is no doubt that more than half of the public enterprises of the centre and the states taken together cast a heavy burden on the economy. There are a very large number of loss-making unviable public enterprises. Even among public enterprises that are making profits, many are inefficiently run, are overstaffed and are subject to political interference and patronage.

Several public sector banks have sizeable NPAs. Some are making losses, almost all are overstaffed. With a few notable exceptions, the general level of efficiency of public enterprises cannot be said to be satisfactorily high. Hence the reform of public enterprises is absolutely necessary.

One extreme view is that there should be complete privatisation and the government should get out of the production of all private goods except for atomic energy and military related industries. This view is naturally opposed by socialists and trade unions and also those who do not wish to rely completely on private enterprises. The view that the government sector should concern itself only with the production of public goods and some part of merit goods (except for some highly sophisticated weaponry and military goods) is generally held among western economists and policy-makers. In their economies governments do not play a direct developmental role through investment. Their private enterprises are large, efficient and multinational in scope. This is not the case in India. It could be legitimately argued that here in some important areas public enterprises should continue to exist at least till the private enterprises come of age.

Moreover, it would seem that public enterprises impart a measure of stability to the economy because of the reason that public investment is not so sensitive to market signals. When profit expectations are reduced and as a result private investment falls, government could induce the public enterprises to maintain their investment levels which at least to some extent

would counteract the deflationary impact of reduced private investment. One of the reasons for the relative stability of the Indian economy in the midst of Asian crisis may be the existence of relatively large public enterprises.

Whatever may be ultimately decided upon, for the coming decade we need to place emphasis only on substantially reducing the burden that the functioning of the public enterprises is imposing on the government and the economy. For this purpose, we do not need complete privatisation. Here again it is possible to effect a compromise. Instead of debating the question whether there should be wholesale privatisation, we could agree on certain specific steps to increase the efficiency and reduce the financial burden on the governments. I would suggest the following:

- (a) Sell or close down loss-making public enterprises producing all non-strategic private goods in a phased manner. One-tenth of the total number of such public enterprises should be closed down each year. In this way, we can avoid causing hardship to a very large number of employees within a short period. It would be easier to take care of a limited number of people/labourers affected in any one year. The labourers who would lose their jobs should be given generous compensation and also priority for appointment to fill vacancies that arise in the government or other public enterprises (other things being equal). No attempt should be made to revive these enterprises as, in any case, the governments are not to spend their energies on producing such private goods as cement, textiles, sugar, cables and leather goods.
- (b) Private shareholding should be brought into profit-making public enterprises in all areas except railways, atomic energy and most defence related industries. Among them we can distinguish three categories: (i) those which are to be sold off to the private sector; (ii) those in which the government need only to have 49 per cent of equity, so that the enterprises can become truly autonomous; and (iii) those in which for policy purposes or because of the importance of the industry concerned, the government would like to have majority shareholding.
  - (i) Enterprises to be sold off: public enterprises engaged in producing consumer goods and services or some minor producer goods.
  - (ii) In many public enterprises which are not producing basic or strategic goods (but only goods such as chemicals, petrochemicals, drugs) or are running hotels or engaged in transport

services, the government should hold only 49 per cent of equity.

- (iii) In public enterprises in the areas of basic goods, aeronautics, banking, development finance, petroleum exploration and refinery, etc, if they are profit-making and reasonably efficient, the government should retain 51 to 74 per cent equity. Where important policy decisions are involved it may be necessary for the government to hold 74 per cent equity. This is also necessary if a foreign private partner is involved. In banking, government equity could be brought down to 51 per cent.

It is an accepted proposition that except for railways, atomic energy and strategic defence related areas (e.g. missile development), public enterprises should not be monopolies. Public enterprises in both categories (ii) and (iii) should be subjected to competition. Such competition has been allowed now in many sectors, though in some areas, e.g. airways, it is still limited. There must be good exposure to private sector competition in all areas. There should be some private sector equity participation (through the issue of new shares) in LIC and GIC. Apart from that Indian private sector companies should be allowed into the insurance business, but initially only a few of them may be licensed. Private sector insurance companies may be allowed foreign partners holding up to only 26 per cent equity. Pension business should be allowed to be carried on only by public trusts. I am saying this in this light of the experience of the developed countries with private pension funds.

I have been talking about bringing private sector equity into public enterprises and reducing the government's stake. This involves disinvestment as well as issue of new equity. As of now, funds from disinvestment are used to cover government sector deficit. In my view, this is a totally wrong policy. Government should fix the permissible level of deficit by determining the amount of borrowing that could be considered prudent and proper from the macro-economic point of view, and then keep the deficit down to that level by adjusting the level of expenditure, given the amount of revenues that are contemplated to be raised. The funds from disinvestment should not be brought into the budget to cover the deficit.

I would suggest that there should be a separate extra-budgetary fund into which the proceeds of disinvestment in public enterprises should be put. This fund could be used to subscribe to the capital of infrastructure finance companies, to lend to enterprises to finance the construction

of roads, ports and other such facilities, to pick up the rights shares issued by public enterprises, etc. In other words, government should use the proceeds so as to maintain the level of its assets.

As regards railways, their monopoly position has to be maintained and with all its disadvantages the control of the railways by the government has also to remain. However, the railways should concentrate on providing services and leave largely to the private sector the production of wagons, engines and other equipment so that their own surpluses could be used mainly for expanding the railway network or to effect improvement in tracks, signalling equipment, etc.

We then come to the state electricity boards (SEBs). Along with the closure of loss-making public enterprises, the reform of SEBs should be taken up on a priority basis. The extremely unsatisfactory state of the electricity boards in terms of both efficiency of operations and of financial results is too well known to be detailed here. With only one or two exceptions, the SEBs are incurring large commercial losses. Most of them owe sizeable dues to the central public undertakings from which they are buying power or material or services. There are large transmission losses (to a sizeable extent accounted for by pilferage) and the plant load factor, although it has improved during the nineties, is still low on an average (for details see Table 2). Given their financial condition, they are in no position to generate funds either to add substantially to capacity or to spend on renovation or modernisation. Since the SEBs are state government enterprises, they cannot act independently to set adequate tariff or to reduce their staff size to a reasonable level or enforce discipline. There could be no reform of the power sector until the SEBs are effectively taken out of the control of the state governments. There are two steps involved in the reform. First, the operations of the SEBs should be 'unbundled', i.e. generation, transmission and distribution should be separated and be put in the charge of different entities. The private sector should be brought into generation as well as into distribution. The SEBs can

gradually get out of the business of distribution. Transmission should be in charge of one corporation in which the government may hold 30 to 40 per cent stake. There should be effective competition in the sectors of generation and distribution. The tariff and the wheeling charges will be set by an independent State Tariff Regulatory Authority. Reform along these lines has already been started in the state of Orissa, Andhra Pradesh and Haryana. If we wish to maintain a reasonably high growth rate during the coming decade, the state governments should be pressurised to bring about reform of their power sector along the lines indicated as quickly as possible. Nothing stands in the way of such a reform except short-sighted political considerations. One hopes that the major political parties in each state would arrive at a consensus on this issue in the long-term interest of the people of the state concerned.

#### STATE LEVEL REFORMS

The state governments do not seem to realise what a great handicap the state of their roads is to industry and trade and what delay and consequent increase in costs is caused by the various hindrance to the quick and free movement of goods which exist because of the state governments' own policies and procedures.

Even our major highways cannot stand comparison with those in any developed country or even the roads in China's developed provinces. The unsatisfactory condition of the roads and the checks and stops to which the traffic is subjected significantly increase the costs of production in the economy. Take this example: today it takes a truck an average of 6 days to carry goods from Mumbai to Calcutta. It must traverse no less than 1 checkpoints/octroi stations during the trip where approximately two days are lost in waiting. The average speed on the existing roads is only 40 kms per hour. Trip between Mumbai and Calcutta, or Delhi and Chennai, should not take more than two days at safe average speeds of about 60-80 kms per hour on a reasonably good roadway system. With such a system, the savings in fuel costs and better transport turnaround times would be significant.

TABLE 2: DATA ON POOR PERFORMANCE OF SEBS 1997-98

(1) Commercial losses	Rs 10,164.9 crore (without subsidy)	
	Rs 7,218.7 crore (with subsidy)	
(2) Sales revenue as ratio of cost	80.5 (average)	
(3) Outstanding dues payable to central sector power corporations	Rs 16,807 crore with surcharge (as on 30.9.1998)	
(4) Plant load factor (thermal)	Average	64.4
	Lowest (Bihar)	15.3
	Highest (Andhra Pradesh)	78.3
(5) Transmission and distribution losses (per cent) (leaving out J and K)	Average	29.6
	Highest (Orissa)	34.8
	Lowest (Maharashtra)	14.8

Source: Government of India, Ministry of Power (1998).

(TELCO Annual Report, 1999, p vi). The layout of the present roadways is inadequate and dangerous for the density of commercial vehicles, passenger cars and other local forms of transport that ply these roads. Roadway deaths have become an issue of national concern.

The urgent need to improve the road traffic system is well recognised. Investment of huge amounts of money is required. Hence the private sector has to be brought in. This is also recognised. But the movement has been slow. And no worthwhile attention has been paid to the removal of hurdles to the free flow of traffic. The state governments have to consider this area as one priority area for reform along with the power sector.

Indeed during the coming decade, most of the pressing reforms have to be carried out at the level of the state governments. No great ideological issues are involved in these reforms except perhaps in the case of reform of the power sector.

The major reforms and the policy changes to be effected at the state level during the coming decade are:

- (a) power sector reform;
- (b) improvement in the roads and extension of road network;
- (c) removal of hindrances to a maximum possible extent to the free movement of goods;
- (d) closing down or sale of loss-making public enterprises;
- (e) reduction in subsidies in respect of consumption of power by the agricultural and domestic sectors along with other reforms in the power sector;
- (f) at least partial privatisation of the road transport (passenger) services; and
- (g) higher outlay on primary and secondary education, health and family planning and significant improvement in the standards of these services.

The obstacles to reform are to some extent lack of understanding, short-term political considerations, and lack of financial resources. Understanding of issues is growing, but there seems to be no improvement in the financial conditions of the state governments.

Though I mention it last, improvement of the fiscal situation of the state governments is a precondition for several reforms. The reform of the power sector would significantly aid the governments in improving their financial position. However, given the extremely weak financial position of most state governments, structural reform of the budget including tax reform, expenditure control and public debt management are called for. While the reform of state-level public enterprises would help to some extent, it is absolutely necessary to raise the ratio of revenues to

state domestic product (SDP) by at least 1 to 1.5 percentage points. Correspondingly, on the other side, administrative expenditure and the size of the administrative staff would have to be drastically reduced. All in all the ratio of government's revenue expenditure to SDP should be brought down by about 1 percentage point. These changes would ensure that the revenue deficits of the state governments would be wiped out and that all their borrowings could be used for capital formation. Most of the capital formation can be for infrastructure development and for human development, with public enterprises not requiring any investment because most of them would be gradually phased out.

#### CONCLUSIONS

It would be seen that many of the reforms sketched above would help rather than adversely affect the poor. However, it is necessary not only to moderate the growth-promoting reforms to safeguard the interests of the poor and the vulnerable sections (such as only gradually phasing out loss-making public enterprises), but also to formulate special policies designed to protect those sections. Small fishermen operating near the coast with non-mechanised boats, handloom weavers, and tribals dependent on the forests are examples of sections of the population to protect whom special schemes are needed, even though there would be some loss in efficiency. Every government should announce publicly what schemes it has formulated in this regard, and the legislatures should discuss and monitor their progress. These schemes are to be apart from the traditional poverty alleviation programmes.

But the major succour to the poor will come from growth and progress in human development. In the coming decade, the decline in the ratio of expenditure on human development to total government expenditure should be reversed. The proportion of expenditure on administration, unwarranted subsidies and interest payments should be brought down to make the former possible.

As I had emphasised earlier, we should ensure that proportionately more resources are diverted to the backward states. To begin with, a special development programme must be prepared for Bihar (other backward states can be taken up in turn). This development programme should be geared to flood control, irrigation, agricultural development, land reforms and infrastructure development. This programme should be developed in consultation with the state government jointly by the Planning Commission and a team of experts

with assistance from IDA. Most of it will be implemented by the central government or under its supervision with the state government being associated with the Supervisory Committee. That is to say, there will be turnkey projects undertaken under the supervision of the centre. This programme will be in addition to the normal plan of the state and central assistance to the plan. There would be an incentive for the state to accept this programme because it will gain enormously in terms of additional investment (say, around Rs 15,000 to 20,000 crore). I am suggesting that the programme for Bihar should be largely concentrated on agriculture and infrastructure development (roads and power) because Bihar can become a large and efficient producer of rice. With the WTO obligations in agriculture coming into force and the large subsidies given by the developed countries gradually being reduced, there will be a world market for rice from Bihar. The consequent agricultural prosperity will trigger industrial development in Bihar. This is one other important change in development strategy that I am advocating.

If the matter is left to the politicians alone, the reforms will not come up to the desired level. Of course, we must lobby with the political parties for the adoption of a reform agenda on the lines detailed in this paper. That would not be enough. Intellectuals, professionals or housewives, industry associations, NGOs and in fact the entire middle class should constantly apply pressure on the governments to do what is good for the people in the long run. Without the active participation of the intelligent and informed electorate in public affairs, through NGOs or otherwise, progress is likely to be much less than the country is capable of achieving.

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# Citizenship, State and Civil Society

Andre Beteille

*A great deal of the recent enthusiasm for civil society in this country has been, unfortunately, driven by a negative, if not a hostile, attitude towards the state, and, indeed, towards all public institutions. Nothing can be more destructive of civil society than the idea that the best way to create and invigorate civil society is to empower the people at the expense of the state. And just as state and civil society are complementary, so are state and citizen. Furthermore, civil society cannot amount to very much where citizenship is absent or weakly developed.*

I HAVE read Gurpreet Mahajan's recent article, 'Civil Society and Its Avatars' (EPW, May 15, 1999) with interest, and found it to be scholarly, thoughtful, and, on the whole, well-balanced. We need a fuller and more extended discussion of the subject, but, unfortunately, most of those who speak and write on civil society in India yield all too easily to pious platitudes about the inexhaustible resources of our common people (as against the 'elites') and of our traditional culture (as against 'post-Enlightenment modernity'). Mahajan has set a good example by raising difficult questions about the problems and prospects of civil society in India. Such questions need to be seriously addressed, and not just swept under the carpet.

Since Mahajan has referred to a couple of my essays, I would like to use the occasion to clarify some of my own ideas on the subject. My objective is not to find fault with her for misrepresenting my views, but to see if the discussion can be carried forward a little further. Since the two essays I had published on the subject were both very brief [Beteille 1996a, 1996b], it is possible that arguments that were present in my own mind were not made clear enough for the reader. In any case, as Mahajan has herself pointed out, the subject bristles with difficulty, and few authors have succeeded in expressing themselves clearly and consistently on it. I am in agreement with Mahajan on a great many points, and I suspect that she might have treated my argument with greater sympathy if I had kept my allergy for Hegel to myself.

Mahajan has done well to remind us of the historical context in which the idea of civil society emerged and developed. In its provenance, the idea is both western and modern. This does not mean that it cannot be adapted to the Indian context or to Indian needs. But in making that adaptation, we have to keep in mind the idea, and not just the phrase. The phrase has been used a little too promiscuously in recent discussions in India, and this has tended to empty it of all significant meaning.

I agree with Mahajan that state and civil society have to be viewed together, and that very little will be gained if we begin with a negative attitude towards the state. Unfortunately, a great deal of the recent enthusiasm for civil society in this country has been driven by a negative, if not a hostile, attitude towards the state, and, indeed, towards all public institutions. Nothing can be more destructive of civil society as I understand it than the idea that the best way to create and invigorate civil society is to empower the people at the expense of the state.

In both the earlier papers referred to above [see also Beteille 1998], I had made the case for including a third term, namely, citizenship, in discussions of the relationship between state and civil society. I was interested not so much in fixing a single and definite meaning to the term 'civil society' as in exploring the relations between state, citizenship and certain kinds of mediating institutions in the context of a democratic society and polity. As a sociologist, I sought to dwell in particular on the complex and differentiated nature of the mediating institutions. For that reason, and also because of limitations of space, I referred only briefly to state and citizenship, but that does not mean that I consider them to be unimportant. State and civil society are complementary, they are not alternatives. I do not take the view, as some seem to do, that the state can be put on the back burner, and civil society set to work in its place. The state performs certain indispensable functions, and if those are subverted or undermined, civil society as I understand it will wither in the bud. Although I have spent much of my time among anthropologists, the life of the segmentary tribe or the wandering band holds no special attraction for me.

I would like also to stress the importance of citizenship in the conception of civil society to which I subscribe. Just as state and civil society are complementary, so also are state and citizen. Furthermore, civil society cannot amount to very much where citizenship is absent or weakly developed. Civil society is a distinctively

modern phenomenon because citizenship itself is a modern idea and value. It is futile to look for civil society in India's ancient or medieval past because citizenship in the sense given to it in the Constitution of India – as in other modern constitutions – had hardly any place there.

I wish Mahajan had dealt a little more fully in her discussion of civil society with citizenship as a social, historical and jural category. I place special emphasis on citizenship because it is a neglected category of social analysis in this country. Unlike in Britain and to some extent the US, it has received very little systematic attention from social theorists in India, including those who write about civil society. The importance of universal citizenship is acknowledged in our Constitution, but it becomes evident as soon as we compare any modern society with societies of the past.

No doubt Mahajan recognises the great importance of the individual as an autonomous moral and legal agent in the development of civil society. To put it in her words, "legal recognition and protection of the natural rights of individuals transforms a political society into a civil society" (p 1189). But I am not sure that her use of Hegel serves to make matters clearer. She says, with evident approval, that "Hegel defines civil society as a form of ethical life in which the subjective and the objective coexist in harmony" (ibid). I confess to being out of my depth in the face of such statements. Mahajan would have served her readers better by tracing the slow, tortuous and discontinuous processes through which the rights of citizenship have become enlarged in modern societies. We can never take the advance of citizenship for granted; historically, there have been setbacks as well as reversals.

The point I wish to stress, and with which I would expect Mahajan to be in agreement, is that citizenship is a historical and not a universal category. This point is not sufficiently well appreciated



by those who would like to go back to the Indian tradition to find a blueprint for an alternative form of civil society in our own medieval or ancient past. One can always find examples of benevolent sovereigns during whose reign the common people lived in peace, prosperity and amity; the paucity of reliable historical material has helped in creating and sustaining such images of the past. It is but one step from this for the dialectically agile to argue that it was in that past rather than in the strife-torn modern world that the subjective and the objective coexisted in ethical harmony.

To say that citizenship is a historical category is to indicate that it did not emerge all at once in its fully-articulated form. The evolution of citizenship has in the last 200 years taken many different turns in the different countries of the world, hence it has to be examined not only historically but also comparatively. Citizenship does not have exactly the same history or the same contemporary significance even in two adjacent European countries such as France and Germany. It would be unrealistic to expect it to have the same characteristics in India and in Europe which differ so greatly not only in their history but also in their social structure. It is for this reason that the philosophy of history has to be supplemented by comparative sociology if we are to make a proper assessment of the prospects of citizenship in our times.

The French Revolution marked a watershed in the emergence of citizenship as a socially acknowledged category. But it did not transform the subject into a citizen overnight. Not was it simply a question of the replacement of the monarchy by a republic. In Britain, where the state underwent a more gradual transformation, citizenship evolved over a longer period of time with changes not only in the laws but also in customs, sentiments and attitudes. The point I wish to stress here is that the emergence of citizenship and, with it, of civil society, depends on changes not only in the distribution of power but also in ideas, beliefs and values. A new kind of state cannot conjure a civil society into existence if its emergence has not been accompanied by the emergence of new habits of the heart and the mind. Politics alone can never change a society fully; a certain kind of state is a necessary accompaniment of civil society, but it is not sufficient.

In a classic study entitled 'Citizenship and Social Class', T H Marshall (1977) had traced the evolution of citizenship in Britain from the middle of the 18th to the middle of the 20th century. He saw this

evolution as consisting basically of the progressive expansion of certain rights: civil, political and social. Through this expansion, the very idea of status underwent a transformation: status came to be defined in terms of the equal rights of citizenship in place of the hierarchical gradation of estates. To repeat, this was a long and uneven development that did not follow the same course everywhere.

Citizenship and caste are antithetical principles. It is difficult to see how we can make a case for the presence of citizenship in traditional Indian society, unless we are prepared to argue that caste had little or no significance in that society, that it was indeed a colonial construction. The idea of citizenship was introduced into India by the British, but, naturally, they were not inclined to press too strongly the claims of equal citizenship between themselves and their native subjects; this irony was brilliantly expressed by Nirad C Chaudhuri in the dedication of his *Autobiography*. It was only after independence that the rights of equal citizenship could be clearly and unequivocally inscribed in the Constitution of India. The equality provisions of the Constitution – equality of status and of opportunity – define the rights of Indians as citizens. Those provisions mark a radical break with the Dharmashastra by which the laws of the Hindus had been regulated for 2,000 years.

If we agree that the rights of citizenship are the rights of individuals, we must recognise that the creation of citizenship, and by extension of civil society, is an uphill task in a country where collective identities predominate over individual ones. I would argue that the greatest threat to civil society in India today comes from the intrusion of collective identities into domains that ought to be governed by the rights and obligations of individuals. Our Constitution assigns pre-eminence to the individual as a citizen, but our politicians, legislators and even judges seek to advance the claims of castes and communities in the name of social justice.

The politics of reservations – reservations for the backward classes and reservations for women; political reservations and reservations in education and employment – is threatening to transform our public domain into a checkerboard of quotas. While assigning primacy to the claims of the individual as citizen, the Constitution did make some special – and transitory – provisions for certain severely disadvantaged sections of society. Those provisions have been greatly extended, especially in the last 20 years, and they now threaten to 'eat up' what is due to

each individual as a citizen. What is more, matters of policy have come to be increasingly redefined as matters of right. Collective identities based on caste and community have been given a new lease of life, and this is undoubtedly a setback to the development of civil society as I understand it.

Mahajan has ascribed to me the view that the state (along with religion) is the enemy of civil society; I must have expressed myself very badly indeed to have led her to form that opinion. I have consistently maintained that civil society can be understood only in the context of the threefold relationship between (i) state, (ii) citizenship, and (iii) mediating institutions. I have also pointed out that not every kind of state, but only the modern constitutional state is relevant to the development of civil society. What I now wish to stress is the ambivalent nature of the relationship between state and civil society. The state can play a constructive role in the evolution of civil society, as it has done in Britain and the Netherlands; it can also play a destructive role, as it did in Germany and the Soviet Union. These are matters for empirical enquiry through the historical and comparative methods; they cannot be judged in advance by any philosophy of history.

I agree with Mahajan that civil society requires for its sustenance a body of rational impersonal rules, and that only the state can be the ultimate guarantor of those rules. The 'withering away of the state' is an ideologue's fantasy that has exacted a very heavy price in human suffering in our century. But no matter what one may think of the state in principle, one cannot escape the responsibility of judging each actually-existing state on merit. And when one does that, one is forced to the conclusion that some states have contributed very negatively to civil society.

To Mahajan's broad historical account of the idea of civil society from the end of the 17th century onward, I would like to add a footnote on a tiny segment of that history in our time. In the eighties of the present century, a group of British sociologists with left sympathies became increasingly interested in the idea of civil society out of their anxiety over developments in eastern Europe. They realised that in that part of the world the state had crushed the liberties of the citizen and the autonomy of institutions, and wondered if their own bourgeois-liberal society had been so bad after all. Some of them were moving to the conclusion that civil society



was perhaps a unique feature of western democratic regimes.

In India, we do not have a totalitarian state, and have never had one. Even the colonial state, for all the restraints it imposed on its subjects, can hardly be described as totalitarian. Nevertheless, the Indian state has been attacked persistently for expanding and abusing its powers. It is strange but true, that in the fifties, sixties and seventies left intellectuals never missed an opportunity to attack the Indian state for its undemocratic or even anti-democratic ways, while holding up, first, the Soviet Union, and, then, the People's Republic of China as models of real democracy. To add to that, our intellectuals have made a habit of demanding that the state provide education and employment to everyone, while at the same time taking it to task for its expansionist tendencies.

Without discounting in any way the dangers of totalitarianism, I would argue that in India the real threat to civil society – or what little there is of it – comes not from totalitarianism, but from competitive populism. Competitive populism has become endemic, not only in our political life, but also in our intellectual life. I suspect that Mahajan is aware of its danger, but has chosen to pass lightly over it.

For civil society to be viable, there has to be respect not only for the authority structure of the state, but also for the authority structures of all public institutions. These authority structures are now under continual attack from populist intellectuals. It is true that no public institution should be beyond public scrutiny and public criticism. Indeed, reasoned criticism is essential for the health and well-being of civil society, and it was the suppression of such criticism in the countries of eastern Europe that signalled the decline and failure of civil society there. But reasoned criticism is different from an intellectual stance that attacks every establishment on principle. In India, even members of the establishment, such as cabinet ministers, Supreme Court judges and university vice-chancellors adopt anti-establishmentarian postures almost by habit. Populist demagoguery weakens civil society as surely as reasoned criticism strengthens it.

I hope I have said enough to satisfy Mahajan about the importance I assign to the state. No doubt I myself gave occasion for some misunderstanding by drawing the distinction between state and civil society too sharply, and, more importantly, by failing to dwell sufficiently on the fact that the state is itself an institution. For many political theorists, the state is not

only an institution, it is the pre-eminent institution. While recognising fully the great significance of the state as an institution, I am not sure that I am prepared to assign pre-eminence to it, or to any one of the major institutions of society to the exclusion of any other.

There is no need to assign pre-eminence to the state in order to treat it separately, for analytical purposes, from the other institutions of society. The framework in which I view the relationship between state, citizenship and mediating institutions is that of the division of labour in Durkheim's sense of the term, or of the differentiation of societies in Luhmann's sense [Durkheim 1984; Luhmann 1982]. In this framework, differentiation and integration are not antithetical but complementary processes. This does not mean that differentiation is always or inevitably accompanied by integration, but only that in a long-term evolutionary perspective, societies that are more differentiated are likely, but not guaranteed, to be better integrated than those that are less differentiated.

The separation of powers and functions between legislative, executive and judicial institutions is but one aspect of the differentiation of societies referred to above. It is not necessary to assign pre-eminence to any one of the three institutions in order to argue that their differentiation and integration enhances the well-being of the polity. On a broader scale, the differentiation between the state and the other major institutions of society contributes to the overall social well-being, assuming of course that there is some degree of integration among the differentiated institutions. Such a perspective comes naturally to someone who assigns primacy to society over the state, although it may not find favour with those for whom the state is the supreme institution.

Mahajan's annoyance with what she regards as my scepticism about the state leads her to draw an unexpected inference about the implication of my argument. She says at p 1195, "Even though Beteille is interested in protecting the autonomy of open and secular institutions in society, his argument lends support to the communitarian perspective that has scant respect for the latter". The inference is more surprising than convincing. Just as recognising the significance of the state does not make me a statist, so also recognising the importance of the community should not make me a communitarian. I am in fact no less allergic to com-

munitarianism than I am to statism. I am a plain old-fashioned liberal who values the autonomy of institutions as well as the autonomy of individuals, and fears the threats to the former from excessive emphasis on the state and to the latter from excessive emphasis on the community.

In the formulation on whose basis Mahajan has made her inference, I introduced the subject of mediating institutions with the following words: "Every society has its own internal arrangements: its groups, classes and communities; its associations, organisations and institutions; and its networks of interpersonal relations, linking the different parts to each other and to the whole" [Beteille 1996b:14]. I have made similar observations about what stands between the individual and the wider society at a number of places. In the statement quoted above, I divided this vast terrain into three broad sectors; someone else may divide it in a somewhat different way. But every sociologist has to take note of the highly differentiated nature of the terrain, particularly in a society such as ours.

The failure to distinguish between institutions and communities would be as grave an error in a sociologist as the failure to distinguish between classes and communities. To be sure, a class may sometimes acquire the character of a community, but that would be a limiting case and not a typical one; the same holds true between institutions and communities. My essay was not designed to cover the whole of the terrain that lies between the individual and the wider society, but only to explore the significance of institutions, and that too of institutions of a particular kind, in the working of contemporary Indian society.

I sought to emphasise the diversity of open and secular institutions in full awareness of the presence of institutions of other kinds; and my emphasis has to be seen in light of the value I attach to diversity in social arrangements in general. It has often been said that diversity was greatly valued in traditional Indian society. There was indeed much variety in material culture, in social arrangements and in religious beliefs and practices. But the diversity that was tolerated or even encouraged in the past was organised hierarchically, and it left little room for the freedom of individual choice for men, and especially for women.

The new institutions about which I wrote seek to organise diversity on a different basis, so that the fate of the individual, whether man or woman, is not determined at birth, and his or her freedom to move

from one social position to another is expanded. They are quite different from family, caste and community, and I do not see why my advocacy of open and secular institutions should lead me to align myself with communitarians. But, then, what should we do with the communities that still survive and will undoubtedly continue to survive in our society, as in other societies? As a sociologist, I do not feel it all comfortable with the idea of a civil society, or of any society of the future, that sets itself intransigently against the community as such.

One does not have to be a communitarian in order to appreciate the salience of communities in human life, whether in India or elsewhere. To be sure, ties of kinship and community should not be allowed to intrude into the kind of open and secular institutions on whose health and well-being so much depends. Those institutions need to be insulated as far as possible from the claims arising from primordial attachments. But it is not consistent with the liberal spirit to seek to do away with such attachments altogether; nor, from the sociological point of view, is it very realistic.

Mahajan writes, again at p 1195, "Indeed, Beteille sees both state and religious institutions as enemies of civil society". I believe I have said enough to show that I do not consider the state to be the enemy of civil society. I now wish to add that I do not consider religion to be its enemy either, although the relationship of civil society to religion is different from its relationship to the state. If I value institutions of a certain kind, it does not follow that I am opposed to institutions of all other kinds. Although, personally speaking, I am religiously unmusical, I consider it profoundly unsociological to treat religion as an enemy of civil society or of society in the broad sense of the term; it is not only unsociological but also illiberal to treat religion with hostility or contempt.

\* \* \*

I realise that the scattered observations I have made above and elsewhere do not add up to a clear and consistent definition of civil society. Such a definition would be invaluable in developing a systematic approach to the subject, but, unfortunately, none is readily available. Much of the contemporary discussion of the subject in the west is too narrowly focused on specific features of contemporary western society for us to be able to apply its conclusions directly to the Indian case. But we can ignore that discussion only at our own cost. In any case, it is a little too

late for us to invent our own conception of civil society, untainted by the western historical experiences; we are too heavily compromised by our engagement with the modern world for that to be a serious option. The problem with the discussion of civil society in contemporary India is not that the definitions are wrong, but that the arguments are so often either inconsistent or vacuous.

Mahajan has raised an anguished question about the fate of democracy. Those Indian authors whose views on civil society she has sought to contest seem no less anguished about the fate of democracy than she seems. I do not know a single person who would advocate the case for civil society at the cost of democracy. What then accounts for the disagreement over civil society? I believe that at the root of the disagreement over what should be advocated in the name of civil society lies the difference between two conceptions of democracy, the constitutionalist and the populist. My understanding is that in the last 50 years, and particularly since 1977, the constitutionalist conception of democracy has steadily lost ground to the populist conception, and that therefore those who seek to make the case for civil society from the constitutionalist point of view will have to sail against the wind.

When India became independent after a long period of colonial rule, there was understandable optimism about the prospects of all-round economic and political development through constitutional means. But India's archaic and ponderous social hierarchy proved far more resistant to modernisation than had been expected, and modernisation itself created new and unforeseen social problems. Economic growth was slow, and the fruits of that growth continued to be unequally distributed among individuals and among communities. Democratic politics, far from dissolving the boundaries between castes and communities, magnified the awareness of those boundaries. As more and more laws came to be enacted, their in-

ability to contend with the obduracy of custom became more and more apparent.

The emergency and its aftermath brought about a great change not only in India's political life, but also in its intellectual life. The politics of caste and community became legitimised in the name of social justice. Such open and secular institutions as had begun to take their faltering steps in an uncongenial environment came under severe attack for being unrepresentative, elitist and against the real interests of the people. Politicians began to attack and undermine the very system to which they owed their sustenance, and many intellectuals who were modernised to their fingertips began to attack modernity itself.

Constitutional democracy depends upon respect for rules and procedures, and for the gradations of legitimate authority. Populism represents all established authority as fortifications against the oppressed and the exploited, and all rules and procedures as instruments of vested interests. It has little regard for the functional requirements of the kind of open and secular institutions about which I have written. It seeks instead to promote democracy through the direct empowerment of the people, and especially of disadvantaged, disesteemed and marginalised communities. Populism is at once emancipationist and antinomian in its appeal.

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# Current Issues of Employment Policy in India

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*The growth performance of the Indian economy, though not spectacular, has been decent by the standards of developing countries. But growth has failed to improve employment conditions in the country even though the rate of labour force growth has so far been quite low. It is hardly surprising that problems of unemployment and underemployment worry policy planners of today as much as they did Mahalanobis at the time of formulating the Second Five-Year Plan. The rate of labour force growth is currently accelerating and is expected to remain high for quite some time to come. If the past patterns continue, the country will soon be confronted with an employment crisis. This paper analyses the past experience in an effort to identify the problems that must be urgently addressed. It then proposes a few ideas for future policy.*

## I Introduction

A BASIC assumption underlying development planning in India was that shortage of capital goods in relation to employable persons constituted the fundamental constraint on growth in the country. Not surprisingly, therefore, the planners made no attempt to define an independent employment strategy; they chose to focus on economic growth which was viewed as essential for improving employment conditions.<sup>1</sup> Of course, efforts were made to take account of the employment concerns in designing growth strategies. The Mahalanobis model, which guided economic policy in India till recently, sought to reconcile the need to generate non-agricultural employment at a rapid rate with the chosen course of import substitutive industrialisation by formulating a strategy of 'walking on two legs'. It was explicitly recognised that the proposed emphasis on capital goods industries would imply a slow growth of employment in the emerging modern sector and hence would do little to alleviate the already serious problems of unemployment and underemployment. From this recognition emerged the idea of relying on traditional as well as modern small-scale industries, which had the virtue of being labour-intensive, for meeting the growing demand for consumer goods.<sup>2</sup> Support programmes for traditional industries and a policy of reservation of products for modern small-scale industries, therefore, were regarded as essential components of the growth strategy. Persistence of mass poverty forced a rethink only later (in the mid-seventies) and some special programmes for promoting self-employment and casual wage employment were put in place by the end of the seventies.

In retrospect, it is easy to see what the Indian approach implicitly ruled out. First, the possibility of combining more labour

with the existing capital stock to increase output in the modern sector was assumed away. This implied a rejection of Arthur Lewis's idea<sup>3</sup> that surplus labour in agriculture constituted a source of investible surplus for the modern sector. Second, labour and education policies were not assigned any significant role in dealing with problems of unemployment and underemployment. These policies, therefore, came to be perceived essentially as 'welfarist'. Third, labour market dualism was not viewed as something undesirable. It was fairly obvious that the industrialisation strategy adopted could not but strengthen labour market dualism, but this was never even mentioned in discussions and debates. Policy makers also remained blissfully unaware of the fact that the 'welfarist' policies relating to labour and education were also having the effect of strengthening labour market dualism.

That the past policies have not been particularly successful is best illustrated by the fact that problems of unemployment and underemployment worry planners and policy-makers of today as much as they did Mahalanobis at the time of formulating the Second Five-Year Plan. It is now believed that a strategy of export-oriented industrialisation would provide a solution to the problems by accelerating the rate of economic growth and by stimulating growth of relatively employment-intensive production sectors. But this is not much more than a belief; no clear view of either the problems or the effectiveness of the new strategy in dealing with the problems in fact exists. It is noteworthy, moreover, that once again labour and education policies do not figure prominently in discussions on employment.

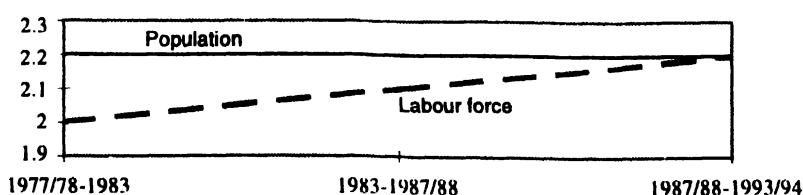
Against this backdrop, the present paper reviews the evolution of employment conditions in India over a period of 16 years. Apart from providing an assessment of the achievements and failures of past policies, such a review also helps in

isolating the problem areas, which deserve attention from policy makers at this juncture. It is hoped, moreover, that the findings and observations presented in the paper will stimulate debates in both academic and policy circles.

## II The Database

There are two main sources of statistical data on employment and unemployment in India. The decennial population censuses generate, apart from population estimates and demographic data, useful information on the working population in the country. However, an operation as large as the population census in India cannot be expected to generate reliable data on detailed aspects of employment and unemployment for the simple reason that intensive enquiries at the level of individual respondents cannot be carried out on such a massive scale. For perfectly understandable reasons, the decennial censuses do not generate any data on unemployment and underemployment; they also seriously underestimate female workforce. The data available from the quinquennial sample surveys on employment and unemployment, conducted by the National Sample Survey Organisation, do not suffer from these limitations. But these surveys, the first of which was conducted in 1972-73, generate reliable estimates of percentages and proportions rather than of absolute numbers. For building the database for this paper, therefore, population estimates available from the decennial censuses have been combined with the data on employment and unemployment available from the quinquennial sample surveys. The period covered in the paper is 1977-78 to 1993-94. This means that four of the quinquennial surveys – those pertaining to 1977-78, 1983, 1987-88 and 1993-94 – have been used.

CHART 1: GROWTH (PER CENT PER ANNUM) OF POPULATION AND LABOUR FORCE



Source: Table 1.

The concepts and definitions used in the quinquennial surveys are designed to capture the complexities of the employment situation in India. Three different concepts are used to derive estimates of labour force, employment and unemployment. The usual status concept has a reference period of one year and persons working during at least a part of the reference period (the employed) and those not working but seeking or available for work during the major part of the reference period (the unemployed) are regarded as being in the labour force. The employed are subdivided into two categories: those working for the major part of the reference period are regarded as employed according to usual principal status and those working for only a minor part of the reference period are regarded as employed according to usual subsidiary status. The employed are also classified by type of employment (self-employment, regular wage employment and casual wage employment) and by sector of employment on the basis of time-use criterion.<sup>4</sup> The other two concepts – current weekly status and current daily status – have a reference period of one week. Persons who worked or who did not work but were seeking or available for work even for one hour during the reference week are regarded as being in the labour force according to current weekly status. The estimates based on current daily status concept enumerate all the days of employment and unemployment of those in the labour force (i.e. those who were either working or were seeking or available for work during the reference week).

Although the quinquennial surveys provide estimates of employment and unemployment based on all three concepts, much of the supplementary information is provided only for those in the labour force on the usual status criterion. The main advantage of having three sets of estimates is that the three measures of unemployment together provide, in principle, a fuller view of the unemployment problem in the Indian context. Conceptually, the usual status estimate measures chronic unemployment, the current weekly status estimate measures current unemployment

(chronic plus temporary) and the current daily status estimate gives a composite measure of chronic unemployment, temporary unemployment and under-employment.

This paper uses only the estimates based on the usual status concept. One reason is that, as already mentioned, much of the supplementary information is available only for the usual status labour force. A more important reason is that, in the context of India, estimates of unemployment – irrespective of whether they are based on usual status or current weekly status or current daily status criterion – are of dubious value. It is well known that many people are reluctant to report themselves to be seeking or available for paid work when they know such work to be unavailable. Under the circumstances, all three measures underestimate the magnitude of unemployment in varying degrees. Thus analytical benefits to be derived from the use of the three measures of unemployment are far from clear. For this reason, attempts are made in this paper to construct alternative measures of unemployment and underemployment by using the data based on the usual status concept.

While using the estimates based on the usual status concept, Indian researchers generally include persons employed according to usual subsidiary status among

the employed. In this paper, however, the category 'employed' is so defined as to include only those who are employed according to usual principal status. As explained later, subsidiary status workers are more legitimately treated as un-employed than as employed.

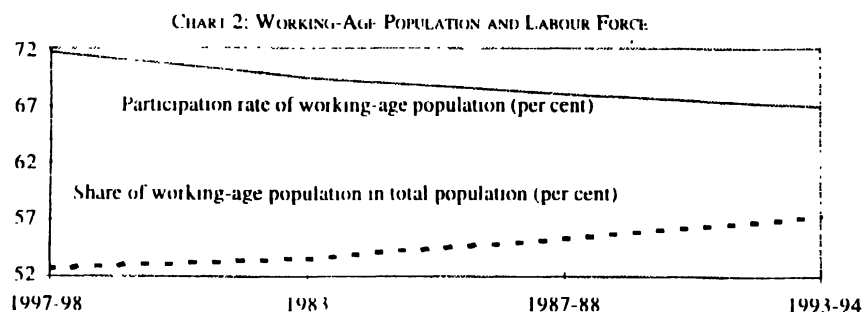
Though the quinquennial surveys distinguish between regular and casual wage employment, they do not distinguish between regular wage employment in the organised sector from that in the unorganised sector. Yet the distinction is important for analytical purposes. Estimates of regular wage employment in the organised sector, which in India is so defined as to roughly incorporate all establishments with 10 or more employees, are available from the ministry of labour. These estimates, it is assumed, can be used in combination with the estimates generated by the quinquennial surveys without introducing serious distortions. Since the quinquennial surveys provide estimates of all regular wage employment, estimates of regular wage employment in the unorganised sector can be derived as residuals.

### III The Labour Force

Between 1977-78 and 1993-94, India's population increased from 639.1 million to 902.8 million implying a growth rate of 2.2 per cent per annum while its labour force grew from 276.3 million to 385.5 million implying a growth rate of 2.1 per cent per annum. Thus, labour force grew at a slower pace than population. These average growth rates over a 16-year period, however, hide some interesting patterns which emerge when sub-periods are

TABLE 1. POPULATION AND LABOUR FORCE

	1977-78	1983	1987-88	1993-94
<b>All</b>				
Population (millions)	639.1	713	793.5	902.8
Growth rate (per cent)		2.2	2.2	2.2
Labour force (millions)	276.3	305.7	338.3	385.5
Growth rate (per cent)		2	2.1	2.2
Participation rate (per cent)	43.2	42.8	42.6	42.7
<b>Male</b>				
Population (millions)	330.7	369	411.4	460.1
Growth rate (per cent)		2.2	2.2	2.2
Labour force (millions)	183.2	202.3	224.2	260.7
Growth rate (per cent)		2	2.1	2.5
Participation rate (per cent)	55.4	54.8	54.5	55.6
<b>Female</b>				
Population (millions)	308.4	344	382.1	433.7
Growth rate (per cent)		2.2	2.1	2.1
Labour force (millions)	93.8	102.9	114.1	124.8
Growth rate (per cent)		1.9	2.1	1.5
Participation rate (per cent)	30.4	29.9	29.9	28.8
Share of females in total labour force (per cent)	33.9	33.7	33.7	32.4



Source: Table 2

considered: the rate of population growth remained stable throughout the period while the rate of labour force growth was accelerating and the two rates became equal towards the end of the period (Chart 1). Thus, in terms of demographic transition, the Indian economy seems to have reached a phase where population growth is about to begin to decelerate and labour force growth is about to exceed population growth. It can be safely predicted that labour force growth will continue to accelerate for quite a few years to come and will remain higher than population growth for an even longer period. Exactly how many years it will take for labour force growth to reach its peak and at what level it will peak are matters that require detailed investigation.

Some of the changes underlying the above developments are of considerable interest. While the share of the working-age (15-59 years) population in total population was rising steadily, the labour force participation rate of this age-group was actually declining (Chart 2). Between 1977-78 and 1993-94, the share of working-age population in total population increased from 52.7 per cent to 57.3 per cent, but the labour force participation rate of the group fell from 71.7 per cent to 66.9 per cent. The labour force participation rate of the non-working-age population was also declining during the same period; it fell from 11.5 per cent in 1977-78 to 10.1 per cent in 1993-94. Additionally, of course, the share of non-working-age population in total population has itself been declining. In consequence of these changes, the absolute size of the non-working-age labour force remained virtually stable between 1983 and 1993-94.

Two important points emerge from these facts. First, the observed acceleration in labour force growth occurred wholly because of changes in the age-structure of the population; working-age population has been rising at a faster rate than total population. Second, certain behavioural changes actually blunted the pace of acceleration in labour force growth; had

the participation rate for each age group remained unchanged, for example, the acceleration resulting from the changes in the age-structure would have been much sharper. Because the participation rates for different age groups declined, the overall worker-population ratio did not rise as would normally be expected; in fact it showed a feeble tendency to decline.

Why did the participation rates decline? In the case of the working-age population, the decline has been associated with expansion of education. This fact has prompted several researchers to argue that the declining participation rate of the working-age population is quite simply explained by the fact that attendance in educational institutions by persons in 15-29 age-group has been steadily rising and that the declining participation rate should, therefore, be regarded as a positive development.<sup>5</sup> But this argument is only partially valid; there is in fact more to the story.

A close scrutiny reveals that, in the case of the working-age population, the relationship between the participation rate and the level of education can be represented by an elongated U-shaped curve; participation rate first falls as the level of education attained by a population group rises but then rises sharply for people with more than 12 years of education (Chart 3).<sup>6</sup> However, given that the proportion of

population with more than 12 years of education is still very small (just 4.4 per cent in 1993-94), the elongated U-shaped curve can effectively be treated as a downward sloping curve. This immediately implies that rising average level of education of the working-age population has a depressing effect on the worker-population ratio for the group as a whole.

How is the elongated U-shaped curve to be explained? Detailed investigations are required to adequately answer this question and only some hypotheses can be offered here. It is fairly obvious that the relationship cannot really be explained in terms of attendance in educational institutions. If a person with eight years of education, who had presumably stopped pursuing education at the age of 12, is not in the labour force even when he/she is more than 15 years old, then there must be reasons other than pursuing education. Attendance in educational institutions can be a reason for staying outside the labour force only for those pursuing university education, but the participation rate for this group is in fact higher than that for all other groups including the illiterate.

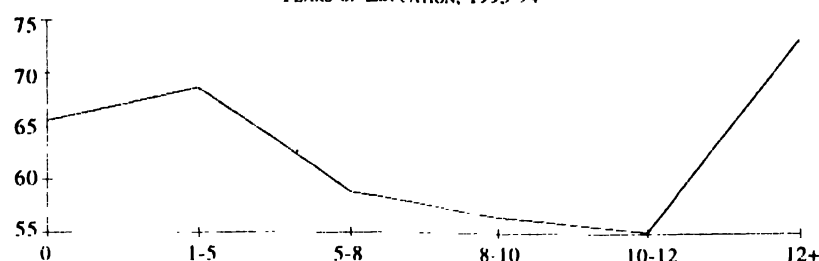
There probably are two factors, which explain the elongated U-shaped curve. First, education is a luxury good in India; ability of young people to pursue education depends very much on the assets and incomes of their families. Thus, the level of educational attainment is actually an indicator of wealth and income. This means that the higher the level of educational attainment, the weaker is the compulsion to be in the labour force. Second, given the prevailing economic and socio-cultural context, education tends to incline young people to aspire after employment in non-manual occupations in the organised sector. If employment growth in the organised sector is not rapid or appropriate enough to fulfil such aspirations, many young people with some education, end

TABLE 2: WORKING-AGE LABOUR FORCE

	1977-78	1983	1987-88	1993-94
<b>All</b>				
Percentage share of working-age population in total population..	52.7	53.0	55.4	57.3
Labour force participation rate (per cent) of working-age population	71.7	69.4	68.0	66.9
<b>Male</b>				
Percentage share of working-age males in all males	52.2	53.0	54.4	56.7
Labour force participation rate (per cent) of working age males	92.6	90.2	88.6	88.0
<b>Female</b>				
Percentage share of working-age females in all females	53.1	54.2	56.5	58.0
Labour force participation rate (per cent) of working-age females	49.7	47.5	46.7	44.7

Note: Working age is defined as 15-59 years

CHART 3: LABOUR FORCE PARTICIPATION RATE (PER CENT) OF POPULATION AGED 15 YEARS OR MORE BY YEARS OF EDUCATION, 1993-94



Source: Table 4

up as discouraged workers and eventually withdraw from the labour force. This is likely to be particularly true of those with middle-level education, which does not equip young people with any particular job-oriented skills.

As for the non-working-age population, the observed decline in the participation rate essentially reflects the declining participation of children in the labour force. The labour force participation of older people (those aged 60 years or more) in fact showed a tendency to rise, but children dominated the non-working-age population.

#### IV Employment

In analysing employment growth, the first thing that comes to notice is that, for the entire period, the rate of employment growth -- at 2.1 per cent per annum -- was exactly equal to that of labour force growth. In broad terms, therefore, employment growth kept pace with labour force growth. It is true that while labour force growth was steadily accelerating, employment growth was fluctuating. But the fluctuations can be easily explained. Drought conditions depressed employment in agriculture and hence in the whole economy in 1987-88; and subsequent recovery accelerated employment growth in both agriculture and the economy as a whole.<sup>7</sup> Such weather-induced fluctuations can be legitimately ignored for purposes of studying trends. If 1987-88 is left out of account, it can be concluded that employment growth was accelerating just as labour force growth was accelerating.

However, the fact that employment growth kept pace with labour force growth does not necessarily imply that the Indian economy performed well in terms of generating employment. It must be recognised that something like a 'Say's Law of Employment' holds good in an economy such as India's: supply of labour creates its own demand to a significant extent when self-employment and casual

wage employment predominate. This is also why too much should not be read in the fact that the output elasticity of employment at the level of the aggregate economy remained stable throughout the period so that the acceleration in employment growth appears to have resulted from the acceleration in economic growth. Closer inspection shows that the aggregate employment elasticity remained stable basically because the employment elasticity in agriculture remained stable (given

that agriculture still accounts for bulk of the employment in the economy); it actually fell both in industry and in services during 1987-94 and the decline in industry was particularly sharp. The observed stability of the aggregate employment elasticity, therefore, needs to be viewed with due suspicion since the 'Say's Law of Employment' is far more relevant for agriculture than for any other sector.

For evaluating changes in employment conditions in this setting, it is useful to consider two schematic characterisations of the nature of linkage between economic growth and employment growth in a typical developing economy. Two assumptions about initial conditions in such an economy are involved: first, that there is a sizeable volume of 'surplus labour' (which can be interpreted to mean the existence of a large volume of low-intensity, low-productivity employment) in agriculture and, second, that labour productivity in the non-agricultural sector is much higher than that in the agricultural sector.

TABLE 3 NON-WORKING-AGE LABOUR FORCE

	1977-78	1983	1987-88	1993-94
<b>A Child labour force</b>				
All				
Size (in millions)	19.4	20.6	17.7	13.3
Participation rate (per cent)	11.0	10.9	8.8	6.2
As per cent of total labour force	7.0	6.7	5.2	3.4
Male				
Size (in millions)	10.9	11.2	9.6	7.3
Participation rate (per cent)	11.6	11.1	8.8	6.3
As per cent of total male labour force	5.9	5.5	4.3	2.8
Female				
Size (in millions)	8.5	9.4	8.1	6.0
Participation rate (per cent)	10.3	10.6	8.7	6.0
As per cent of total female labour force	9.1	10.3	7.6	4.8
<b>B Older labour force</b>				
All				
Size (in millions)	15.1	19.4	21.2	25.6
Participation rate (per cent)	39.5	42.0	42.1	42.9
As per cent of total labour force	5.6	6.3	6.3	6.6
Male				
Size (in millions)	12.3	14.6	16.1	19.3
Participation rate (per cent)	62.1	62.9	62.9	63.7
As per cent of total labour force	6.7	7.2	7.2	7.4
Female				
Size (in millions)	3.1	4.8	5.1	6.3
Participation rate (per cent)	16.1	20.9	20.6	21.5
As per cent of total female labour force	3.3	4.7	4.5	5.0
<b>C Non-working age labour force</b>				
All				
Size (in millions)	34.8	40.0	38.9	38.9
Participation rate (per cent)	11.5	12.1	11	10.1
As per cent of total labour force	12.6	13	11.5	10.0
Male				
Size (in millions)	23.2	25.8	25.7	26.6
Participation rate (per cent)	20.4	20.8	19.1	18.3
As per cent of total labour force	12.6	12.7	11.5	10.2
Female				
Size (in millions)	11.6	14.8	13.2	12.3
Participation rate (per cent)	11.3	13.3	11.2	9.5
As per cent of total labour force	12.4	14.4	11.6	9.8

Note: A child worker belongs to the age-group '5-14 years' and an older worker belongs to the age-group '60 or more years'.

The first schematic construction is the well known Lewis framework.<sup>8</sup> Growth process in this framework is envisaged as involving, primarily, transfer of 'surplus labour' from agriculture into productive employment in non-agriculture. As such transfers occur, average labour productivity in agriculture rises and that in non-agriculture falls. But so long as labour productivity in non-agriculture remains higher than that in agriculture, labour productivity in the economy as a whole rises as a result of labour transfers. Growth occurs and employment conditions improve as workers move from low-productivity agricultural activities to high-productivity non-agricultural activities. The process reaches a turning point when labour transfers have occurred to such an extent as to equalise marginal labour productivities across sectors. Beyond this point, labour transfers cannot occur and labour productivity in the aggregate economy cannot grow except in consequence of technological changes, growth of capital intensity and accumulation of human capital in each of the sectors.

The Lewis process can be contrasted with another hypothetical process wherein labour productivity rises only (or basically) in the non-agricultural sector through accumulation of capital (both physical and human) and technological change. In the extreme case, no labour transfers occur and average labour productivity in agriculture steadily declines even while that in the aggregate economy rises. In less extreme cases, some labour transfers occur and labour productivity in agriculture shows marginal improvements; but as growth of labour productivity is faster in non-agriculture than in agriculture, there is no definable turning point and 'surplus labour' becomes a permanent feature of agriculture. Employment conditions deteriorate as the majority of workers remain engaged in traditional activities where the already low labour productivity tends to deteriorate further.

A comparison between these two hypothetical processes brings out the important point that rapid inter-sectoral labour transfers and tendency of convergence of sectoral labour productivities are the true indicators of improvement in general employment conditions in a developing economy. When judged by these indicators, general employment conditions in India actually appear to have been deteriorating even though employment growth apparently kept pace with labour force growth. The sectoral distribution of employment changed in the right direction but the pace of change was slow. Over a 16-year

period (1977-78 to 1993-94), agriculture's share in total employment fell by less than 8 percentage points – from 69.2 per cent to 61.5 per cent, while its share in GDP fell by 10 percentage points – from 40 per cent to 30 per cent. Direct estimates of labour productivity show very clearly that it grew at a much faster rate in non-agricultural sectors than in agriculture where it was little more than stagnant. Intersectoral labour transfers played virtually no role in increasing labour productivity in the economy as a whole and labour productivities in agriculture and non-agriculture showed a strong tendency towards divergence.<sup>9</sup>

The conclusion that general employment conditions may have been deteriorating is also suggested by the evidence on changes in the quality of employment. The main indicator of quality of employment is the distribution of employment by what is known as 'employment status'. A worker in India can have one of the following four types of employment: regular wage-employment in the modern or organised sector of the economy, regular wage-employment in the unorganised or informal sector of the economy, self-employment (mostly in the unorganised sectors), and casual wage-employment (which can be in either the organised or the unorganised sector). Quality-ranking of these different types of employment is neither difficult nor particularly controversial. Regular wage-employment in the organised sector – practically the only type covered by the existing state-sponsored labour protection system – must be ranked best among the available types of employment. Self-employed persons constitute a heterogeneous group with a wide range of productivity and income levels. However, it is perhaps appropriate to rank the average self-employed second only to the average regular employee in the organised sector. Regular wage-employees in the unorganised sector enjoy the benefit of a regular income (which may even equal the income of an average self-employed) but are not covered by the existing labour protection system. The main difference between the self-employed and the regular wage-employee in the unorganised sector lies in the fact that the former enjoys greater job security than the latter. For this reason, it is appropriate to rank the self-employed above the regular wage-employee in the unorganised sector. Casual wage-labourers have to search for employment on a daily basis and, if and when employed, receive a wage, which is best conceptualised as an institutional variable. Thus their employment and

income levels are uncertain and, of course, they do not derive any benefit from the existing system of labour protection. For these reasons, casual wage-employment is generally regarded as the worst of all available types of employment.<sup>10</sup>

As regards the actual changes in the distribution of employment by status, four broad tendencies can be discerned from the available data. First, the share of self-employment in total employment has shown a tendency to decline. The tendency is observed both in the aggregate economy and in the major production sectors except 'services' where, somewhat surprisingly, self-employment seems to have gained in importance. Second, the share of 'regular wage-employment in the organised sector' in total employment has shown a tendency to decline. The tendency is observed both in the aggregate economy and in the major production sectors except agriculture where it has always been rather insignificant. Third, the share of "regular wage-employment in the unorganised sector" in total employment has shown a tendency to increase in non-agriculture. In agriculture, however, this shows a tendency to decline and, consequently, no particular trend are discernible at the level of the aggregate economy.<sup>11</sup> Finally, the share of casual wage-employment in total employment has shown a tendency to rise. The tendency can be observed both in the aggregate economy and in the major production sectors except 'services'.

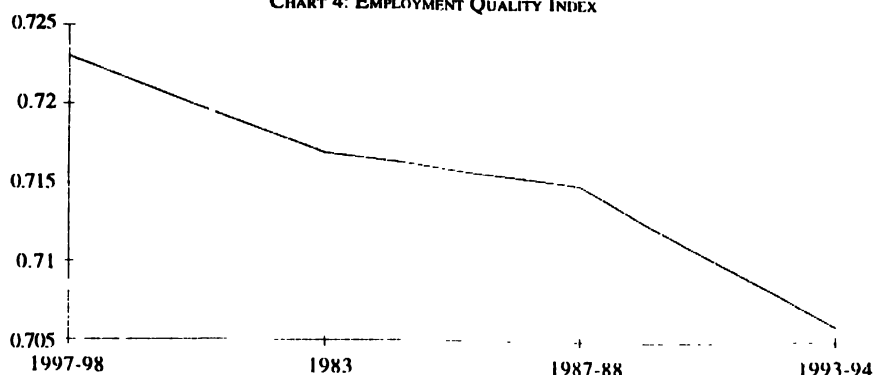
On the whole, therefore, high-quality employment has shown a general tendency to decline in importance and low-quality employment has shown a general tendency to increase in importance. Agriculture, moreover, remains the principal reservoir of surplus labour (i.e. of low-quality employment) though the process of inter-sectoral labour transfers seems to have led to the emergence of surplus labour in other sectors as well; casual employment, for example, has been growing in industry and self-employment has been growing in services.

These facts clearly suggest that the overall quality of employment has been deteriorating. The point can be made a little more explicitly. For ease of comparison, both cross-sectional and inter-temporal, quantitative weights can be assigned to different types of employment as follows:

Regular wage-employment	
in the organised sector	(w <sub>1</sub> ) : 1.00
Self-employment	(w <sub>2</sub> ) : 0.80
Regular wage-employment	
in the unorganised sector	(w <sub>3</sub> ) : 0.65
Casual wage-employment	(w <sub>4</sub> ) : 0.50



CHART 4: EMPLOYMENT QUALITY INDEX



Source: Table 9.

An 'employment quality index' (EQI) can then be constructed as follows:

$$EQI = w_1 \cdot e_1 + w_2 \cdot e_2 + w_3 \cdot e_3 + w_4 \cdot e_4$$

where  $e$ 's represent the shares of various types of employment in total employment. EQI assumes the maximum value of 1 when all types of employment can be regarded as equivalent to 'regular employment in organised sector' and the minimum value of 0.5 when all types of employment can be regarded as equivalent to casual wage-employment. The weights chosen here, of course, are wholly arbitrary. Obviously, it would be more appropriate to derive the weights empirically; for example, they could be based on available estimates of average earnings of different types of workers. However, the rankings matter more than the specific values of the weights; so long as the rankings remain unaltered, small changes in the specific values of the weights would not substantially alter conclusions about cross-sectional differences or intertemporal changes.

Estimates of EQI suggest two main conclusions. First, the quality of employment has been and remains the highest in 'services' and it has been and remains the lowest in agriculture. Agriculture's traditional role as the principal reservoir of surplus labour remains unchanged.<sup>12</sup> Second, during the period 1977-78 to 1993-94, the quality of employment deteriorated in the aggregate economy (Chart 4) as well as in each of the three sectors, though the deterioration was not very significant in 'services'.

The conclusion that the quality of employment has been deteriorating appears, at first sight, to be at odds with the finding, by now well-established, that the incidence of poverty declined significantly during the same period.<sup>13</sup> But the inconsistency is more apparent than real. The decline in the quality of employment (as measured by EQI) only indicates that the weight of relatively low-quality employ-

ment in total employment increased. This does not rule out the possibility that absolute wages or earnings in even the lowest-quality employment may have increased which is all that is required for poverty to decline.

There is indeed evidence to suggest that real wages and earnings of casual labourers increased at a rather impressive rate. The real daily wage rate for male casual labourers in agriculture, for example, increased at an annual rate of 2.9 per cent during the 16-year period 1987-88 to 1993-94; for the females, the increase – at 3.1 per cent per annum – was even sharper.

It must be noted, however, that in spite of the impressive growth, the wage rate for casual labour in agriculture remains much below what might be called the poverty-line wage rate – the wage rate which would allow the members of a typical casual labour household to have an expenditure level just equal to the official poverty line.<sup>14</sup> Assuming that a typical casual labourer supports two non-earning dependents and finds work for 20 days in a month, the poverty-line money wage rate in rural areas for 1993-94 can be estimated as Rs 31.19 per day while the actual money wage rates in the same year were Rs 20.85 for males and Rs 14.88 for females. The money wage rates for casual labour in urban non-agriculture in 1993-94 (Rs 33.79 for males and Rs 19.51 for females), though substantially higher than those in agriculture, were also much below the estimated poverty-line money wage of Rs 43.23 per day. Indeed, it can be easily checked that even if a typical casual labourer found employment for 26 days in a month (which can be regarded as full-time employment) at the prevailing wage rate, his/her family would still be in poverty.

Thus, it is clear that even the impressive wage growth could not have enabled those who depend, primarily or wholly, on casual labour for a living to move out of poverty. However, some casual labour households

have other sources of income (such as self-employment) and some others have lower than typical dependency ratios. The wage growth could conceivably have helped such households cross the poverty threshold.

It is an intriguing fact, though, that the real daily wage rate for casual labour in agriculture increased at a faster rate than both the labour productivity in agriculture (which grew at only 1.3 per cent per annum) and the real daily wage rate for casual labour in urban non-agriculture (which grew at 1.7 per cent per annum). In fact, rural wages in general increased faster than urban wages. As rural casual labourers belong to the core group of poor, identification of factors underlying the impressive growth in their wages would obviously help design interventions for poverty alleviation. Unfortunately, no convincing explanation is readily available. In view of the trends discussed above, a general tightening of the market for casual labour is unlikely to be the explanation.<sup>15</sup> It is more likely that institutional developments have increased the bargaining power of casual labourers.<sup>16</sup> Such issues, however, cannot be settled without detailed investigations, which cannot be attempted here.

## Unemployment and Under-employment

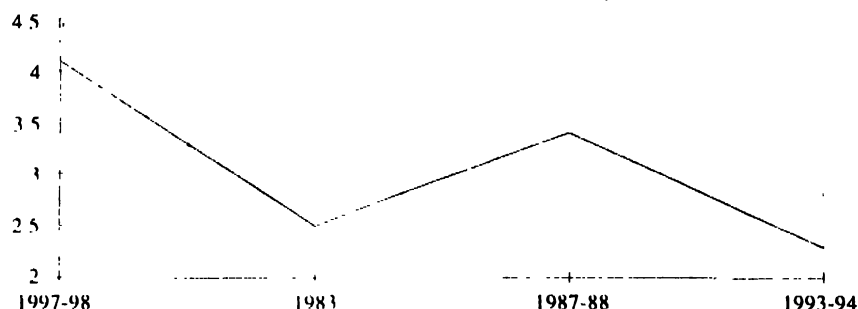
It is often said that, in an economy such as India's, unemployment is a luxury which most people cannot afford. The available statistics on unemployment appear to confirm this view. The rate of unemployment (estimated according to the standard definition) in India fluctuated within a range of 2-5 per cent and showed a feeble tendency to decline over the 16-year period 1977-78 to 1993-94 (Chart 5). Indeed, the

TABLE 4 LABOUR FORCE PARTICIPATION RATE OF POPULATION AGED 15 YEARS OR MORE BY YEARS OF EDUCATION 1993-94

Years of Education	(Per cent)		
	All	Male	Female
0	65.4	91.4	50.3
Up to 5	68.8	90.3	35.1
5 - 8	58.9	78.0	23.3
8 - 10	56.5	74.4	21.2
10 - 12	55.2	69.6	21.8
More than 12	75.2	88.6	38.5

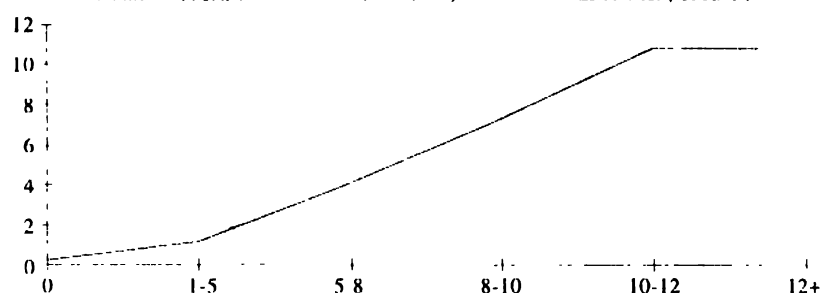
Note: The classificatory categories used by the NSSO are as follows: no schooling, up to primary, middle, secondary, higher secondary, and more than higher secondary. These have been interpreted, in terms of years of education, as 0, up to 5, between 5 and 8, between 8 and 10, between 10 and 12, and more than 12.

CHART 5 RATE OF UNEMPLOYMENT (PER CENT)



Source: Table 12.

CHART 6: UNEMPLOYMENT RATE (PER CENT) BY YEARS OF EDUCATION, 1993-94



Source: Table 12.

absolute number of the unemployed appears to have fluctuated between 9 mn and 12 mn without showing any particular trend.

The most significant feature of unemployment in India, according to these statistics, is a strong positive relation between the level of educational attainment and the rate of unemployment (Chart 6). This fact, together with the fact (noted earlier) that the relation between level of education and labour force participation rate is represented by an elongated U-shaped curve, implies that the level of education of the labour force tends to lag behind that of the population and the level of education of the employed, in turn, tends to lag behind that of the labour force.

Explanations for the observed positive relation between the level of education and the rate of unemployment are likely to be similar to those suggested earlier for the observed relation between the level of education and the participation rate. Young people with some education do not want to engage in low-productivity, low-income work in informal sectors. They tend to seek non-manual work, preferably in the organised sector. They have very good reasons for doing this since, as observed earlier, the service sector actually offers the best quality jobs. The very fact that they have some education also means that their families have some capacity to support them: unemployment is a luxury that at least some of them can afford. Since aspirations, ability to afford unemploy-

ment and the level of education all move together, the outcome is a positive relation between the level of education and the rate of unemployment.

TABLE 5: PERCENTAGE DISTRIBUTION OF POPULATION AGED 15 YEARS OR MORE BY YEARS OF EDUCATION

Years of Education	1983	1987-88	1993-94
All			
0	56.3	52.5	47.4
Up to 5	22.3	23.1	22.2
5-8	10.7	10.7	12.8
8-12	8.1	9.9	13.2
More than 12	2.6	3.8	4.4
Average years of education	2.4	2.8	3.3
Male			
0	41.9	38.6	34.0
Up to 5	28.2	28.6	26.3
5-8	14.5	14.5	16.2
8-12	11.4	13.5	17.4
More than 12	4.0	4.8	6.1
Average years of education	3.3	3.7	4.3
Female			
0	71.5	66.8	61.5
Up to 5	16.0	17.3	17.8
5-8	6.7	6.8	9.1
8-12	4.7	6.1	8.8
More than 12	1.1	3.0	2.8
Average years of education	1.5	1.9	2.3
Average years of education, Female-male ratio	0.45	0.51	0.53

Note: See note to Table 4

TABLE 6: EMPLOYMENT GROWTH (PER CENT) AND ELASTICITIES

	1977-78-83	1983-87-88	1987-88-93-94	1977-78-93-94	1983-93-94
All	1.9(0.46)	1.8(0.44)	2.5(0.45)	2.1(0.46)	2.2(0.45)
Agriculture	1.1(0.55)	0.6(0.67)	2.2(0.47)	1.3(0.50)	1.5(0.52)
Industry	3.7(0.70)	4.3(0.77)	2.0(0.36)	3.2(0.59)	3.0(0.54)
Services	3.7(0.68)	4.0(0.68)	3.5(0.55)	3.7(0.63)	3.7(0.60)

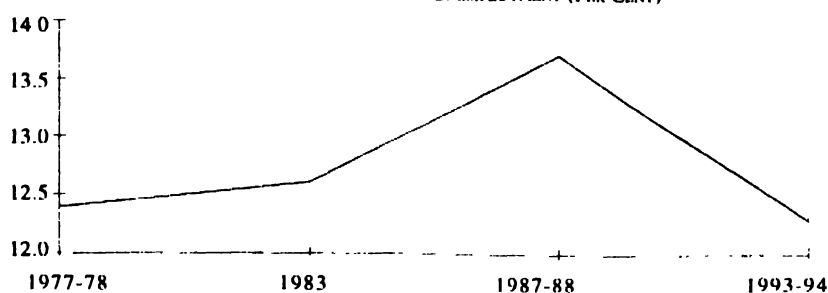
Note: Figures in parentheses are employment elasticities

There may be other reasons as well. General education does not equip the educated with particular skills other than perhaps clerical. The educated, therefore, may not necessarily find employment even when the organised sector generates employment at a rapid pace. Moreover, wage differentials corresponding to differentials in the level of education are not really market-determined; excess supply of the educated leads to their unemployment rather than to a narrowing of wage differentials between the educated and the illiterate.

The observed positive relation between the rate of unemployment and the level of educational attainment could, of course, simply be a statistical illusion; it could be that the more educated were just more inclined to report themselves to be seeking or available for work. What seems quite clear, at any rate, is that, in Indian conditions, the rate of unemployment is at best an indicator of labour market mismatches generated by the spread of general education; it says very little about general labour market conditions.

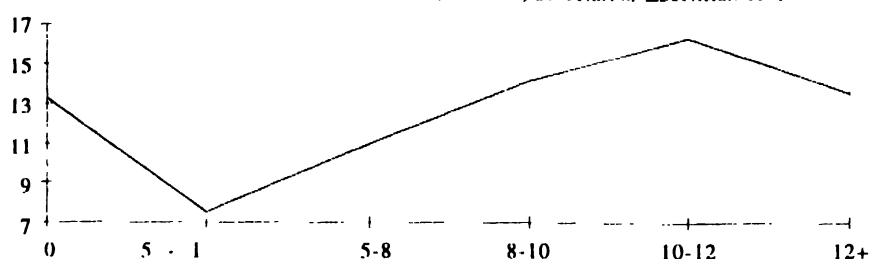
An alternative summary indicator of general labour market conditions, therefore, needs to be defined. The following facts may be usefully considered in this

CHART 7: EFFECTIVE RATE OF UNEMPLOYMENT (PER CENT)



Source: Table 13.

CHART 8: EFFECTIVE RATE OF UNEMPLOYMENT (PER CENT) BY YEARS OF EDUCATION 1993-94



Source: Table 17

context. Each of the existing surveys identified a sizeable number of people as working in a subsidiary capacity, i.e., working for only a small part of the reference period. Some of these people reported themselves to be seeking or available for work for a major part of the reference period and were classified as unemployed. The others, logically, should be classified as being outside the labour force, but researchers in India have rather arbitrarily regarded them as being employed.

It needs to be recognised that, for a variety of reasons, many people, particularly women, are reluctant to admit to seeking paid work when they know such work to be unavailable; but they would in fact be quite willing to accept such work if and when available. For this reason, it is appropriate (though obviously not strictly accurate) to regard subsidiary workers as discouraged workers rather than as non-workers; it is wrong to regard them either as employed or as being outside the labour force.<sup>17</sup> The fact that a very large majority of these subsidiary workers are women (as will be shown below) adds strength to this argument. The evidence also shows that, particularly in the case of women, the rate of unemployment is inversely related to the rate of subsidiary employment, which suggests overlap between those classified as unemployed and those classified as employed in subsidiary capacity.

On the basis of these observations, it can be argued that a good summary indicator of general labour market conditions would

be what might be called the 'effective rate of unemployment'. This can be defined as the ratio of the number either unemployed or in subsidiary employment to the number either employed or unemployed or in subsidiary employment. The estimates show that the effective rate of unemployment has been fairly stable at just over 12 per cent (Chart 7). It had increased, as would be expected, in 1987-88 but fell back to its long term value in the next period.

If the effective rate of unemployment is accepted as a good indicator of general labour market conditions, three major conclusions follow. First, unemployment has been and remains a much more serious problem in India than is usually supposed by researchers and policy-makers. Second, unemployment has not shown any definite trend; this is consistent with the fact that employment growth has kept pace with labour force growth in quantitative terms. Third, the positive relation between the level of unemployment and the level of educational attainment does not seem to be entirely a statistical illusion. The relation survives even when a broad measure of unemployment (i.e., the effective rate of unemployment) is used, though in a weaker form (Chart 8).

One striking fact is that the incidence of poverty is far higher than the rate of unemployment, however measured. According to official estimates, for example, 36 per cent of the population was poor in 1993-94 while the rate of unemployment (according to the standard definition) was

only 2.3 per cent and even the effective rate of unemployment was 12.3 per cent. This large gap between the incidence of poverty and the incidence of unemployment once again emphasizes that many of those counted as employed (even on the stricter definition adopted here) are engaged in very low-productivity and low-income activities.

It also suggests that many of those counted as employed may be seriously underemployed. Underemployment is in fact a characteristic feature of any economy in which self-employment and casual wage-employment predominate. Conceptually, however, underemployment (by time criterion) is difficult to define as it requires defining a norm for full-time employment. If this norm is defined a priori, leisure preferences of workers themselves get ignored and this is hard to justify. On the other hand, there is no easy way of establishing workers' preferences since these are conditioned by the prevailing labour market characteristics. It is most unlikely, for example, that an Indian worker and a Korean worker would have the same notion of full-time employment. Given these difficulties, any measure of underemployment is unavoidably imperfect.

From the available sources, several indicators of underemployment can be constructed. The indicator chosen here relies on information relating to the perception of the employed persons themselves.<sup>18</sup> This type of information is not available from all the existing surveys; time-series analysis cannot, therefore, be attempted. Only the information available

TABLE 7: SECTORAL DISTRIBUTION OF EMPLOYMENT (Per cent)

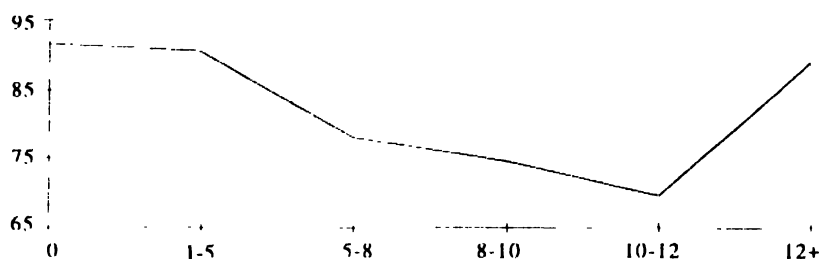
	1977-78	1983	1987-88	1993-94
<b>All</b>				
Agriculture	69.2	66.4	62.4	61.5
Industry	13.1	14.3	16.1	15.7
Services	17.7	19.3	21.5	22.8
<b>Male</b>				
Agriculture	65.1	61.6	57.8	56.9
Industry	14.3	15.8	17.0	16.9
Services	20.6	22.6	25.2	26.2
<b>Female</b>				
Agriculture	79.4	78.3	74.4	74.5
Industry	10.1	10.6	14.0	12.2
Services	10.5	11.1	11.6	13.3

TABLE 8: SECTORAL LABOUR PRODUCTIVITIES

	1977-78	1983	1987-88	1993-94
Aggregate economy	4708.1	5226.5	5834.9	6986.2
Agriculture	2756.8	2893.8	2935.1	3391.0
Industry	9108.7	9855.4	10481.3	12833.5
Services	9056.6	9810.4	10778.9	12656.6

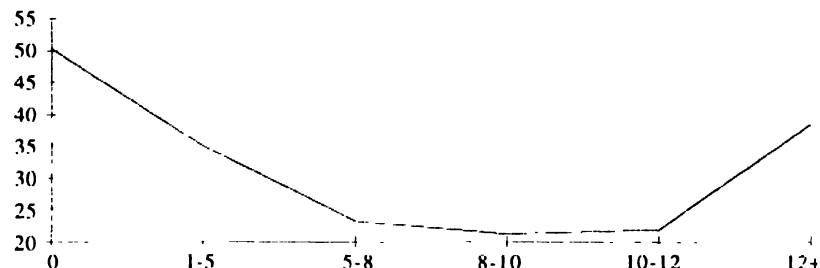
Note: The values are in constant 1980-81 prices and show GDP per employed worker.

CHART 9: LABOUR FORCE PARTICIPATION RATE (PER CENT) OF MALES AGED 15 YEARS OR MORE BY YEARS OF EDUCATION 1993-94



Source: Table 4

CHART 10. LABOUR FORCE PARTICIPATION RATE (PER CENT) OF FEMALES AGED 15 YEARS OR MORE BY YEARS OF EDUCATION 1993-94



Source: Table 4.

for 1993-94 is analysed here to get an idea of the broad orders of magnitude.

In 1993-94, 13.5 per cent of the employed persons reported themselves as underemployed (i.e., looking for additional work) and the average underemployed person desired additional employment for three months in the reference year. Assuming that all the employed were available for employment for 12 months in the reference year, the under-employment rate works out to just 3.4 per cent. In other words, just 3.4 per cent of the available labour-time of the employed remained unutilised due to non-availability of jobs. This seems implausibly low.

It is possible, indeed likely, that the employed were not in fact available for work for 12 months in a year. But even if it is assumed (for example) that the employed were available for work only for 10 months in a year, the rate of under-employment still works out to only 4 per cent. Another possibility is that under-employment may have been under-reported. In fact, the recorded data show that people were either seriously under-employed or not underemployed at all. Thus, for example, the average underemployed in all the groups – the self-employed, the regular wage-employees and the casual labourers – was available for additional employment for roughly the same time-period (about three months in the reference year). Very few people in any of the groups, on the other hand, actually reported themselves to be underemployed for short periods. It seems likely that mainly

the severely underemployed perceived or reported themselves to be underemployed at all. Perhaps the right conclusion to draw is that though its overall level for the economy as a whole is not high, under-

employment is a serious problem for a section of the employed labour force.

The most interesting, though not particularly surprising, fact about under-employment is that it affects casual labourers far more than others: 27.4 per cent of the casual labourers reported themselves as underemployed in 1993-94. The corresponding figures were 7.5 per cent for the self-employed and 3.3 per cent for the regular employees. The rate of under-employment (on the assumption that all workers were available for employment for 12 months in the reference year) was 6.9 per cent for the casual labourers, 1.8 per cent for the self-employed and 0.8 per cent for the regular wage employees. These facts show that the overall rate of under-employment in the economy varies directly with the share of casual employment in total employment. As this share has been rising during 1977-78 to 1993-94, it can be plausibly supposed that the overall rate of underemployment has also been rising.<sup>19</sup>

## VI Gender Inequalities

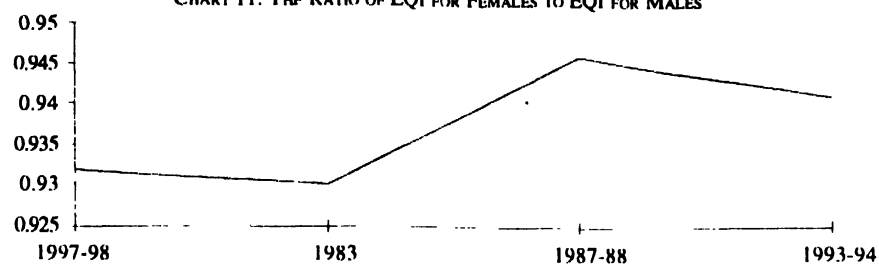
*The dimensions:* Females constitute less than one-third of the total labour force in India and their labour force participation

TABLE 9: DISTRIBUTION OF EMPLOYMENT BY STATUS (PER CENT) AND EQI

	1977-78	1983	1987-88	1993-94
<b>Aggregate economy</b>				
All	100 (242.6)	100 (266.7)	100 (291.9)	100 (337.9)
Self-employment	56.5	54.2	53.2	51.7
Regular wage-employment				
Organised	8.7	9.0	8.8	8.1
Unorganised	6.6	6.3	7.2	7.0
Casual wage-employment	28.2	30.5	30.8	33.2
EQI	0.723	0.717	0.715	0.706
<b>Agriculture</b>				
All	100 (167.8)	100 (177.0)	100 (182.2)	100 (207.8)
Self-employment	54.8	52.1	51.1	49.0
Regular wage-employment				
Organised	0.7	0.7	0.8	0.7
Unorganised	3.9	3.1	2.8	1.0
Casual wage employment	33.8	36.2	26.8	41.6
EQI	0.694	0.688	0.687	0.675
<b>Industry</b>				
All	100 (31.9)	100 (38.2)	100 (47.1)	100 (53.0)
Self-employment	na	40.6	na	35.7
Regular wage-employment				
Organised	26.0	24.1	20.2	18.3
Unorganised	na	4.7	na	10.6
Casual wage-employment	na	30.6	na	35.4
EQI		0.749		0.715
<b>Services</b>				
All	100 (42.9)	100 (51.5)	100 (62.6)	100 (77.1)
Self-employment		42.9		46.9
Regular wage-employment				
Organised	27.3	26.4	23.6	21.1
Unorganised	na	17.5	na	21.6
Casual wage-employment	na	11.9	na	9
EQI		0.791		0.782

Note: Figures in parentheses are absolute numbers in millions. EQI is employment quality index.

CHART 11: THE RATIO OF EQI FOR FEMALES TO EQI FOR MALES



Source: Table 15

rate is just about half that of males. To an extent, of course, this inequality reflects the well-known problem of statistical invisibility of women's work.<sup>20</sup> There are also factors related to women's reproductive and household responsibilities, as determined by the prevailing socio-cultural context, which constrain their participation in the labour market. But there is also evidence to suggest that discriminatory practices in the labour market may be partly responsible for the low participation rate of women.

One such piece of evidence is that unemployment is a far more serious problem for women than for men. Although the recorded unemployment rate (estimated according to the standard definition) actually tends to be lower for women than for men, this only reveals the inadequacy of the standard measure in the Indian context. For reasons noted earlier, women's unemployment is basically hidden. Most of those classified as subsidiary workers are women (in 1993-94, 87.8 per cent of the subsidiary workers were women) and the effective rate of unemployment for women is six to seven times that for men. Thus, women actually have far fewer employment opportunities than men and this itself is a probable explanation for the lower labour force participation.

The other relevant fact, which suggests the existence of discriminatory practices in the labour market, is that, even among the employed, females fare significantly worse than males. The industrial distribution of female employment is far less favourable than that of male employment; an overwhelmingly large proportion of the employed females, for example, is in agriculture. Compared to the employed males, moreover, a much larger proportion of the employed females is employed as casual labourers. Not surprisingly, underemployment is also higher among employed females than among employed males. In short, the overall quality of female employment is significantly lower than that of male employment. The employed females also earn lower wages than employed males in similar occupations. In

1993-94, for example, the daily wage earned by a female casual labourer in agriculture was 71 per cent of the daily wage earned by her male counterpart.

Some of the inequalities are undoubtedly rooted in the inequality in terms of educational attainment, an inequality that must be attributed to general social biases rather than to discriminatory practices in the labour market. The average number of years of education for the employed

TABLE 10: WAGES AND EARNINGS (MALE, AGE-GROUP 15-59 YEARS)

	1977-78	1983	1987-88	1993-94
Casual labour: daily wage rate				
Agriculture (rural areas)				
Money	3.81	7.08	10.82	20.85
Real	3.81	4.65	5.57	6.06
Non-agriculture (rural areas)				
Money	5.26	10.53	15.73	30.15
Real	5.26	6.92	8.1	8.77
Public works (rural areas)				
Money	4.48	8.66	12.69	24.65
Real	4.48	5.69	6.54	7.17
Non-agriculture (urban areas)				
Money	6.57	10.89	17.89	33.79
Real	6.57	6.84	7.87	8.61
Regular employees: daily earnings				
Agriculture (rural areas)				
Money	3.91	9.53	14.58	27.47
Real	3.91	6.26	7.51	7.99
Non-agriculture (rural areas)				
Money	10.49	16.08	34.9	63.57
Real	10.49	10.57	17.98	18.49
Non-agriculture (urban areas)				
Money	15.1	23.72	42.07	78.37
Real	15.1	14.89	18.52	19.96

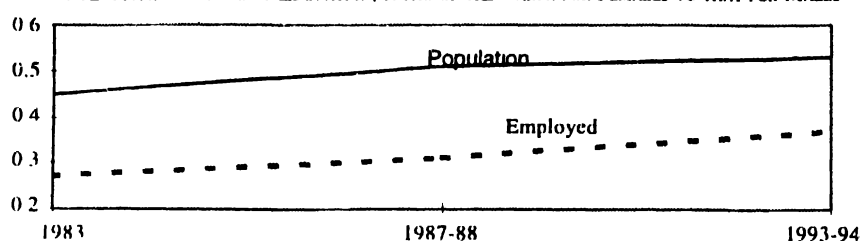
Note: For estimating real wages and earnings, the consumer price index for agricultural labourers has been used for rural areas and the consumer price index for industrial workers has been used for urban areas. Real wages and earnings are estimated in 1977-78 prices.

TABLE 11: WAGES AND EARNINGS (FEMALE, AGE-GROUP 15-59 YEARS)

	1977-78	1983	1987-88	1993-94
Casual labour: daily wage rate				
Agriculture (rural areas)				
Money	2.64	4.9	7.2	14.88
Real	2.64	3.22	3.71	4.33
Non-agriculture (rural areas)				
Money	2.83	5.11	9.11	17.46
Real	2.83	3.36	4.69	5.08
Public works (rural areas)				
Money	2.79	5.41	9.34	18.52
Real	2.79	3.55	4.81	5.39
Non-agriculture (urban areas)				
Money	3.15	5.3	9.65	19.51
Real	3.15	3.33	4.25	4.97
Regular employees: daily earnings				
Agriculture (rural areas)				
Money	3.94	7.53	10.65	22.83
Real	3.94	4.95	5.49	6.64
Non-agriculture (rural areas)				
Money	8.05	10.85	26.28	37.22
Real	8.05	7.13	13.54	10.82
Non-agriculture (urban areas)				
Money	9.87	17.36	34.9	62.43
Real	9.87	10.9	15.36	15.9

Note: For estimating real wages and earnings, the consumer price index for agricultural labourers has been used for rural areas and the consumer price index for industrial workers has been used for urban areas. Real wages and earnings are estimated in 1977-78 prices.

CHART 12: AVERAGE YEARS OF EDUCATION, RATIO OF THE VALUE FOR FEMALES TO THAT FOR MALES



Source: Tables 5 and 18

females, for example, is much lower than that for the employed males and this basically is a reflection of the fact that the average number of years of education for the female population is much lower than that for the male population. This inequality, to be sure, partly explains the lower quality of female employment as also the lower average earnings of the employed females. But discrimination in the labour market itself provides a part of the explanation as well, particularly in the case of wage inequality.

*The trends:* During 1977-78 to 1993-94, the labour force participation rate of females declined while that of males remained stable. As a consequence, female labour force grew at a slower rate (1.8 per cent per annum) than male labour force (2.2 per cent per annum) and the share of females in total labour force fell from 33.9 per cent in 1977-78 to 32.4 per cent in 1993-94. Thus there was a noticeable trend towards 'masculinisation' of the labour force in India.<sup>21</sup>

Yet the underlying factors responsible for the changes in the participation rates were quite similar for the two groups. For both groups, the share of working-age population in total population increased while the participation rate of this age-group declined and the share of non-working-age labour force in total labour force also declined. The explanations for these trends were also the same. The relationship between the participation rate of the working-age population and the level of educational attainment is represented by an elongated U-shaped curve for both males and females (Charts 9 and 10) and the decline in the participation rate resulted, in both cases, from the expansion of general education. The participation rates of both male and female children declined and the participation rates for older population – both male and female – increased.

The differences lay in the relative rates of change. The 'unfavourable' effect of education on the participation rate of working-age females was sharper than that in the case of working-age males. The effect of the decline in the incidence of child

labour was also sharper in the case of females; as the share of child labour in female non-working-age labour force was higher.

Female employment grew at a slower rate (1.7 per cent per annum) than male employment (2.2 per cent per annum) leading to a decline in the share of female employment in total employment. In fact, the growth of female employment was slower than that of female labour force while the two growth rates were equal in the case of males. As a result, the effective unemployment rate remained more or less stable for males (the rate fluctuated between 4.4 per cent and 6.2 per cent during 1977-78 to 1993-94) but increased steadily (from 27.4 per cent in 1977-78 to 28.9 per cent in 1993-94) for females.

TABLE 12: UNEMPLOYMENT

	1977-78	1983	1987-88	1993-94
<b>All</b>				
Overall unemployment rate	4.4(4.1)	2.8(2.5)	3.8(3.4)	2.6(2.3)
Unemployment rate:				
Persons aged 15 or more years	4.5(4.1)	2.9(2.5)	3.9(3.5)	2.6(2.4)
With no education	na	0.5	1.6	0.3
With up to 5 years of education	na	2.2	3	1.2
With between 6 and 8 years of education	na	7	7.6	4.4
With between 9 and 12 years of education	na	11.4	11.7	8.8
With more than 12 years of education	na	13.7	11.9	11.2
<b>Male</b>				
Overall unemployment rate	3.2(3.1)	3.0(3.0)	3.7(3.6)	2.6(2.6)
Unemployment rate:				
Persons aged 15 or more years	3.2(3.1)	3.0(3.0)	3.7(3.6)	2.7(2.6)
With no education	na	0.6	1.0	0.3
With up to 5 years of education	na	2.2	2.8	1.1
With between 6 and 8 years of education	na	6.3	6.5	4.1
With between 9 and 12 years of education	na	9.8	9.4	7.6
With more than 12 years of education	na	11.1	10.9	8.7
<b>Female</b>				
Overall unemployment rate	7.6(6.0)	2.1(1.5)	4.3(3.2)	2.4(1.8)
Unemployment rate:				
Persons aged 15 or more years	7.8(6.1)	2.1(1.6)	4.5(3.4)	2.5(1.8)
With no education	na	0.4	2.4	0.3
With up to 5 years of education	na	2.6	4.1	1.6
With between 6 and 8 years of education	na	15.8	18.5	2.7
With between 9 and 12 years of education	na	26.3	30.0	19.5
With more than 12 years of education	na	30.0	17.6	25.0

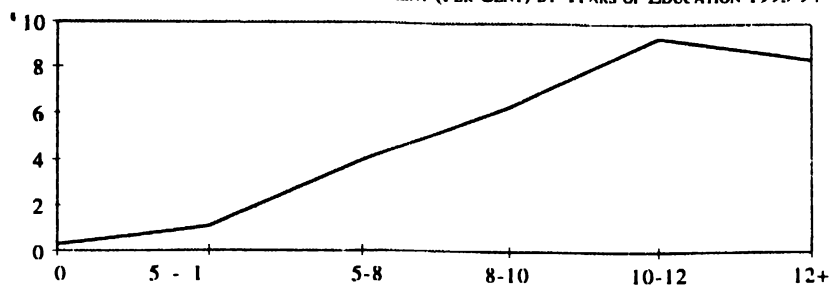
Note: The unemployment rates are in percentages. They have been estimated by assuming that labour force is composed of principal status workers and the unemployed. Figures in parentheses show the unemployment rates when subsidiary workers are included in the labour force. See also note to Table 4.

TABLE 13: EFFECTIVE RATE OF UNEMPLOYMENT

	1977-78	1983	1987-88	1993-94
<b>All</b>				
Employed (millions)	242.6	266.7	291.9	337.9
Unemployed (millions)	11.3	7.6	11.7	9.0
In subsidiary employment (millions)	23.1	30.9	34.7	38.6
Effective rate of unemployment (per cent)	12.4	12.6	13.7	12.3
<b>Male</b>				
Employed (millions)	174.5	191.4	210.3	249.2
Unemployed (millions)	5.7	6.0	8.0	6.8
In subsidiary employment (millions)	3.0	4.9	5.9	4.7
Effective rate of unemployment (per cent)	4.7	5.4	6.2	4.4
<b>Female</b>				
Employed (millions)	68.1	75.3	81.6	88.7
Unemployed (millions)	5.6	1.6	3.7	2.2
In subsidiary employment (millions)	20.1	26	28.8	33.9
Effective rate of unemployment (per cent)	27.4	26.8	28.5	28.9

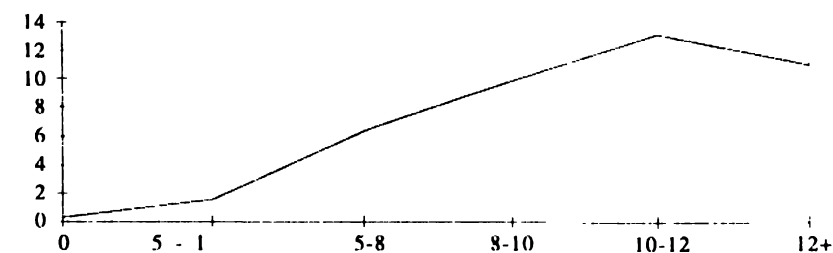
Note: The hidden rate of unemployment is defined as: (number unemployed + number in subsidiary employment)/(the number + number employed).

CHART 13: THE RATE OF MALE UNEMPLOYMENT (PER CENT) BY YEARS OF EDUCATION 1993-94



Source: Table 17.

CHART 14: THE EFFECTIVE RATE OF MALE UNEMPLOYMENT (PER CENT) BY YEARS OF EDUCATION 1993-94



Source: Table 17

Another discernible negative trend is that though the sectoral distribution of employment for both males and females changed in the same direction, the change was much slower in the case of female employment. Between 1977-78 and 1993-94, for example, the share of agriculture in male employment declined by more than 8 percentage points (from 65.1 per cent in 1977-78 to 56.9 per cent in 1993-94) while that in female employment declined by less than 5 percentage points (from 79.4 per cent in 1977-78 to 74.5 per cent in 1993-94).

The quality of employment (as indicated by EQI) declined for both males and females but the decline was sharper and more consistent for males; the result was a decline in male-female differential in terms of quality of employment (Chart 11). The underlying reasons were as follows. The share of casual wage-employment in total employment increased at a faster pace for males than for females. Correspondingly, the share of regular wage-employment (particularly in the organised segment) in total employment declined for males but increased for females.

Obviously, the declining trend in male-female differential in terms of quality of employment cannot be regarded as unambiguously positive since the context was one of declining quality of employment for both males and females. Nevertheless, it may be indicative of a declining trend in gender-based discrimination. Such a view receives support from the evidence on developments in the area of education (Chart 12) and wages. The average num-

ber of years of education for the female population increased at a faster rate than that for the male population. Correspondingly, the average number of years of education for the employed females also

increased faster than that for the employed males. Male-female wage differentials too showed a feeble tendency to decline.<sup>22</sup>

One difference between males and females in terms of the nature of involvement in the labour market is worth noting. As already stated, most of the subsidiary workers are women. As such, the difference between the standard rate of unemployment and the effective rate of unemployment is quite small in the case of males but large in the case of females. Unsurprisingly, in the case of males, the relation between the effective rate of unemployment and the level of educational attainment is very similar to that between the standard rate of unemployment and the level of educational attainment; both rates of unemployment rise more or less steadily as the level of educational attainment rises (Charts 13 and 14). In the case of females, however, the two relationships are quite different. The standard rate of unemployment rises steadily as the level of educational attainment rises (just as in the case of males), but the relation between the effective rate of unemployment and the level of educational attainment is represented by an inverted U-shaped curve (Charts 15 and 16). This difference between

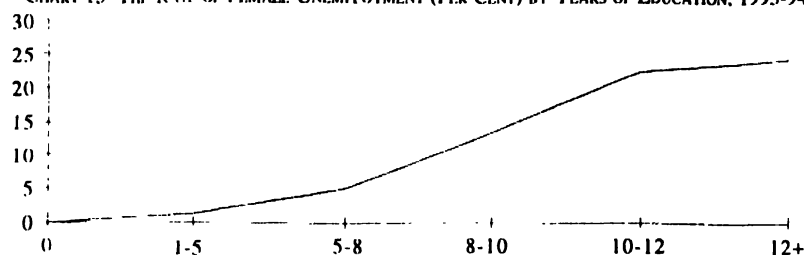
TABLE 14. INVOLUNTARY UNDEREMPLOYMENT OF PRINCIPAL STATUS WORKERS 1993-94

	Self-Employed	Regular-Employees	Casual Labourers	All
<b>All</b>				
Total number (millions)	174.7	51.0	112.2	337.9
Of which (percentages):				
Neither seeking nor available for additional work	92.5	96.7	72.6	86.5
Seeking or available for additional work	7.5	3.3	27.4	13.5
For less than one month	0.3	0.4	1.5	0.7
For 1-3 months	4.1	1.6	13.4	6.8
For 3-6 months	3.1	1.3	12.5	6.0
Average (months)	2.9	2.8	3.0	3.0
Rate of underemployment (per cent)	1.8	0.8	6.9	3.4
<b>Male</b>				
Total number (millions)	131.2	43.6	74.4	249.2
Of which (percentages):				
Neither seeking nor available for additional work	92.6	96.8	73.9	87.8
Seeking or available for additional work	7.4	3.2	26.1	12.2
For less than 1 month	0.4	0.4	1.6	0.8
For 1-3 months	4.1	1.4	13.6	6.5
For 3-6 months	2.9	1.4	10.9	4.9
Average (months)	2.9	2.8	2.9	2.9
Rate of underemployment (per cent)	1.8	0.8	6.4	3.0
<b>Female</b>				
Total number (millions)	43.5	7.4	37.8	88.7
Of which (percentages):				
Neither seeking nor available for additional work	92.2	95.9	70.1	83.1
Seeking or available for additional work	7.8	4.1	29.9	16.9
For less than 1 month	0.2	0.0	1.3	0.7
For 1-3 months	4.1	2.7	13.2	7.9
For 3-6 months	3.5	1.4	15.4	8.3
Average (months)	3.1	2.8	3.2	3.2
Rate of underemployment (per cent)	2.0	0.5	8.0	4.5

Note: In estimating the average number of months for which the underemployed were seeking additional work, 'less than 1 month' is interpreted as 0.5 months, '1-3 months' is interpreted as two months and '3-6 months' is interpreted as 4.5 months. The rate of under-employment is estimated on the assumption that all workers were available for work for 12 months.

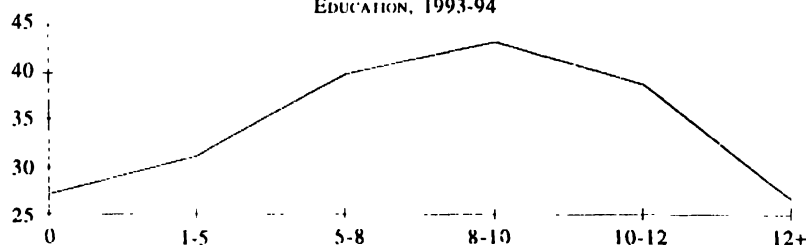


CHART 15: THE RATE OF FEMALE UNEMPLOYMENT (PER CENT) BY YEARS OF EDUCATION, 1993-94



Source: Table 17

CHART 16: THE EFFECTIVE RATE OF FEMALE UNEMPLOYMENT (PER CENT) BY YEARS OF EDUCATION, 1993-94



Source: Table 17

males and females has an important implication: the level of unemployment (broadly interpreted) has a stronger influence on labour force participation of females than on that of males. While the participation rate varies inversely with the level of effective unemployment for both males and females, the inverse relation is significantly stronger in the case of females (compare Chart 14 with Chart 9 and Chart 16 with Chart 10).

## VII Child Labour

*Some basic facts:* In 1993-94, population belonging to the age-group 5-14 years numbered 215.2 million of which 13.3 million (6.2 per cent) were in the labour force and 10.1 million (4.7 per cent) were in employment.<sup>23</sup> Child workers constituted 3.4 per cent of the total labour force and employed child workers constituted 3 per cent of all employed workers. Female children accounted for 45.1 per cent of the child labour force and 42.6 per cent of the employed child workers. Unemployment according to standard definition was insignificant among child workers (0.7 per cent for all child workers, 1.4 per cent for males and 0 per cent for females), but effective unemployment was high (24.1 per cent for all child workers, 20.5 per cent for males and 28.3 per cent for females).

As regards distribution by type of employment, 58.4 per cent of all employed child workers were self-employed, 33.7 per cent worked as casual labourers and the remaining 7.9 per cent were regular wage-employees in unorganised activities.<sup>24</sup>

Agriculture accounted for more than 75 per cent of total employment of child workers, more than 81 per cent of self-employment, more than 71 per cent of casual employment and around 41 per cent of regular wage-employment. The service sector employed around 45 per cent of all regular wage-employees among child workers.

Several conclusions emerge from these basic facts. First, the overall incidence of child labour cannot be said to be high.<sup>25</sup> Second, agriculture is by far the dominant employer of child workers. Third, most of the child workers work either as self-employed or as casual wage-labourers. Fourth, effective unemployment among child workers is high. This suggests that the main explanation for the existence of child labour is to be found on the supply side rather than on the demand side of the labour market. It is not that the economy cannot do without child labour; it is rather that many children cannot do without employment.

*The trends:* The labour force participation rate of children declined from 11 per cent in 1977-78 to 6.2 per cent in 1993-94. As a result, the share of child labour force in total labour force also declined from 7 per cent to 3.4 per cent during the same period. In fact, even the absolute size of the child labour force declined from 20.6 million in 1983 to 13.3 million in 1993-94. Actual employment of children showed very similar trends. The share of child employment in total employment declined from 6.9 per cent in 1977-78 to 3 per cent in 1993-94. During the same period, the absolute number of children in employment declined from 16.8 million to 10.1 million. The trends were similar for both

TABLE 15: PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY STATUS: MALE AND FEMALE WORKERS

	1977-78	1983	1987-88	1993-94
Male	100 (174.5)	100 (191.4)	100 (210.3)	100 (249.2)
Self-employment	57.3	55.1	53.4	52.6
Regular wage-employment				
Organised	10.6	11.0	10.6	9.3
Unorganised	8.1	7.4	8.2	8.2
Casual wage-employment	24	26.5	27.8	29.9
EQI	0.737	0.731	0.725	0.717
Female	100 (68.1)	100 (75.3)	100 (81.6)	100 (88.7)
Self-employment	54.6	51.9	52.7	49
Regular wage-employment				
Organised	3.8	4.0	4.2	4.6
Unorganised	2.9	3.2	4.6	3.7
Casual wage-employment	38.7	40.9	38.5	42.7
EQI	0.687	0.68	0.686	0.675
Gender ratio	0.932	0.93	0.946	0.941

Note: Figures in parentheses are absolute numbers in millions. EQI is employment quality index. Gender ratio is defined as the ratio of EQI for females to that for males.

TABLE 16: FEMALE-MALE WAGE RATIO (AGE-GROUP: 15-59 YEARS)

	1977-78	1983	1987-88	1993-94
Casual labour				
Agriculture (rural areas)	0.693	0.692	0.665	0.714
Non-agriculture (rural areas)	0.538	0.485	0.579	0.579
Public works (rural areas)	0.623	0.625	0.736	0.751
Non-agriculture (urban areas)	0.479	0.487	0.539	0.548
Regular employees				
Agriculture (rural areas)	1.008	0.79	0.73	0.831
Non-agriculture (rural areas)	0.767	0.675	0.753	0.585
Non-agriculture (urban areas)	0.654	0.732	0.829	0.797

male and female children. However, the participation rates as well as the absolute size of the child labour force declined at a slower rate for females than for males. Employment of female children also declined at a much slower rate than that of male children. The share of females in child labour force as also in child employment increased as a result.

Two conclusions are already suggested by these facts. First, there has been a long-term tendency for the incidence of child labour to decline though the widespread concern with child labour is only of recent origin. This suggests that economic development reduces the incidence of child labour even in the absence of social movements or targeted policies and programmes. This, of course, is consistent with the earlier observation that child labour is primarily a supply-side phenomenon. As widely believed, it is poverty, which basically explains the existence of child labour; the declining incidence of child labour is largely attributable to the declining incidence of poverty. Second, general social biases have their manifestations in the world of child labour as well; the existence of gender-based discrimination in society seems to be the most plausible explanation for the slower rate of decline in the employment of female children.

The direction of change in the sectoral distribution of employment of child labour was the same as that in the case of all workers, though the pace of change was somewhat slower. The distribution of employment by type (or employment status) also changed in the same direction for child workers as for all workers, but the pace of change for child workers was again slower. Remarkably, however, the pace of casualisation of wage-employment was faster for child workers than for all workers. Correspondingly, the share of regular wage-employment in total employment declined fairly sharply for child workers while this in fact showed a tendency to rise for all workers.

It is important to remember that all these changes in the structure of employment of child workers occurred in a context where the absolute number of employed child workers was declining (the context was entirely different in the case of all workers). Child employment in absolute terms was declining in all sectors as well as in all types of employment. The changes in employment structure resulted from differential rates of decline in different sectors and in different types of employment. The sharpest decline occurred in regular wage employment and the slowest decline occurred in casual wage employment.

It is arguable that while all forms of employment of children must be judged as undesirable, some forms are more undesirable than others. Regular wage employment of children, which is mostly in non-agriculture, is usually exploitative in character. Self-employment, which is mostly in agriculture, is far less exploitative and has one positive aspect; traditionally, it has been a form of apprenticeship through which the younger generation acquires skills from the older generation. Casual wage-employment, which again is mostly in agriculture, also has an apprenticeship dimension. In the light of these observations, it can be said that the overall trends in the area of child labour have been positive not only because the overall incidence of child labour has been declining but also because the worst form of child employment (i.e. regular wage employment) showed the fastest decline.

### VIII Concluding Observations

Between 1977-78 and 1993-94, the Indian economy recorded a growth rate of nearly 5 per cent per annum. Though not spectacular, this performance is nevertheless decent by the standards of developing countries. The impact of this growth on employment, however, has been much weaker than expected. Since the labour force actually grew at a relatively low rate during the period, it seems clear that growth has not been employment-friendly.

It is difficult to state unambiguously if overall employment conditions improved or deteriorated during the period. The level of unemployment remained fairly stable and there were positive trends in some areas. The incidence of child labour declined quite significantly. The growth in real wages of casual labour and the decline in the gap between the incidence of poverty and the effective rate of unemployment indicate that the quality of jobs at the lowest level improved somewhat. Alongside these positive trends, however, certain negative trends are also observed. At the aggregate level, the quality of employment deteriorated in the sense that the share of low-quality employment in total employment increased. The growing casualisation of employment implies that the level of underemployment has also been increasing. The changes in gender inequalities were ambiguous. While male-female differentials in education and in earnings narrowed somewhat, the gap in terms of unemployment level tended to widen. The decline in the labour force

participation rate of females must also be regarded as a negative trend.

Perhaps the only conclusion that can be drawn is that overall employment conditions neither improved nor deteriorated.

TABLE 17. UNEMPLOYMENT OF PERSONS AGED 15 OR MORE YEARS BY YEARS OF EDUCATION, 1993-94

Years of Education	Rate of Unemployment (Per Cent) (Standard Definition)	Effective Rate of Unemployment (Per Cent)
All		
0	0.2	13.3
Up to 5	1.1	7.5
Between 5 and 8	4.1	11.0
Between 8 and 10	7.3	14.2
Between 10 and 12	10.9	16.4
12 or more	10.9	13.6
Male		
0	0.3	0.3
Up to 5	1.1	1.6
Between 5 and 8	4.0	6.4
Between 8 and 10	6.3	9.9
Between 10 and 12	9.4	13.3
12 or more	8.4	11.0
Female		
0	0.1	27.1
up to 5	1.1	31.1
Between 5 and 8	5.0	40.0
Between 8 and 10	13.5	43.2
Between 10 and 12	22.2	38.9
12 or more	24.1	27.6

Note: Labour force includes the employed, the unemployed and those in subsidiary employment. See also note to Table 4

TABLE 18. PERCENTAGE DISTRIBUTION OF THE EMPLOYED (AGED 15 OR MORE YEARS) BY YEARS OF EDUCATION

Years of Education	1983	1987-88	1993-94
All			
0	56.1	52.9	47.1
Up to 5	24.7	25.2	24.9
5-8	9.5	9.5	11.8
8-12	7.2	8.6	11.3
More than 12	2.5	3.8	4.9
Average years of education	2.3	2.6	3.2
Male			
0	45.7	42.4	37.5
Up to 5	29.9	30.2	28.5
5-8	12.2	12.1	14.4
8-12	9.1	10.9	13.9
More than 12	3.1	4.4	5.7
Average years of education	2.9	3.2	3.8
Female			
0	83.5	80.5	74.8
Up to 5	11.1	12.1	14.6
5-8	2.3	2.8	4.3
8-12	2.3	2.7	3.9
More than 12	0.8	1.9	2.4
Average years of education	0.8	1.0	1.4
Average years of education, Female-male ratio	0.27	0.31	0.37

Note: See note to Table 4.

The fact that a rate of economic growth of nearly 5 per cent failed to make much of an impact on overall employment conditions even though the rate of growth of labour force was relatively low cannot but be viewed as a matter of concern. The crux of the problem appears to have been the slow growth of organised sector employment. During the 16-year period, organised sector employment grew only at a rate of 1.6 per cent per annum (while total employment grew at a rate of 2.1 per cent per annum). Even this slow growth was to an extent artificially sustained. For, the organised sector was actually accumulating 'surplus labour'; crude estimates for 1990-91 show that around 16.5 per cent of the workforce employed in the sector were effectively redundant.<sup>26</sup>

The deterioration in the quality of employment at the aggregate level was a direct consequence of the slow growth of organised sector employment. Inter-sectoral labour transfers occurred at a very slow pace and contributed little to productivity growth in the economy. Indeed, such labour transfers merely served as a mechanism for transferring surplus labour from agriculture to non-agriculture. Even such transfers have been small so that agriculture has remained the principal reservoir of surplus labour. On the whole, India's experience suggests that employment conditions are hard to improve if the Lewisian modern sector fails to generate jobs at a rate higher than the rate of labour force growth. Special schemes for employment generation cannot make up for this failure.

One acknowledged reason for the slow growth of organised sector employment was the emphasis on heavy industries in India's industrialisation strategy.<sup>27</sup> Another reason lay in the 'rigidities' which emerged in the organised labour market as a result of the 'welfarist' labour policy pursued in the country. Recent studies suggest that the job security regulations and the wage system were the major sources of these 'rigidities'.<sup>28</sup> The job security regulations, by making labour adjustments difficult and expensive, on the one hand led to labour hoarding in inefficient enterprises and on the other hand effectively pushed the cost of fresh hiring far above actual wage costs. The wage system ruled out possibilities of wage adjustments in response to changes in productivity or profitability. These problems remained hidden in the quasi-closed economy which had evolved because costs could always be passed onto prices. Though this could conceivably have restrained the pace of growth itself (by restraining the growth of

demand), this effect remained invisible. The 'rigidities' also generated strong incentives for adoption of capital intensive technologies at the margin in the organised sector. The high real cost of labour discouraged labour hiring at the margin. The insensitivity of wages to productivity changes meant that it was always possible to increase profit margins by increasing labour productivity through increases in capital per worker.

In the post-1991 period, there has been much talk in policy circles about increasing the rate of economic growth through adoption of outward-oriented policies. The relevance of this in the context of an employment strategy cannot be seriously questioned. Higher growth and less emphasis on heavy industries should have the

effect of stimulating employment growth in the organised sector. But this is unlikely to be enough. Labour force growth will be higher in the future than it had been in the past. The competitive pressures engendered by trade liberalisation are also likely to encourage adoption of improved technologies even in relatively labour-intensive industries.

In these circumstances, all existing incentives for adoption of capital intensive technologies will need to be removed. Policy-makers, therefore, will need to worry about labour policy reform needed to increase flexibility in the organised labour market.<sup>29</sup> Concern for job security for a few would have to be replaced by concern for income security (and, relatedly, employment security) for all and the wage

TABLE 19. CHILD LABOUR

	1977-78	1983	1987-88	1993-94
Employment (millions)	16.8	16.6	11.8	10.1
As per cent of total employment	6.9	6.2	4.0	3.0
Male (millions)	10.5	9.9	6.9	5.8
As per cent of male employment	6.0	5.2	3.3	2.3
Female (millions)	6.3	6.7	4.9	4.3
As per cent of female employment	9.2	8.9	6.0	4.8
Percentage distribution by sector:				
Agriculture	82.1	80.1	75.4	75.2
Industry		8.4		15.8
Services	17.9	11.5	24.6	9.0
Percentage distribution by employment status:				
Aggregate				
Self-employment	61.3	60.8	55.9	58.4
Regular wage-employment				
Organised	0.0	0.0	0.0	0.0
Unorganised	12.5	10.2	10.2	7.9
Casual wage-employment	26.2	29.0	33.9	33.7
EPI	0.703	0.7	0.683	0.687
Agriculture				
Self-employment	64.5	67.7	65.2	61.8
Regular wage-employment				
Organised	0.0	0.0	0.0	0.0
Unorganised	10.1	7.5	6.7	3.9
Casual wage-employment	25.4	24.8	28.1	34.3
EPI	0.709	0.71	0.706	0.591
Industry				
Self-employment	na	35.7	na	43.7
Regular wage-employment				
Organised	0.0	0.0	0.0	0.0
Unorganised	na	14.3	na	6.2
Casual wage-employment	na	50.0	na	50.1
EPI	-	0.63	-	0.64
Services				
Self-employment	na	35.7	na	45.4
Regular wage-employment				
Organised	0.0	0.0	0.0	0.0
Unorganised	na	35.7	na	36.4
Casual wage-employment	na	28.6	na	18.2
EPI	-	0.66	-	0.691
Unemployment				
Number of unemployed (millions)	0.7	0.4	0.3	0.1
Unemployment rate (per cent)	3.6	1.9	1.7	0.7
Subsidiary employment				
Number in subsidiary employment (millions)	1.9	3.6	5.6	3.1
Rate of subsidiary employment (per cent)	9.8	17.5	31.6	23.3
Effective unemployment				
Number effectively unemployed (millions)	2.6	4.0	5.9	3.2
Effective rate of unemployment (per cent)	13.4	19.4	33.3	24

system would have to be re-designed so as to make wages responsive to changes in productivity and profitability.<sup>30</sup>

There is another major problem that policy-makers need to worry about. The average level of education of the population, of course, is extremely low; in 1993-94, an Indian aged 15 or more years had, on average, only 3.3 years of education. But, more disturbingly, it appears that the Indian economy does not get the full benefit of even this low level of education; the labour force has lower average level of education than the population and the employed have lower level of education than the labour force. There seem to be two main reasons for this state of affairs. First, education, though provided largely by the state, has remained a luxury good so that many of those who can afford to get education can also afford to be idle. Second, aspirations of the educated tend to be inconsistent with their skill profiles as well as with the requirements of the economy. These features need to be radically altered and this will require serious reform of the education system; a mere expansion of education will only increase open unemployment. Education policy has to be viewed as part of employment policy.

Policies must also address another general problem indicated by the large gap between the incidence of poverty and that of unemployment. Many of those counted as employed actually earn incomes which are below the official poverty line. Underemployment provides only a small part of the explanation for this. A more important explanation is to be found in the extremely low wages for casual labour. There is evidence to suggest that even if the casual labourers had full-time employment at the prevailing wage rates, they would still be poor. In these circumstances, the special employment schemes cannot achieve much. For they are generally designed on the basis of two rather inappropriate assumptions: that underemployment is the main problem facing the poor and that wages paid for work under the schemes have to be lower than the prevailing market wages if leakage of benefits to the non-poor is to be minimised. In reality, what is needed is not so much additional days of employment as a higher level of wage per day of work. The policy that deserves serious consideration in this context is one of enforcement of a national minimum wage, equal to what has been termed poverty-line wage in this paper, for unskilled labour.<sup>31</sup>

The problems of gender inequalities and child labour also need to be urgently

addressed. Reforms of growth strategy, labour policy and education system are of obvious relevance in this context insofar as these help in stimulating demand for labour in general. It would be useful, moreover, to strengthen the special programmes, which already exist. But wider issues of social policy are also involved. Elimination of gender inequalities requires not only elimination of discriminatory practices in the labour market but also major changes in the socio-cultural context. Elimination of child labour requires elimination of poverty.

## Notes

[The views expressed in the paper are the author's and should not be automatically attributed to the ILO, South Asia Multidisciplinary Advisory Team in New Delhi.]

- 1 See Chakravarty 1987 for a detailed discussion
- 2 See Mahalanobis 1985.
- 3 See Lewis 1954
- 4 Regular wage employees are those who are paid wages on a weekly or monthly basis while casual labourers are those who are paid daily wages
- 5 Cf Visaria and Minhas 1991 and Sen 1998
- 6 This can be contrasted with the pattern observed in OECD countries where labour force participation rate rises steadily with the level of educational attainment. See, for example, OECD 1995.
- 7 Rather puzzlingly, daily status employment in agriculture showed significantly faster growth during 1983-88 than during 1977-88. See Sen 1998
- 8 Lewis 1954.
- 9 These results cannot be said to be wholly unanticipated in view of the fact that India's model of planned development had in effect ruled out what has been referred to as the Lewis process
- 10 Finer classification of jobs according to quality is obviously possible. Regular wage-employment in formal agriculture, for example, is not exactly equivalent to regular wage-employment in modern industry or services. The classification outlined above, however, is considered adequate for purposes of analysis in this paper.
- 11 There are two types of regular wage-employees in agriculture: traditional attached labourers engaged by landowning households and plantation workers. The system of attached labour was really a feudal institution, which has been dying a natural death. The number of attached labourers has been dwindling over time and this is the underlying reason for the observed decline in regular wage employment in agriculture.
- 12 The finding that quality of employment has been and remains the highest in 'services' may appear somewhat surprising. But it merely reflects the fact that much of the employment in services is in the public sector. It also underlines a problem area in India's labour policy: the existing labour protection system basically benefits service sector employees.

- 13 Cf Sen 1996; Tendulkar, Sundaram and Jain 1996; and Dubey and Gangopadhyay 1998.
- 14 The official poverty-line expenditure levels are Rs 49.09 per capita per month for rural areas and Rs 56.64 per capita per month for urban areas, both reckoned in 1973-74 prices
- 15 Some economists have argued that there indeed was a tightening of rural labour markets as a result of substantial increases in public expenditure, which led to a rapid growth of non-agricultural employment. See Sen 1998. The evidence presented by him certainly supports his argument. But there is something odd about the evidence presented. As already noted, it is difficult to understand why daily status employment in agriculture increased faster during 1983-88 than during 1977-83
- 16 The developments could include growth of awareness and organisational strength of rural workers, increased effectiveness of government interventions, etc
- 17 Obviously, not all subsidiary employment need be involuntary. Housewives and students, for example, may occasionally work to help their families tide over temporary difficulties. In the judgment of this author, however, only a fraction of the reported subsidiary employment is of this type
- 18 The usual indicator used by Indian researchers is based on a comparison of the weekly status unemployment rate with the daily status unemployment rate, the gap between the two being interpreted as underemployment. As already noted, however, the conventional method of estimating unemployment rate – weekly status or daily status – is of very limited relevance in the Indian context
- 19 This conclusion contradicts the conclusion usually drawn by the Indian researchers according to which the rate of underemployment in the Indian economy has been declining. See, for example, Papola 1993, Visaria and Minhas 1991, and Sen 1998
- 20 Many of women's activities (related to house-keeping), though vitally important for material well-being of the population (particularly so in a developing country context), are not counted as economically gainful activities in censuses and surveys. Even activities such as tending cattle or growing vegetables tend to go unrecorded as gainful activities
- 21 This stands in contrast with the trend towards 'feminisation' observed in most countries of the world
- 22 Given the widening gap in effective unemployment rates between males and females, this narrowing of the wage-differentials is likely to be attributable to non market factors.
- 23 It is worth pointing out that though child workers are being defined as those belonging to the age-group 5-14 years for the sake of completeness of the picture, very few of the child workers in India actually belong to the age-group 5-9, a typical child worker belongs to the age-group 10-14
- 24 It would not be incorrect to assume that the organised sector does not employ child workers although no direct evidence is available.
- 25 This does not mean that the problem should not be treated as serious. For, ideally, the incidence should be zero.
- 26 Cf ILO 1996. It is of some interest to note here that the emerging problem of surplus

labour in organised industries was diagnosed by Mahalanobis as early as 1960. See Mahalanobis 1960

27 As already mentioned, slow growth of organised sector employment was in fact anticipated by the architects of India's development strategy

28 See, for example, ILO 1996.

29 It has been argued, correctly, that flexibilisation of the organised labour market will achieve very little if the aggregate demand in the economy fails to grow. See Bhaduri 1997. It should be pointed out, however, that growth of aggregate demand is the principal determinant of growth of output while the degree of flexibility in the organised labour market can be viewed as the principal determinant of employment elasticity of output. Efficient management of aggregate demand, therefore, does not eliminate the need to increase labour market flexibility. The question that must be asked is: would efforts to increase flexibility of the organised labour market reduce the aggregate demand? There can only be an empirical answer to this question. In so far as such efforts might lead to a reduction of organised sector employment in the short run, the possibility of a decline in aggregate consumption expenditure cannot obviously be ruled out. But the seriousness of this cannot be predicted a priori. Compensation payments to retrenched workers may

prevent a decline in their consumption expenditure in the short run. The decline in the effective cost of fresh hiring may also stimulate investment in labour-intensive activities.

30 If flexibilisation of labour market is not to imply insecurity of incomes and employment for workers, appropriate labour market institutions and safety net mechanisms have to be put in place. For a brief discussion, see Ghose 1996.

31 The case for a national minimum wage for unskilled labour has been discussed in some detail in Ghose 1997.

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# Dalit Assertion through Electoral Politics

Pushpendra

*The post-independence period has seen democratic institutions gaining greater legitimacy among the scheduled castes, who having grown conscious of their numerical strength in electoral arena, are exercising their voting right more forthrightly. This has liberated them from the role of passive voter-supporter in the overall environment of subjugation and subordination, to actively shifting their traditional party loyalties in favour of new parties espousing their interests. If the SCs in varying degrees have deserted the Congress, in various states, the growing class differentiation amongst them has resulted in the lower class dalits opting for exclusively SC-based parties like the BSP, the Left Front or the left-of-the centre regional parties. Yet, as the CSDS survey shows, though political institutions of Indian democracy have gained support of the SCs, there has been a erosion of their confidence in the political parties. This alarmingly signals that the support extended by the dalits to the parliamentary system should not be taken for granted.*

WITH the 1996 elections to the 11th Lok Sabha, Indian polity seems to have embarked upon a phase of fierce competitive politics. The era of one-party dominance has made way for coalition politics. The gradual decline of the Congress, leaving behind its murky shadow; the growing strength of the BJP edging past the Congress in terms of seats in the parliament and its expansion all over the country; the emergence of regional parties as important political players in a number of states; the strengthening of smaller parties (such as the Samajwadi Party, Samata Party, Janata Dal, Rashtriya Janata Dal, Bahujan Samaj Party, etc) with their specific group followings and limited areas of influence, etc, mark the changes that are taking place in Indian party politics. These changes in party politics in themselves are expressions of larger changes that are enveloping the Indian society today. Different sections of the society are desperately trying to assert themselves in politics. The social composition of the parties and articulations of group interests by them have undergone major changes. Their failure to get accommodated in established national political parties has given rise to the number of smaller parties. The upper castes, particularly in northern India, have by and large deserted the Congress and instead chosen to rally behind the BJP. The ongoing processes of the political rise of the backward castes, despite their inter- and intra-caste divisions and conflicts, have found strong political representation in the form of parties like the Rashtriya Janata Dal, Janata Dal, Samajwadi Party, Samata Party, the regional parties and the left. Muslims have also deserted the Congress and appear to have allied with other parties in order to ensure the defeat of the Congress and the BJP.

In this context, understanding the electoral behaviour of the scheduled castes (SCs) has become very important. The

general elections of 1996 and 1998 saw a powerful assertion of dalit politics. What we observe in these two elections is to our surprise, a different SC voter who is no longer a 'captive' follower of the Congress. These elections highlight a new phase in their political consciousness, mobilisation and organisation in the country. One witnesses a concerted effort by the SCs to create a new political identity for themselves by using the levers of competitive politics. Increased voting by the SCs, shifts in their party preference and a complex pattern of their voting, their general support for the left or left-to-the-centre parties, rise of the BSP, effort to emerge as a political bloc despite internal class differentiation, and increase in the level of legitimacy given to the democratic institutions are some of the important expressions of their political assertion.

This paper attempts to examine the data on voting behaviour of the SCs. I have traced the changes in party preference of the SCs. In order to explain why this assertion took place through elections I have analysed the opinion of the SCs about the legitimacy of the political system. A further attempt is made to find internal differentiation among SCs regarding their voting behaviour. I have also tried to explain the phenomenon of the rise of the BSP. The concluding part reflects upon the implications of SCs' assertion through electoral politics.

This study is based on the post-poll survey data of the 1996 and 1998 Lok Sabha elections, collected by Centre for the Study of Developing Societies (CSDS), Delhi. During the 1996 post-poll survey, the total number of respondents was 9,614 out of which 1,791 belonged to the SCs and 3,357 belonged to the upper castes. The respective figures for the 1998 elections were 8,133, 1,312 and 2,039. This caste division applies to all religious groups. Interestingly, out of the total

respondents during 1998 post-poll survey, 5,138 respondents were those who were interviewed in 1996. This, of course, provides an opportunity to look at the swing in terms of party preference by the same voter. But this has not been attempted in this paper. The paper is confined to analysing the aggregate samples of the two election surveys.

An important feature of the 1996 election survey data was the collection of detailed information on personal backgrounds of the respondents, such as age, education, occupation, housing, landholding, asset holding, self-assessment of required income to meet household expenses, etc. This helped in determining the class position of the respondents and enabled to undertake a class-in-caste analysis. Unfortunately, during the 1998 post-poll survey, background information required to determine class of the respondent was restricted to only three variables – landholding, occupation and type of house. Further, landholding data was completely unusable. Occupation details were classified at the time of data entry in a way that greatly undermined its sensitivity as an indicator. Using the background information of the 5,138 (panel) respondents could have been one option. But it has its own problems as we cannot rule out the possibility of at least some households having been undergone changes in class status between two elections. I have therefore used the class analysis based on 1996 background details as a proxy for 1998 elections too.

The figures reveal the presence of a sizeable section of middle class and even a small elite class among the SCs. Since the sample size of the upper class, in case of the SCs, is very small and in a number of instances, though important, statistically not valid for offering any analysis, for the sake of convenience I have merged both the upper and the middle class

categories. Moreover, a careful look at the financial/occupational background of the respondents suggests that the upper class, as categorised here, for all practical purposes resembles the upper middle class.

The samples of the two post-poll surveys were drawn at the national level. Naturally, while taking up the analysis to the state level, certain differences/gaps can be observed from the figures of the Election Commission (EC) with respect to the voting percentage and party preference by the voters. In the case of states like MP, Karnataka and Assam, the gap is really significant. The sample size was relatively small for taking up any rigorous interpretation at the state level, which led to under-representation of regional variations within the states. One way could be to adjust the variation for the actual figures released by the EC. I have preferred the post-poll figures because most of the analysis in the paper is done at the all-India level for which the authenticity of data cannot be doubted. Adjusting the variation in case of certain states may result in some other distortions particularly with regard to issues like the perception of the legitimacy of the system, influence of age, sex, locality, education, occupation and caste on party preference, etc. Moreover the EC data do not contain these information to make adjustments in disaggregated data. Also, there is no solid reason to believe that the difference between the two data set in terms of percentage of vote secured by political parties can be evenly attributed to all the variables.

It is also necessary to point out some of the other limitations of the data base with respect to the present study. The election surveys of 1996 and 1998 (NES 1996) conducted by the CSDS were not primarily focused on studying the specific features of the SC voting behaviour. For this, a different type of sampling procedure is required keeping in mind the variation in SC population in different states, and within the states, sufficient sample size, nature of political parties, nature and extent of political participation of the SCs in different states, etc. In fact, indicators also need to be sharply focused to study various dimensions of the dalit politics. However, this does not undermine the importance of the available data that I have culled out according to the needs of the study wherever sample size permitted me.

#### CONTEXTUALISING SC VOTING

Any change in the voting behaviour of the SCs acquires great significance in view

of the fact that the SCs find themselves in a web of socio-economic deprivation. The political system, at least theoretically, grants political equality to all, irrespective of caste, wealth, privileges, etc., to be exercised through participation in voting, contesting elections and other forms of participation. Political equality, as opposed to social and economic ones, opens up, in principle, opportunities to utilise political democracy for sharing power and material benefits accruing of it. However, the social and economic inequality practically acts as a limiting factor to take advantage of equal political opportunities. Hence, a brief account of the socio-economic deprivations of the SCs is in order.

According to the 1991 Census, the literacy rate of the SCs is 37.41 per cent as compared to 52.21 per cent as a whole. A smaller proportion of the SCs reside in urban areas as compared to the upper castes – 18.7 per cent of SCs to 29.2 per cent of the total population reside in urban areas. Of the total population of the SCs, 45.4 per cent are agricultural labourers and only 23.6 per cent are cultivators out of the total main workers. The reverse is true for the general category for whom the respective figures are 20.1 per cent and 40.5 per cent.

According to the Agricultural Census, 1991, the average size of landholding is one acre in case of SCs, and 1.61 acres for the general category. The ratio of share in land to share in population stands 0.48 for the SCs, and 1.07 for the general. The size-wise distribution of operational holdings for the SCs and the general category suggests that there is acute inequality in land distribution. Among the SCs, 71.8 per cent of their holdings are less than one acre, covering only 25.7 per cent of the cultivated area. In the case of the general category, there is better distribution of landholdings in different size groups, with the highest concentration in the size class of 4 to 10 acres. In the general category, 58.6 per cent of holdings are less than one acre and the area covered by them is 14.5 per cent. This inequality in landholding is illustrative of the structural barriers in the way of economic development of the SCs.

The political deprivation of the SCs is no less important. Political participation of dalits is largely confined to casting of their vote. Whatever be their level of participation, its effectiveness can always be doubted. Their overwhelming support to the Congress offered little and failed to reduce their political deprivation. One expression of their frustration and anger

at their deprived conditions has been their organised protest movements in states like Bihar, Andhra Pradesh, and parts of Madhya Pradesh, Maharashtra, Orissa, etc.

However, there have been slow and steady changes in the socio-economic and political status of the SCs. Because of a host of processes of upward mobility like sanskritisation, diversification of occupations, migration, urbanisation, and so on, and also due to decline in the upper castes' dominance, the SCs have been able to make some advancements towards minimising their various deprivations, particularly the political ones. Besides their educational level improving gradually, the policy of protective discrimination has contributed in creation of a small elite and middle class, mostly in service sector, thus, resulting in internal differentiation on class lines. Getting organised under mass organisations, trade unions, political parties and various protest movements, have increased their level of participation. Such organisations and movements are more politicised, different from the Congress variant of welfare-oriented politics, militant and uncompromising in outlook, and are keen to assert a distinct dalit identity. All these have boosted the confidence and aspirations of the SCs and encouraged them to overcome their socio-economic and political deprivations.

Normally, political deprivation is considered relatively less difficult to fight against. This assumption is validated by the ascendance to power of the OBCs. Yet, political mobilisation need not take the route of organising communities on traditional identities only. It can base itself on class lines cutting across the traditional structures of caste, tribe, religion, etc. However, in both cases, the underlying logic is that it is the collective strength of sheer numbers that will compensate for other disabilities, and further lead to the complex strategic issues of political formation, coalition, and so on. This is the art of real politicking. Collective internalisation of this art by a community and the maturity of its political leadership in mastering this art, plays a key role in political rise of that community.

TABLE 1: CASTE-CLASS DIVISION OF RESPONDENTS, 1996

Class Division	SC	Upper Castes
Upper class	32 (1.8)	408 (12.2)
Middle class	412 (23.0)	1559 (46.4)
Lower class	1341 (74.9)	1380 (41.1)
Class couldn't be ascertained	6 (0.3)	10 (0.3)

Note: Figures in the parentheses denote percentage.



Voting provides the most important opportunity to the common electorate to exercise its choice over the kind of government it wants to install in the parliament and in the assemblies. Theoretically, voting is the occasion when political parties try to woo the voters with their policies and programmes, and the voters in turn, try to influence the policies and programmes of the parties. In practice, as Weber puts it, once voting is left out of consideration, the number of individuals and social groups with additional channels of influence over the decision-making process falls substantially [Terba and Wie 1972]. The SCs would virtually have none. Many empirical studies in the past, particularly in the initial decades after the independence, show that the dalits lagged behind the upper castes in terms of exercising their franchise for various reasons, the most important being denial of voting opportunity by the upper caste men and fear of backlash, whenever their candidatorial preference seemed to come into conflict with the SCs.

elections, the percentage of SC voter turnout has been 89.2 per cent as against the national average of 87.3 per cent and a corresponding figure of 85.6 per cent in the case of upper castes.<sup>1</sup> This trend continued in the 1998 elections where the voter turnout figures for the SCs and the upper castes were 93 per cent and 91.9 per cent respectively. In 1971 the SC voter turnout was 78.7 per cent (CSDS Data Unit, CSDS, Delhi). This is indicative of the strong political aspiration on the part of the dalits, and their effort to assert in a democratic polity by utilising the electoral process. The popular notion that the overall SC vote is small – on account of either their ignorance about their voting status, the fear of violence or they being denied the voting right – is allayed by the aforementioned figures. Out of 1,791 SCs interviewed, only 16 cited the above-mentioned reasons for not casting their votes. Figures also clearly establish that the upper castes show less inclination in voting in reserved constituencies on account of 'indifference' which can best be explained as a result of their not having the option to vote in favour of their caste candidates.

voting is no longer a passive activity for the SCs. With the rise in education, awareness regarding their rights, the realisation of the strength of the adult franchise to create space for raising their voice, growing stake in the electoral outcome, lowering of the voter age from 21 to 18 giving chance to the more vocal and aspirant younger age group to vote – all account for the increasing numbers of SCs exercising their franchise. Most importantly, casting vote has become an issue of social status for the dalits.

TABLE 2: PARTY PREFERENCE OF THE SCs, 1996

*Notes:* 'Others' in the category of party includes independent candidates, other parties and respondents who refused to answer or those who said, 'don't know'. The states where the sample size of the SC respondent was 10 or less than 10, do not figure in this table

9 The vote percentage of the JD includes that of the JD-Samajwadi Party alliance.

find it difficult to get information about local candidates and the programmes and promises of the parties/candidates, and this many affect their turnout on the voting day. But the fact that the SCs have surpassed the upper castes in terms of voter turnout testifies their increased political awareness and their desire to assert.

#### CONGRESS NO LONGER THE OVERWHELMING CHOICE

The most important feature of the recent upsurge in the dalit politics has been the change in their party preference. Since independence, the SCs were considered a 'committed' vote bank of the Congress. The Congress, in the pre-independence period, did provide political space for the SCs to participate in the freedom struggle. This is not to deny the role of power, hegemony, and dominance exercised by the upper castes, who dominated the upper layers of the Congress leadership. At times we find that the SCs waged anti-feudal struggles against the local landlords. At many places, it were the communists who attracted them. Ambedkar too had a following among them. Nonetheless, it was the Congress that made the dalits believe that the political system in independent

India would offer a bright future for them. The Republican Party of India (RPI) did try to challenge this dominance in the most part of the 1960s, but its influence was restricted only to Maharashtra and UP, that too only in a few districts of these states. By the end of the 1960s, even the RPI lost its sheen. The SC voters remained loyal to the Congress even in the troubled times of 1967 and 1977 (the percentage of SC votes polled by the Congress was 45.2 in 1967, 47.8 in 1971, 52.8 in 1980). Only in 1977, the Congress could barely manage 35.7 per cent of the SC votes [Singh 1992:247]. Some fluctuations notwithstanding, never in the past the Congress faced any serious threat to this 'captive' vote bank except in a few states under the Left rule. However, signs of decline in its SC vote share became the order during the elections held in the late 1980s and the early 1990s. The 1996 Lok Sabha elections finally presented a changed electoral landscape, wherein the SCs had deserted the Congress in many states, particularly in important north Indian states like UP and Bihar. This is also one of the reasons why for the first time the Congress failed to become the single largest party in the Lok Sabha. The 1998 elections

closely followed the SC voting pattern of the 1996 elections. Except for few states, the Congress no longer remains the choice of the majority of the SCs.

The overall emerging pattern is that wherever the SCs could find a viable alternative, they have preferred it to the Congress. The BSP has become their first choice; in its absence, the Left Front and the regional parties are preferred in states where they have dominance. However, on account of its all India presence, the Congress still polls the largest share of the SC votes – 31.4 per cent in 1996 and 29.9 per cent in 1998. In contrast, the percentage of the SC votes in the total votes polled by the Congress was 21.6 and 22.8 per cent in 1996 and 1998 elections respectively. Compared to this, the Congress was able to get 47.8 per cent of the SC votes in 1971. The Left parties together polled 11.6 per cent and 10.4 per cent while the BSP polled their 12.1 per cent and 10.9 per cent of SC votes in 1996 and 1998 respectively. Clearly, the BSP mostly depends on its SC votes as in 1996, 67 per cent of votes polled in its favour came from the SCs, while this figure was 60.6 per cent in 1998. None of the other parties solely rely on SC vote. The BJP

TABLE 3: PARTY PREFERENCE OF THE SCs, 1998

															(Per cent)	
States															Sample Size (n)	
	Congress		BJP		Left		Party Regional		JD/RJD		BSP		Others			
	SC	UC	SC	UC	SC	UC	SC	UC	SC	UC	SC	UC	SC	UC	SC	UC
Andhra Pradesh <sup>1</sup>	47.9	34.3	8.3	21.6	6.3	4.4	25.0	31.3	-	-	-	-	2.1	0.7	48	134
Bihar <sup>2</sup>	12.0	7.8	21.3	68.9	8.5	2.6	-	-	41.9	7.8	-	-	16.2	13.0	117	116
Delhi	67.9	36.7	24.5	49.0	-	-	-	-	1.9	-	-	-	5.7	14.3	53	98
Gujarat <sup>3</sup>	39.1	10.4	41.3	62.4	-	-	4.3	8.0	2.2	-	-	-	13.0	19.2	46	125
Haryana <sup>4</sup>	58.1	17.4	-	17.4	-	-	22.6	54.4	3.2	-	-	-	16.1	10.9	31	46
Karnataka	58.9	18.6	14.4	34.9	2.2	-	4.4	20.9	11.1	16.3	1.1	-	7.7	9.3	90	43
Kerala <sup>5</sup>	10.8	28.6	2.7	26.0	67.5	37.7	16.2	3.9	-	-	-	-	2.7	3.9	37	77
Madhya Pradesh	40.4	26.4	24.6	62.5	-	-	-	-	-	-	24.6	5.6	10.6	5.6	57	72
Maharashtra <sup>6</sup>	46.9	46.4	30.6	40.0	-	0.3	-	-	-	0.3	2.0	-	20.4	13.0	49	330
Orissa	67.1	28.6	2.6	14.3	-	1.4	17.1	37.1	6.6	5.7	-	-	6.6	10.0	76	70
Punjab <sup>7</sup>	33.0	54.1	-	-	-	-	17.0	16.4	25.0	11.5	18.2	9.8	6.8	8.2	88	61
Rajasthan	62.2	35.8	36.5	59.5	-	-	-	-	-	-	-	-	1.4	4.7	74	215
Tamil Nadu <sup>8</sup>	9.1	12.2	12.2	34.2	-	-	41.5	29.3	-	-	2.4	-	34.7	24.4	164	41
Uttar Pradesh <sup>9</sup>	8.0	6.1	18.4	70.0	2.4	0.4	9.0	3.6	0.5	-	50.5	3.2	16.9	11.7	212	280
West Bengal <sup>10</sup>	10.7	10.3	28.0	39.0	58.0	45.0	-	-	-	-	-	-	3.4	5.7	150	282
All India <sup>11</sup>	29.9	24.8	13.5	34.5	10.4	8.6	16.4	19.2	6.9	1.4	10.9	0.9	12.0	10.6	1312	2039

Notes: 1 Regional party here denotes the Telugu Desam Party (Naidu).

2 The vote percentages of the BJP include that of the BJP-Samata Party alliance. The votes polled by the left parties denote the votes polled by the CPI and the CPI(ML).

3 Regional party in Gujarat denotes RJP (Vaghela).

4 The regional parties in Haryana include Haryana Vikas Party and HLD (R).

5 The vote percentages of the Congress and the Left include that of the UDF and the LDF, respectively. The regional party here mentioned denotes Muslim League.

6 The vote percentage of the BJP includes that of the Shiv Sena. Here the left is represented by the CPI(M). 'Others' include the RPI which polled 4.1 per cent of SC votes.

7 In Punjab the regional party indicates the Shiromani Akali Dal (Badal).

8 The percentage of vote for the regional party represents the votes of the DMK-TMC alliance.

9 The vote percentage of the regional party denotes that of the Samajwadi Party (Mulayam Singh).

10 The percentage of BJP votes include that of the Trinamul Congress. BJP polled 14.7 per cent and the Trinamul Congress 13.3 per cent of the SC votes.

11 Regional parties are included independent of their alliances.

cornered approximately 13 per cent of the SC votes during both 1996 and 1998 elections as against 45.6 per cent and 38.4 per cent of its votes coming from the upper castes in 1996 and 1998. The Congress, the Left Front, the Janata Dal/Rashtriya Janata Dal, and the BSP together accounted for 60.7 per cent and 58.1 per cent of the SC votes polled all over the country in 1996 and in 1998 respectively. These are the parties that polled larger percentage of the SC votes as compared to their overall vote sharing. Thus, the secular, Left and left-of-the centre parties have together emerged as the choice of the SC voters during the general elections of 1996 and 1998.

In UP, the rapidly emerging BSP captured most of the SC votes. In the 1996 elections, the BSP polled 59.5 per cent of SC votes while the Congress, the BJP, the alliance of Samajwadi Party and Janata Dal could manage only 9.4, 10.4 and 10.3 per cent respectively. In 1998, the share of the BSP in SC votes registered a decline of 9 per cent, while the BJP improved its SC vote share by 8 per cent. In 1996, the Left Front walked away with 61.6 per cent of SC votes in West Bengal, leaving the Congress to rest content with 24.7 per cent of SC votes. While the SCs' preference for the Left Front has remained steady, an important change was observed when the Congress vote base among the SCs sharply declined to 10.7 per cent. The gains, instead, were made by the breakaway Trinamul Congress. In Kerala, the LDF proved too good for the Congress in 1996 as their respective voting percentages among the SCs were 69.2 per cent and 20.5 per cent. In 1998, the LDF further improved its SC vote share at the cost of the Congress. In the 1996 elections in Tamil Nadu, the DMK-TMC alliance convincingly won the confidence of the SC voters. They took away 68.1 per cent of SC votes whereas the Congress-AIADMK alliance could do no better than polling 21.3 per cent. However, in 1998, the DMK-TMC alliance had to content with 41.5 per cent of SC votes, while the Congress suffered further erosion of its base among the SCs.

In 1996, the SC votes were divided in the multi-polar contests that ensued in Bihar, Madhya Pradesh and Maharashtra. In Bihar, the Janata Dal and its allies got 24.1 per cent, the BJP-Samata alliance 18.4 per cent, Congress 14.9 per cent and CPI(ML) 14.2 per cent of the SC votes. The erosion in the Congress votes amongst the SCs is once again more than evident. In its strongholds, for example, in Arrah and Aurangabad parliamentary constitu-

encies, the CPI(ML) got 37.7 per cent of SC votes which is more than the party's percentage of total polled votes. In Madhya Pradesh, the Congress got 28.1 per cent, BSP 22.9 per cent and BJP 11.5 per cent of the SC votes. Similar trend is observed in Maharashtra's sample. In 1998, the Congress made massive gains in MP and Maharashtra. Its SC vote share soared to 40.4 and 46.9 per cent respectively. In MP, the BSP also consolidated its position. In Bihar, the RJD emerged as a strong force among the SC voters.

In 1996, the Janata Dal was able to get 25 per cent of SC votes in Karnataka. The percentage of SC vote share for major parties/alliances in some other states was as follows: the Telugu Desam-Left alliance: 37.3 per cent in Andhra Pradesh; BJP-HVP-Samata alliance: 36.6 per cent in Haryana; the BJP: 36.5 per cent in the state of Delhi; the Shiromani Akali Dal: 21.1 per cent in Punjab. In 1998, the Congress won the lion's share of the SC votes in Karnataka (58.9 per cent), while the BJP too improved its position with 14.4 per cent of SC votes. While no major changes were observed in AP, in Haryana the Congress succeeded in getting 58.1 per cent of SC votes. Similar trend was observed in Delhi, where Congress got 67.9 per cent SC votes, mostly at the expense of the BJP and other parties. In Punjab, interestingly, both the Congress and the BJP-SAD alliance registered a decline in their SC votes, as the BSP cornered 18.2 per cent of SC votes.

In the case of Gujarat, the survey data are not helpful since large number of the

respondents refused to disclose their party preference in 1996. However, the available figures suggest that the BJP got 37.8 per cent of SC votes as compared to 21.6 per cent by the Congress. In 1998, the Congress improved its performance with 39.1 per cent of SC votes though the BJP remained ahead with 41.3 per cent of SC votes. As far as Himachal Pradesh is concerned, the sample size in 1998 was too small to suggest any trend. In 1996, 75 per cent of the SC votes had gone in favour of the Congress.

The inference to be derived is that the Congress has lost its support base among the SC voters mostly to the Left, or, to the BSP and the regional parties. The BJP has failed to make big inroads among the SCs. As for the SCs' preference for the victorious/emerging regional parties, it reflects the general trend of choosing non-Congress option. The question arises, how to classify the regional parties in the days of shifting alliance politics? Many of the regional parties that were averse to the BJP during 1996 election or before the 1998 elections, have now joined the National Democratic Alliance (NDA) led by the BJP. I have still preferred to classify majority of them as 'Left-to-the Centre' parties insofar as their basic character remains secular.

In conclusion, the party preference among the SCs varies from state to state. In this respect, the SC politics is passing through a phase of transition. Parties must compete to win over their votes, and the dalits seem to have understood the importance of their collective strength in

TABLE 4: INDICES\* OF INFLUENCE ON PARTY PREFERENCE, 1996

	Party Preference						Standard Deviation
	Congress	BJP	JD	LF	BSP	Others	
<i>Age-wise</i>							
Up to 25 years	99.13	108.93	100.92	88.04	120.72	86.90	12.82
26-35 years	94.16	100.37	98.94	111.63	101.79	101.70	5.74
36-45 years	106.30	105.97	87.93	95.51	78.80	105.36	11.42
46-55 years	94.91	80.76	111.04	115.58	99.23	112.32	13.28
56 years or above	110.84	91.02	107.27	89.32	85.20	103.08	10.62
Standard deviation	7.28	11.54	8.87	12.80	16.29	9.32	
<i>Sex-wise</i>							
Male	97.02	103.52	104.32	102.78	108.64	93.13	5.56
Female	103.25	96.16	95.28	96.97	90.57	107.49	6.07
Standard deviation	4.40	5.20	6.39	4.11	12.78	10.15	
<i>Locality-wise</i>							
Rural	95.97	81.12	103.39	118.98	107.70	103.09	12.62
Urban	115.71	173.61	86.80	26.03	69.97	87.96	49.18
Standard deviation	13.95	65.40	11.73	65.72	26.68	10.70	
<i>Class-wise</i>							
Very Poor	96.82	60.48	137.72	123.44	81.07	127.70	30.16
Poor	101.89	114.04	59.42	89.64	137.12	73.51	28.06
Middle	111.56	161.14	74.73	54.28	93.41	70.27	38.28
Rich	75.30	268.95	43.66	63.42	58.21	79.27	84.64
Standard deviation	15.33	88.65	41.23	31.03	33.16	26.93	

Note: \* The calculation is based on age group (partywise)/party total  $\times$  grand total/age group total  $\times$  100.

electoral bargain. At least in the states where they are larger in number, their votes have acquired increasing significance in deciding the electoral outcome. No party can take them for granted. Only in the Left-ruled states of Kerala and West Bengal (the small sample size of Tripura did not permit statistically valid analysis), the Left is well entrenched among the SCs.

However, this shift in SC voting towards the left and non-conservative parties is very remarkable. Rejection of the Congress by the SCs in many states particularly in UP and Bihar symbolises their rejection of the vertical integration process perpetrated by the upper castes. This is the most important change manifested during the 1996 parliamentary elections and the process continued in 1998. It would appear that the SCs no longer follow the voting preference of the upper castes or the local notables that characterised the elite politics of the first four decades since independence. In fact, no party in these two states could replicate the upper caste-SC coalition formed earlier under the Congress leadership. This shift signifies a rupture in the patron-client relationship, at least in the realm of party politics.

#### INFLUENCE OF AGE, SEX, LOCALITY AND CLASS ON PARTY PREFERENCE

A further break-up of the SC voters according to age, sex, locality and class throws light on the undercurrents of the transitional process. The SCs cannot be considered as one homogeneous group, and their internal divisions do influence their party preference. Let us take the indices of influence developed for 1996 (Table 4). As the data reveal, the background of the voters preferring the Congress shows least bias for age, sex, locality and class divide. In this sense, the Congress still has an all-encompassing appeal. All the other parties have narrow, partisan vote base in terms of the divisions mentioned above. But more important is to understand the changing partisan characteristics of the SC voting pattern.

Age, on the whole, seems to have little impact on the party preference of the SCs. The most consistent age group seems to be of the 26-35 years whose vote is by and large evenly distributed among all the major parties. In other age groups, the standard deviation is slightly higher but more or less equal. In the age group of up to 25 years, the BSP is the most favoured party followed by the BJP, the left being the least favoured party. Standard deviation is the least in case of the Congress implying that it is the only party whose voters are evenly distributed among all the

age groups. Standard deviation is the highest in the case of the BSP. The BSP and the BJP are more favoured by the voters in the younger age groups. On the contrary, the left parties and the JD are preferred mostly by the older age groups.

There is little variation in the pattern of the party preference by male and female voters. The standard deviation is only 5.56 and 6.07 for male and female voters, respectively. However, greater variation is found in the case of the BSP. It is a party preferred more by men than women. The same is the case with other parties also. The converse is true for the Congress which is still favoured more by women than men.

On the other hand, the rural-urban divide has strong influence on SCs' party preference in the elections. The variation in the case of urban votes is very large. There is a strong preference for a particular party and rejection of others in the urban areas. The standard deviation shows exceptionally high figures for the BJP and the left. Although the BJP has expanded in to the rural areas, its vote base is concentrated in urban areas. The gap in the urban indices is close to 100. The left is almost confined to rural areas with negligible supporters in urban areas. The BSP's constituency is also more rural than urban. The Congress and the JD show consistency in terms of votes in both the rural and the urban areas.

However, the strongest influence on voting preference is observed in terms of class division. Uneven distribution of the voters is found in all class groups. The most uneven distribution of voters is in the middle, and of course, the rich class. The BJP is highly preferred among the middle class and the rich SCs. The BSP, the left and the Janata Dal are clearly the favourite parties of the poor SCs. The Congress is the exception in the sense that it has a wide vote base across all the class groups. Since the middle and the rich classes constitute a small section of the SCs (Table 1), there can be no doubt that the changed preference for the BSP, left or the RJD/JD is a marker of the assertion of the poor and deprived among them.

As against the 10 per cent of the lower class SC votes going to the BJP, 22.75 per cent of the middle and upper class SCs preferred to vote for the BJP. Conversely, only 7.21 per cent of the SC voters belonging to the middle and upper classes voted for the BSP. From among those claiming to vote for the BSP, 85.3 per cent belonged to the lower classes. Similarly, 83.6 per cent, 84.2 per cent, 73 per cent and 90.1 per cent votes out of the total SC votes polled by the LF, the JD, the Congress and the regional parties respectively came from lower classes among the dalits. In case of the BJP, this figure is 56.5 per cent. The BJP and the Congress accounted for 56.5 per cent of the middle

TABLE 5: INDICES OF INFLUENCE ON PARTY PREFERENCE (1998)

	Party Preference						Standard Deviation
	INC	BJP	JD/RJD	LF	BSP	Others	
<i>Agewise</i>							
Up to 25 years	90.18	107.89	106.24	79.11	147.60	102.24	23.33
26-35 years	100.07	101.64	98.26	93.08	89.74	101.99	4.98
36-45 years	98.95	97.41	98.07	110.18	88.91	102.40	6.94
46-55 years	102.41	97.90	110.08	123.97	74.46	93.019	16.65
56 years or above	112.72	91.47	87.78	105.50	92.94	96.33	9.47
Standard deviation	8.08	6.044	8.61	17.07	28.23	4.29	
<i>Sexwise</i>							
Male	95.23	109.33	99.59	89.98	100.23	99.68	6.39
Female	104.99	90.23	100.43	110.49	99.76	100.33	6.70
Standard deviation	6.91	13.50	0.60	14.50	0.33	0.46	
<i>Localitywise</i>							
Rural	98.21	94.51	110.66	111.81	104.43	100.30	6.93
Urban	105.63	117.26	66.47	62.87	86.06	99.05	21.79
Standard deviation	5.25	16.08	31.25	34.61	12.99	0.89	

TABLE 6: PERFORMANCE OF BSP, 1996 AND 1998

State	1996		1998	
	Seats Won	Total Vote (Per Cent)	Seats Won	Total Vote (Per Cent)
Punjab	3	8.96	-	12.65
Madhya Pradesh	2	6.73	-	8.70
Haryana	-	6.59	1	7.68
Jammu and Kashmir	-	5.95	-	5.05
Uttar Pradesh	6	20.16	4	20.90
All India	11	3.8	5	4.68

and upper class SC votes. Another 15.1 per cent SC votes in this class group are accounted for by those who did not divulge their party preference. Interestingly, the upper class belonging to the SCs resembles the upper class of the upper castes in terms of their voting preference. The election data also show that the lower class belonging to the upper castes voted relatively more in favour of the Congress, the Janata Dal and the Left parties. In this sense, the BJP may be termed as not only a party of the caste Hindus, but also as a party of the upper class cutting across all caste groups. The poor SCs prefer parties known for taking up the cause of the weaker sections. Thus, there has been a two-directional shift in the SC votes – the poor SCs preferring for the broad left and the well-off SCs opting for the BJP and the Congress.

This trend has serious implications for our understanding of caste-class discourse. What are factors behind the newly-found attraction among the upper middle and middle class SC voters towards the BJP? With further economic differentiation, what will be the future of the bahujan coalition of the SCs, STs, lower class Muslims and most backward and other backward castes? Is the question of identity and self-respect adequately addressed by economic prosperity? Can this trend be explained by concepts like elite emulation and imitative reference group or should it be taken as simply a case of class transcending caste? These questions cannot be addressed properly by the election data alone. However, they require attention of all researchers concerned.

In the 1996 elections the BSP enjoyed greater probability of support amongst the youngest age group. This support base has since then enlarged (Table 5). Similarly, amongst the supporters of the Left Front, the probability of support among the older age group has increased further. However, the most important change is that the lowest SD is observed in the case of BJP, meaning that its support base is more evenly distributed among all the age groups than other parties. Till 1996 this was the feature of the Congress. Another new feature is the high SD value in the age group of up to 25 years implying that this is the most unstable age group in deciding its party preference. The age group of 46-55 years comes next in exhibiting much volatility.

As far as the influence of sex division on voting behaviour is concerned, the support of males and females is largely evenly distributed among parties as it was during 1996 (Table 5). However, the change is discerned in the support for the

LF among females. It shows that more women are likely to be influenced to support the party than men. The SD for the BJP has risen because its influence among the male voters has gone up. Otherwise, the SD for all other parties have decreased indicating a trend of sexwise homogenisation in the support base of the parties.

As far as the rural-urban divide in vote base is concerned, the urban voters still remain in a situation of flux, though their instability has reduced considerably since 1996. As far as parties are concerned, except for the RJD/JD, the SD has declined in case of all other parties. RJD/JD seems to have cast further influence in rural areas while their influence amongst the urban voters has gone down. The LF has improved in its vote catching probability in urban areas dramatically. However, most remarkably, the BJP has improved its influence in rural areas though there is a decline in its influence over its traditional urban voters. To conclude, the indices based on the 1998 data show that the BJP is undergoing a transformation, and more and more acquiring the characteristics of the Congress, enjoying wider support base cutting across age, sex and locality.

#### THE RISE OF BSP

The BSP's improved performance has been one of the remarkable features of the 1998 elections. This is a typical case of the SC assertion in electoral politics through a party which mainly has a base among them. In 1996, 67.4 per cent and in 1998, 60.6 per cent of the BSP's votes came from the SCs. In the states of UP, Haryana, Madhya Pradesh and Punjab, the party performed exceedingly well. Particularly in UP it performed exceptionally well, both in terms of the vote share and the number of seats it won. The 1996 all-India election figures show that the BSP contested 201 seats, won 11 seats and was able to get 3.8 per cent of the total valid votes. Of the 11 seats, the BSP won six seats in UP, three in Punjab and two in MP. Of these 11 seats, only three belonged to reserved constituencies. Of the all-India SC votes the party's share was 12.1 per cent. The EC's data show that the party secured 20.16 per cent of total votes in UP. There were 52 seats in the state where the party polled more than 1,00,000 votes. The party stood second in 17 seats and secured more than 20 per cent of total polled votes in 46 seats.

The BSP's vote share has shown steady increase. In the 1985 assembly elections the party got 4 per cent of total votes which

rose to 9.4 per cent of total votes in the 1989 assembly elections, 9.9 per cent in the 1991 Lok Sabha elections and 10.8 per cent in the 1993 assembly elections.<sup>2</sup> During the 1998 elections, the party performed even better in terms of percentage of votes it secured, though in terms of seats, it lost considerably. It contested 249 seats, won 5 and secured 4.68 per cent of total valid votes.

The BSP's vote share increased in all the four states, namely, UP, Punjab, MP and Haryana where the party is known to have a strong base (Table 6). It secured more than one lakh votes in three constituencies in Haryana, nine constituencies in MP, four constituencies in Punjab and 66 constituencies in UP. The party polled more than 20 per cent votes in as many as two constituencies in Haryana, six in MP, 43 in UP, and more than 40 per cent votes in all the four constituencies of the Punjab it contested.

The BSP has emerged strong in states where there is sizeable concentration of SC population. According to the 1991 Census, the SCs constitute 21.05 per cent of the UP population, 28.31 per cent of Punjab population, 14.5 per cent of MP population, 19.75 per cent of Haryana population. All India average of SC population to the total population is 16.48 per cent. Other states with SC population above the all India average are HP (25.3 per cent), Rajasthan (17.3 per cent), Tamil Nadu (19.2 per cent), West Bengal (23.6 per cent) and Delhi (19.1 per cent). In the first two states Congress has a comfortable hold over SC votes. In the next two states respectively the DMK-TMC alliance and the CPI(M) enjoy a stronghold. In Delhi, the Congress and the BJP are contending for the SC votes. The BSP is nowhere in the picture in these states. Bihar, Andhra Pradesh, Orissa, Tripura, Karnataka are the states where the SC population is near to the all India average. In these states too the BSP has no foothold. But importantly, in contrast to 1996, for the first time in 1998, the BSP succeeded in attracting backward caste votes. For example, in UP, despite decline in its SC vote share, the BSP's total vote share increased because of additional backward caste votes cast in its favour. One possible explanation is that the number of SC candidates fielded by the BSP in 1998 has come down while the share of its backward caste candidates grew.

Dalit assertion in party politics and governance through their own party is not a new phenomenon. The Jatavs in the Agra region keenly followed the debate of dalit emancipation between Gandhi and

Ambedkar. In 1944-45, they formed the Scheduled Castes Federation (SCF) of Agra which was linked to the All India SC Federation. Till the formation of the RPI in 1958, the dalit politics in UP kept swinging between the accommodative policies of the Congress and the radical politics of the SCF. These two tendencies of integration and separatism were to remain in the SC movement in the post-colonial India [Pai forthcoming]. The RPI phase lasted merely a decade. The RPI's influence was confined to UP and Maharashtra. The party won three parliamentary seats and eight assembly seats in UP in the 1962 general elections. Its performance was marginally better in 1967 when it won 10 assembly seats. After winning only two assembly seats in the 1969 election, the RPI finally declined to a non-entity in the subsequent elections. The 1970s is described by Sudha Pai as "a phase of integration and a hiatus between two periods of separatist political activity by the SCs in UP" [Pai forthcoming]. The Congress was able to co-opt both of them.

However, the BSP's emergence in the 1980s and the 1990s as a force to reckon with in the four north Indian states has its causality in the altered political context and the changes in the SC community itself. The steady decline of the Congress, which earlier used to more or less represent the majority of the SCs all over the country, created a political vacuum. This space has not been occupied by the BJP as it is dominated by the twice-born castes. Precisely because of this the SCs' party preference is quite dispersed among different parties. This may be true of some other marginalised social groups also, which probably explains the presence of not less than 30 parties in the 11th Lok Sabha.

It is necessary to dispel the commonly held belief that the BSP has a powerful electoral appeal among the urban educated middle class of the SCs. The figures on voters' background in UP for 1996 reveal that the BSP draws 62.7 per cent of its votes from non-lettered voters though they constitute only 44.8 per cent of the total sample of respondents. The next large share in BSP votes belongs to voters having secondary education. They constitute 27.4 per cent of total BSP voters. Voters, having completed graduation or above, constitute only 2 per cent of BSP voters though their representation in the sample is 5.6 per cent. In fact, only 6.3 per cent of the graduates preferred to vote for the BSP whereas this figure is as high as 51.3 per cent for the BJP. This finding proves that education has no direct connection to political consciousness. The assertion of

dalit identity in politics is essentially the assertion of non-lettered but politically conscious dalits.

Occupationally, the BSP's voters are mainly unskilled workers, agricultural and allied workers, artisans, and small and marginal farmers. Persons engaged in business and white-collar jobs constitute only 2.6 and 1.6 per cent of the BSP voters, respectively. The all India figures also resemble the trends observed in UP. For example, the all India figures reveal that 85.3 per cent of the BSP's votes come from the lower classes. Table 4 also suggests that the BSP is primarily a party of the rural poor.

The other party known for mostly representing the SCs is the Republican Party of India (RPI). In the 1996 parliamentary elections, the party emerged as the obvious choice of the SC voters wherever it contested elections in Maharashtra. Though the party failed to win a single seat, of the 11 seats it contested in the state, its vote share has been more than 20 per cent in five seats (the highest being 33.19 per cent in Akola constituency) and between 10 and 20 per cent of the polled votes in four other constituencies. The party polled more than 2 lakhs of votes in two constituencies (The Election Commission of India, 1996). But after entering into alliance with the Congress in the 1998 elections, the RPI won all the four seats it contested in Maharashtra. Its vote share in these constituencies ranged between 47-50 per cent. The Peasants and Workers Party of India (PWP) won the Kolaba seat in the coastal Konkan region of the state

by securing about 33 per cent of the total votes. However, in the case of Maharashtra, it should be remembered that dalits constitute only 11.09 per cent of the total population, making it imperative for any party to form a broader social and political coalition to succeed in the electoral fray.

#### LEGITIMACY OF POLITICAL SYSTEM: THE SC VOTER'S VIEWPOINT

Undoubtedly, what we observe today is a sharpening of political consciousness amongst the scheduled castes. Their participation in numerous movements suggests that their political vision is not restricted to electoral politics alone. In states like Bihar, Andhra Pradesh and parts of Maharashtra, Orissa and Madhya Pradesh, they have rallied behind the agrarian movement, the so-called 'Naxalite movement'. This movement has gained ground in a few other states also. In states like Gujarat and Maharashtra and at many places in other states, Ambedkarite organisations have become popular tools for the dalits to get organised. The left parties like the CPI(M), CPI, RSP, FB and the SUCI have succeeded in organising them in their mass organisations, particularly in the states of West Bengal, Kerala and Tripura, and parts of Assam, Andhra Pradesh and Tamil Nadu. The SCs working in the organised sector industries have been unionised by the trade unions. Though still a large segment of them, particularly in rural areas, remain unorganised and also suffer from intense internal divisions, the process of organisation, protest, mass

#### Announcement

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movement, and as a result, politicisation, is spreading. Above all, during the 1996 parliamentary elections the dalits were able to make remarkable electoral gains. This brings us to a situation where the SCs seem to be trying to reconcile two different approaches to political struggles – the parliamentary politics through elections and the politics of active opposition through various non-parliamentary means. This evokes both hopes and apprehensions regarding the credibility of the political institutions of Indian democracy. In this section I examine the perception of SC voters regarding the legitimacy of the political system which helps us understand why the recent political movements of the SCs tend to take the route of electoral politics and in the process reflect a justification for the political system.

The figures of both the election surveys clearly show the absence of any substantial difference between the SCs and the upper castes regarding their opinion about the efficacy<sup>3</sup> of their vote. About 60 per cent of the SCs and 62 per cent of the upper caste respondents expressed faith in the power of their vote. In terms of class, the figures were, by and large, the same. The second important indicator of legitimacy of the system is the credibility of elections themselves. A sizeable proportion – 45.4 per cent of the SCs and 51.3 per cent of the upper castes – in 1996 expressed their faith in the usefulness of elections. The figures remain more or less the same in 1998. Classwise, 53.1 per cent of the SCs and 56.9 per cent of the upper castes belonging to upper and middle class, described elections as useful. The corresponding figures for the lower class in accordance to their respective caste groups are 43 per cent and 43.6 per cent. However, it is noteworthy that despite relatively high percentage of voting and moderate faith in the efficacy of vote, elections are yet to become the choice of the overwhelming majority as far as articulation of their political exercise is concerned. This may have resulted because of the persisting problems with the election system, like lack of choice for good candidates, absence of any accountability of the elected candidates, misuse of money and muscle power, etc.

Another indicator is the usefulness of parties in the perception of the voters. Political parties are the agencies for representing the electorate in power politics where public policies are determined. They provide the link between the civil society and the state. The quest for popular mandate casts onus upon the parties to influence the voter by articulating the issues and

demands of people's concern. It rather compels them to address all the available social cleavages and institutions. Significantly, only 41.4 per cent of the SC respondents accepted the usefulness of political parties in making government pay attention to them as against 46.9 per cent of the upper caste people. The response in 1998 was no different. Data reveal that those respondents coming from the upper and middle class background and expressing confidence in the usefulness of political parties happen to be 48.9 per cent from the SCs and 51.8 per cent from the upper castes. This is far more than the confidence level of their respective lower class respondents which is found to be 39.1 per cent and 39.9 per cent, respectively. During both the surveys, only 17 per cent of the SC voters confirmed meeting any political leader; only 20 per cent of them accepted knowing any leader personally. Figures in this respect are more or less similar for the upper castes, except that in 1998, 26.7 per cent of them acknowledged knowing any leader personally. When asked to respond to whether any political party cared for the interests of their caste group only 21.8 per cent of SC respondents and 18.1 per cent of upper castes responded in the affirmative in 1996. These figures were marginally better in favour of the SCs in 1998 as 24.4 per cent of them responded in positive compared to 15.8 per cent of the upper caste respondents. A similar response was noticed when an overwhelming majority (about 65 per cent) of both the castes responded in the negative during both the election surveys when queried about the party they felt close to. The upper and middle class are found better placed than the lower class in these respects.

Thus, the CSDS data reveal that the *legitimacy of the political parties is much lower than the legitimacy of the system in general*. The National Election Survey Report of the CSDS (1996) puts it as a typical example of *high* legitimisation of the system and *low* legitimisation of the actors [Singh 1996]. A contrast to this is to be noticed in the viewpoint of both scholars and political leaders in the 1950s and early 1960s who presumed the legitimacy of the new institutions as largely depending on the legitimacy of the parties themselves [Brass 1985:209]. One reason for distrust in political parties may be that, *a la* Max Weber, "the party is alive only during election periods. The parliamentary delegates and the parliamentary party leaders know to which local notables one turns if a political action seems desirable." We are also faced with a situation where

the upper class voters tend to participate less in direct political activities but have developed powerful stakes in the system. It points towards the continuing elitisation of Indian politics. The message is loud and clear to the political parties: they cannot take the present support of the SCs for granted. Low level of trust in the parties may lead them to chance further changes in party preference.

However, when the question, 'suppose there were no parties or assemblies and elections were not held, do you think that the government in this country can be run better?' was posed, an impressive 68.8 per cent of the respondents cutting across caste lines in 1996 answered in negative whereas this figure stood at 43.4 per cent in 1971 [CSDS data unit, Delhi]. Although no baseline is available, it can be safely presumed that the increase in percentage mainly comes from the weaker sections of the society, namely, the SCs, STs and the OBCs. Still, 74 per cent of the upper caste respondents approved this system as against 67.3 per cent of the SCs. The response remained almost the same during the 1998 elections. This finding is important to resolve the conflicting responses we observed with respect to the legitimacy of the different political agencies and institutions. This goes to show that despite being dissatisfied with different agencies of the system, the SCs discern no clear alternative to the multi-party parliamentary democracy. This gives them an added impetus to assert themselves as a political bloc in the electoral arena. On the whole, the Indian political system enjoys moderate legitimacy among the SC electorate, deriving legitimacy largely from the upper and middle classes than from the lower stratum. Nevertheless, its legitimacy among the lower castes has been increasing. This perhaps partly explains the reason why the SCs are thronging the electoral booths as never before.

#### CONCLUSIONS

There is an effort on the part of the SCs to carve out a distinctive political niche, indeed an identity, insofar as their voting behaviour is concerned. Recent efforts of the SCs to assert in the electoral politics show their concern to gain political strength in order to occupy political and economic space. To them political power may also work as a source of enhancing social status. However, any effort by the SCs to assert politically is bound to face stiff opposition – physical as well as political. The SCs in response to these hindrances seem to have adopted multi-dimensional strategies which range from social mea-



tures, like getting educated, to getting organised for both electoral as well as non-electoral battles. Recent efforts by the SCs to put their firm signature on electoral outcomes emerge as a culmination of their consistent struggle and collective strength.

There is a definite pattern in the party preference of the SCs who have gradually shifted from the Congress and opted for alternatives wherever they could find them. This change in allegiance is more guided by the secular concern to assert in the power structure in order to gain benefits that may accrue from it, than by mere parochial interests. This has led them to search for alternatives as they are no longer prepared to accept the role of a passive voter-supporter in the overall environment of subjugation and subordination. They have realised that the Congress Party has politically nothing to offer beyond the traditional loaves of rhetoric. At the same time, they are tactful enough not to opt for any party irrationally or indiscriminately. They are not intransigent either.

Exercise of voting right and its effective application to strengthen exclusively SC-based parties like the BSP, and the left and the left-of-the centre parties have been major highlights of their political rise. Internal cleavages within the SCs are largely manifested in terms of growing class differentiation within them. However, both the lower and the upper classes of the SCs are in the process of change so far as their party preferences go, with the former mostly inclining to the left and the latter to the rightist BJP.

Political institutions of Indian democracy seem to enjoy the support of the SCs but the political actors stand more or less discredited. This is an alarming signal for the political parties for they cannot afford to take the present overwhelming support of the SCs for granted. They will have to show genuine concern for the issues of the SCs lest the SCs may find the non-parliamentary path of struggle more rewarding than the electoral battles.

### Notes

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Bhattacharya, Arun Kumar, Anup Kumar Karan and Pankaj Naithani at various stages of the study.]

1 A very high percentage of 87.3 per cent overall voter turnout was reported in the CSDS sample as against the actual figure of 57.9 per cent. The CSDS Report (Report of the National Election Survey, 1996 submitted by the CSDS to the Indian Council of Social Science Research) clarifies this gap as follows: "Since voting is generally considered an act of responsive citizenry, there is a tendency of slight over-reporting in all such surveys. However, a wide gap of about 30 per cent in the present survey can be explained largely by two factors. One, span of survey period in a given locality was restricted to about 30 hours only including the night falling in between the two days. Therefore, only those present during this period barring refusals were interviewed. The people thus interviewed distinguish themselves as generally present in the locality and thus more likely to vote than others. Fully aware of this problem the interviewers were asked to ascertain, at least, voting-non-voting information about not interviewed respondents as well. Interestingly, only 36.9 per cent of the not interviewed respondents were found to have voted. This brings down the turnout figure from 87.3 per cent to 70.6 per cent. Finally, as by-product of this survey we came to know that as much as 12.7 per cent names in the voter list were non-eligible voters. That is, either they were dead, permanently migrated, working and residing far away from their native place or

were untraceable to the extent that they could be characterised as ghost voters. If these non-eligible voters too are excluded from the potential list of voters the actual turnout figure goes up from 57.9 per cent to 66.2 per cent which is very close to survey revised figure of 70.6 per cent."

- 2 Data released by the Election Commission of India on the respective elections.
- 3 This concept was first well developed by election analysts at the Survey Research Centre at the University of Michigan in the form of a scale of political efficacy, and subsequently applied in electoral research in many countries.

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## Dialectics of Caste and Casteism

C P Bhambhri

POLITICAL parties and intellectuals of every theoretical and ideological persuasion have to grapple with the changing dynamics of Indian caste system and Javeed Alam in his *'Is Caste Appeal Casteism? Oppressed Castes in Politics'* in *EPW* (March 27-April 2) has extended the frontiers of intellectual discourse on 'caste' by suggesting that "a few positive things in the politics of the oppressed communities/castes" have been ignored by a section of the middle class intelligentsia. Javeed in his presentation has maintained that under the impact of very powerful process of ongoing changes in the Indian society, the oppressed castes "have become a community in every sense of the term" (p 759). Javeed suggests that the oppressed castes are in search for equality and in the process they are least concerned with Hindu ritual system and "it is the upper castes of 'dwijas' who still refer to themselves as brahmins or thakurs" while the oppressed castes may be using Hindu symbols for 'mobilisation for power'; otherwise as newly 'emergent communities in India' the oppressed are fighting for equality in society.

Our understanding about caste in Indian society is that changes within the caste hierarchy cannot be properly appreciated without situating all castes and subcastes in the overall ideological umbrella of Hindu religion. Every caste and subcaste and Hindu religion of every variety are integrally interlinked and interrelated and if Javeed's claim that the oppressed castes have 'become a community in every sense of the term' has to be accepted, a few more questions will have to be asked and answered for understanding the inner dynamics of changes within the Indian caste system. Karl Marx had alerted us in his *German Ideology* and *Contribution to the Critique of Political Economy* that social ideologies do not hang in the air and they are powerfully linked with the material foundations of a society. "It is not the human consciousness that determines the being but social being that determines the human consciousness", is an apt approach to study caste in India. Caste is an ideological superstructural arrangement of Hindu society and caste has been used as an instrument for the 'extraction and appropriation of surplus value' in Indian

agrarian social structure. Caste is both an ideological superstructure of Hinduism and it is also an integral part of the "social base of material arrangements of 'cellular' kind of caste organisations evolved by Hindu social and economic order which has been inherited by us even during the phase of 'capitalist development of post-independent India'. Our major submission for the consideration of scholars studying recent developments within the oppressed castes is that Hinduism of every variety is very much in existence as a reference point of the worldview of the oppressed castes. A few facts may be mentioned to substantiate the statement that the post-Mandal developments of the 1990s have in no way transformed the Hindu religious worldview of the dalit castes. P V Ramaswamy Naicker launched a big renaissance movement against brahminical Hindu ritualised religion and achieved a lot of success in liberating the oppressed castes in Tamil Nadu from the ideological control of Hindu religion. The Dravidian parties in the 1990s are moving away from the anti-brahminical movement of Ramaswami Naicker towards collecting money for a temple renovation fund. It is not only Jayalalitha who is busy promoting the training of priests in Vedic knowledge. K Karunanidhi had to publicly rebuke one of his own ministers who was found performing traditional Hindu rituals in his house. The Dravidian ideology of anti-brahminical Hinduism has witnessed a great reversal in the 1990s and Tamil Nadu is witnessing a great revival of Sanskritic brahminical Hinduism. While the 20th century Dravidians of Tamil Nadu and the oppressed castes of Maharashtra witnessed social and intellectual renaissance and reform movements, the oppressed castes of Bihar, Uttar Pradesh and other north Indian states did not have any powerful movement which critiqued brahminical Hinduism. The consequences have been that the oppressed castes even in the process of democratic political change continue to remain under the influence of Hindu priests and practise Hindu caste rituals as specified for each jati and upjati. India has witnessed during the 1990s a simultaneous growth of dalit assertion and consciousness and also a revival of ritualised Hindu religion which is openly

practised by every caste and subcaste in the villages, small towns and cities of north India and the oppressed castes remain part of Hindu religious system even at the close of the 20th century. A demand for the appointment of dalit priests for Hindu temples by dalit organisations and their leaders substantiates the argument that temple-boycott is not the agenda of the oppressed castes but temple entry is still a part of their struggles in many parts of the country. Valmiki Ramayan, Valmiki temple or worship of Krishna by the yadavas or other Hindu gods and goddess preferred by dalits is an integral part of the agenda of dalit castes. Dalits are establishing their own distinct 'casteist' identity on the basis of their distinct religious and cultural symbols based on the umbrella religious system known as Hinduism. It is not frivolous when tallest leaders of the oppressed dalit castes compete with the leaders of the hindutva forces for placating the Hindu gods and goddesses during their visits to reach their voters. 'Jai Sri Ram' of the hindutva forces is countered by 'Jai Sri Krishna' of the dalit leaders. The 1990s have witnessed a simultaneous growth of the distinct social consciousness of the dalits along with the new caste and community religious assertions of the whole Hindu hierarchy. The development of this 'dual' and interrelated phenomenon of assertion of dalit identity and assertion of Hindu religious casteist identities during the 1990s has to be examined dialectically because the positive developments of dalit consciousness have been negated by the emergence of the renewed appeal of Hinduism to every caste group in India. It will be very simplistic to maintain that brahminical Hinduism as an ideology of the ruling castes is threatened by the dalit communities which are searching for social equality. The subaltern castes, by and large, are fully integrated in the Hindu religious worldview which provides and justifies the ideology of casteism. The new dalit castes are believers and practitioners of casteism while dealing with various levels of dalit caste formations and the sanction behind dalit casteism lies in Hindu plethora of gods and goddesses and priestly classes. Different dalit castes have different Hindu rituals which they practise in their family and group celebrations of birth and marriage. In the process dalit subcastes maintain social and ritualistic distance from other dalit subcastes on the basis of higher/lower scale within the dalits. The upshot

of above discussion is that Hinduism of any variety does not accept the principle of human equality even at an abstract level and this provides a sanction for the ideological basis for caste system. Since the dalits continue to be part of Hindu religious belief system, they practise the ideology of caste versus other castes and in the process dalit casteism has emerged in a big way. Otherwise one cannot explain the fundamental antagonism between Bahujan Samaj Party leaders like Kanshi Ram and Mayawati and the yadav socialist leaders like Mulayam Singh and Laloo Prasad Singh. Fragmentations among dalit castes have to be brought in while analysing the dynamics of changes within dalit castes and by ignoring this phenomenon, we will miss many important dimensions of the study of caste complexities in India. A phenomenon of new oppressor castes among the dalits has been observed while studying the politics of the backward caste middle peasantry in India. An antagonistic contradiction exists between the landowning dalits (backwards) and the landless agricultural workers and marginal farmers who are also dalits. Dalit's oppression of dalit is a social reality based on the objective economic relations prevailing in agrarian India. It is not without reason that the messiah of dalits like Laloo Prasad Yadav or Mulayam Singh Yadav like their high caste brahmin/thakur predecessors have not undertaken any land reforms during the 1990s and the real dalit is also not a beneficiary of reservations in public services as implemented on the basis of Mandal Commission recommendations. This significant development of the 1990s is continuing social fragmentation of the dalits and the real dalits are witnessing oppression by the landowning dalit castes along with the oppression of the traditional landowning castes whose power is declining because of the peculiar land reforms undertaken by the various state governments in India. Hence oppression and more oppression is the real social situation of the absolute majority of real dalits who are either landless agricultural workers or marginal farmers.

If dalit and oppressed castes are becoming 'communities' and new progressive social coalitions are emerging as maintained by Javed, the essence of these social changes could also be captured by bringing in the role of vanguard organisations, parties and leaders of the dalit castes. Marx and Lenin have alerted us about the role of parties of the proletariat in raising the level of working class consciousness in the process of class struggles and the famous statement of Lenin that

trade unions are the school of socialism for the proletariat deserves to be kept in mind. What is the type of leadership of dalit parties and movements in India and what kind of struggles have they launched to raise the level of consciousness of the dalit castes? V P Singh as a leader of the faction of exploiting classes and castes in his factional fights against some other factions of the dominant classes and castes implemented Mandal Commission recommendations for reservation of public services for the dalits in April 1990. It is a well known fact of bourgeois praxis of politics that factions of the ruling class leadership fight populist battles against other factions of ruling classes especially in a situation when revolutionary politics of the peasant and workers is not present on the national social agenda. The impact of V P Singh in Mandal politics was that the elite of the upwardly mobile dalit castes became very active because they were the beneficiaries of the new reservation politics for the backward castes. Similarly, the Bahujan Samaj leadership of Kanshi Ram and Mayawati mobilised the other backward-dalit castes who felt very protected under their party and the Anti-Atrocities Law was effectively implemented under the Bahujan Samaj leadership.

This is the track record of dalit politics of the 1990s. Caste versus caste mobilisation has made Indian society extremely caste conscious. Dalit oppressors and dalit oppressed are involved in bitter struggles in rural India, such as thevars of Tamil Nadu, or jats of western Uttar Pradesh are exercising their dalit political power against their antagonistic dalit social castes of the landless agricultural workers and marginal farmers. The Ranbir Sena of the high caste oppressors in Bihar cannot successfully liquidate the real dalits without some linkage with Laloo Prasad Yadav/Rabri Devi state government of Bihar which has been in power in the 1990s. Social antagonisms in India are perceived through caste consciousness and struggles to settle social antagonisms are launched by caste mobilisation. Caste remains a reference point of social power, deprivations, grievances and in the process caste relations get strengthened and solidified, and in this process caste gets converted into pure casteism. This is the reality of contemporary India and dalit leaders and ideologues have presented caste as a dominant factor of privileges and deprivation and the ongoing caste struggles have strengthened caste feelings and identities. Further, Hindu religion has provided a holdall platform to all the dalit

castes to operate in the overall structure of unequalitarian-ritualised Hindu belief system.

If one were not to fall in the trap of 'Philosopher Karl Popper's piecemeal social engineering strategy' or sociologist Talcott Parsons' theory that 'social change is an ongoing process' and human history has not witnessed any Hobbesian war of all against all, the task of Marxist social science is to relate the struggles of the oppressed castes in the framework of the nature of social and economic antagonisms of rural India. The material foundations of social antagonism in rural India are linked with the land question and the numerous dalit castes are fragmented in their relationships on the basis of ownership or absence of ownership of land. Dalit castes involved in the process of extraction and appropriation of surplus value on the basis of ownership of land are in an antagonistic relationship with those who work on land for their livelihood. Caste as an ideology is primarily linked with landownership and Hinduism sanctifies this ideology of caste domination and oppression. During the 1990s new dalit assertions have emerged in India and they deserve to be welcomed because it is a step forward in social change. It is quite hasty to jump at conclusions without seriously examining the relationships of dalit ideology, Hindu religious revival and dalit versus dalit oppressions on the basis of social antagonisms prevalent among the dalit caste groups. Caste in India operates as casteism because social antagonisms, both horizontal and vertical, are perceived and internalised on the basis of specific castes or groups involved in various struggles in society.

Caste continues to be sustained at an ideological level by Hinduism and at a material level by the prevailing land relations in agrarian India and caste has no potential for a socially progressive role unless its sustaining structures are completely weakened and broken. This is the essence of survival of caste in different reincarnations.

---

### Correction

The article 'Educational Imbalance in India: Transition from School to College' by Amrik Singh was based on the author's lecture to the Assam Higher Secondary Education Council and not the Assam Higher Education Council as printed. The error is regretted.

—Ed.

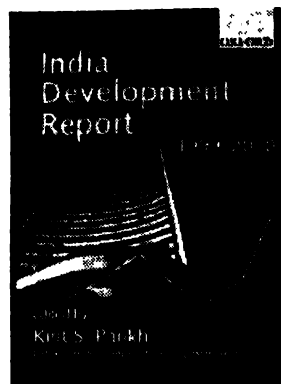
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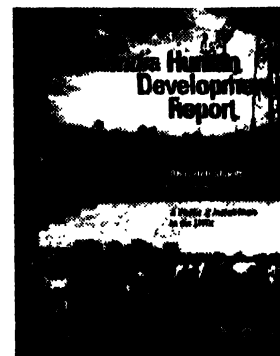
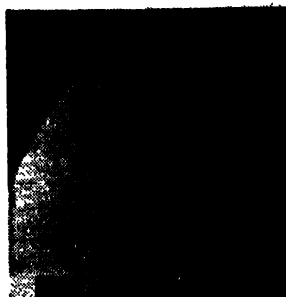
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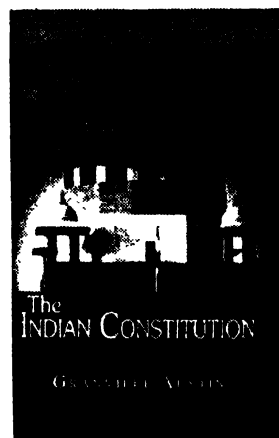
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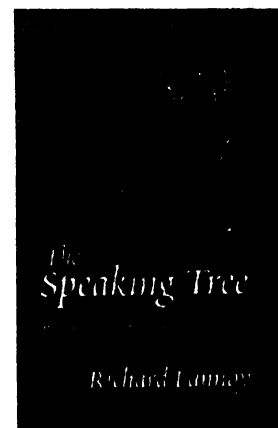
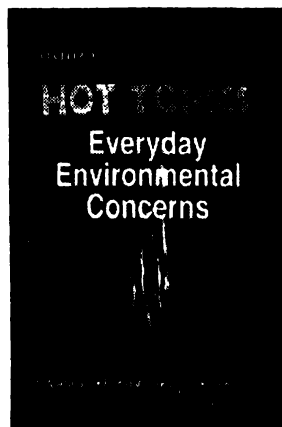
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## **WHAT IS HAPPENING INSIDE INDIAN DEMOCRACY?**

- AGRICULTURAL TENANCY AND INTERLINKED  
TRANSACTIONS**
- KALPAVRIKSH SCHOOL OF SOCIAL ECOLOGY**
- DEALING WITH SEXUAL HARASSMENT AT  
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IN ENSURING FAIR POLLS**
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**■ TRIBALS, MISSIONARIES AND SADHUS:  
UNDERSTANDING VIOLENCE IN DANGS**

**UNFPA****United Nations  
Population Fund**

## CALL FOR PROPOSALS

The United Nations Population Fund (UNFPA) as part of its Fifth Country Programme of assistance with the Government of India, is supporting research studies in Population and Development under project IND/99/P12 – Policy and Programme Research in Population and Development in India.

- 1. Urbanisation forecasts at national, state and district levels:** Proposals should consider modeling which links economic growth and urbanisation. National and state-level forecasts are required; the possibility of district or sub-state level forecasts may also be proposed. The research would be based on secondary data and modeling and would require expertise in economics, especially modeling, and demography.
- 2. Population & Environment:** The primary focus here is on the impact of population growth on water supply. This would involve first an assessment at the macro-level, for states and regions of the country, which could be done using secondary data. However, to understand the implications at the micro level, for villages, households and women, primary data may need to be collected. The project would require the involvement of scientists familiar with water resources, demography, and survey and anthropological methodology and may well require an interdisciplinary approach.
- 3. Sex ratio, sex selective abortions:** The observed imbalance in the sex ratio in India could be attributable to sex ratio at birth and sex differences in age-specific death rates which are influenced by sex-selective abortions, infanticide and neglect. There is a need to make a detailed demographic assessment of sex composition by age to assess possible distortions caused by sex-selective mis-reporting and omission. A quantitative assessment of extent of foeticide and infanticide and their impact on sex ratios at birth and population can follow. Anthropological studies or focus-group discussions in areas known to have sex-selective foeticide or infanticide may be helpful. The project would involve detailed analysis of secondary data, records and micro-research. Expertise in technical demography, micro-research and familiarity with recording systems is essential.
- 4. Consequences of fertility decline:** Recent studies have demonstrated how fertility declines benefited the economies of east and South East Asia. A similar approach could be used to estimate the impact of the slowing of the growth rates in certain Indian states such as Kerala, Goa and Tamil Nadu. This research might also use modeling to estimate quantum benefits of lower maternal and infant mortality, lower levels of unwanted pregnancy and child birth and fewer unsafe abortions. An economist or a population economist or economist-demographer team should conduct the research.
- 5. Cost-benefit Analysis of Population Programmes:** When a programme provides comprehensive services as the Indian health and population programme does, a birth prevented saves further programme costs in related areas. For instance a Mexican study has estimated such savings using data on costs from health insurance programmes. For India, such data on unit costs of maternal and infant health care are not readily available although some recent surveys give some data on expenditures on health care. Thus the research could make use of the available secondary data and collect some additional data on costs. The project would require expertise in health economics and demography.
- 6. Role of Panchayats:** A survey of panchayats would provide information on composition, finances, achievements and whether women and weaker sections are adequately represented. A sample of few panchayats can be taken up for detailed study. Such a study can also answer the question of ability of panchayats to raise funds to provide quality services. The involvement of panchayats in the health and population programmes is in varying degrees in different states. Therefore a cross section of two or three states representing the differing degree of involvement may be selected for the study. Researchers with experience in public administration and development issues may be involved in the project.
- 7. Sexual Behaviour of Rural Population:** Health and population surveys rarely include a component on sexual behaviour because of apprehension of refusals to questions that may be sensitive or embarrassing. Hence, there is a need to adopt other methodologies. Social anthropological approaches in-depth interviews and focus-group discussions may be more appropriate techniques to gather such data. Naturally, this would mean that only a few sections of the population could be covered. A medical anthropologist or a team of demographer-social anthropologist would be needed to undertake this study.

Institutions interested in the project may send a preliminary proposal, not exceeding three pages, stating the name(s) of Principal Investigator(s), institutional affiliations, the study topic, issues to be researched, conceptual framework, research methodology, data requirements and data sources, time frame and the budget estimate. Proposals in the range of Rs 15-30 lakhs are being sought. Brief bio-data of the principal investigators need to be appended.

An expert team will screen proposals received. If short listed, a detailed proposal would be requested later. Collaborative research is encouraged. Total duration of the project should not exceed 24 months.

The preliminary proposals with all attachments need to be sent **on or before September 30, 1999.**

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# WEEKLY

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## Inside Indian Democracy

The processes around democracy in India have detached themselves from the infirmities surrounding democracy itself. The deepening legitimacy gained by democracy inheres in these processes which provide the space - now contracting, now expanding - for the range of resistance the people are capable of. This has been happening in spite of the shape that organised politics has acquired and points to the need for a radical revision of theories of legitimacy and of how it comes about and where it resides. **2649**

## Agricultural Tenancy and Interlocked Factor Markets

Analysis of data on tenancy and interlinked transactions in Orissa in recent years shows that the marxist approach is more illuminating in studying interlinkage as it addresses the problem in the context of a differentiated class society. The autonomous role of class relations, however, must not be over-stressed. The macro variables that shape class relations and the enforcement devices of the dominant class need to be given due recognition. **2657**

## Religion and Violence in the Dangs

The tribals of the Dangs region in Gujarat had been exploited by local elites and outsiders for over a century. When educated Dangi youth began to fight back, their first target was the corrupt Congress organisation. The issues were rights over natural resources, land titles, poverty and unemployment. Conversions to Christianity had led to minor skirmishes, but no worse. Hindutva organisations stepped in at this point, relegated the real issues to the background, sowed paranoia and reaped votes. **2667**

## Political Budget Cycles

For a developing country such as India, political instability and frequent elections involve a heavy cost. In addition to the large visible cost of election campaigns and the expense of holding elections, there is a high hidden cost in the form of the efforts made by politicians to appease various lobbies at election time. An attempt to test the political budget cycle hypothesis in the Indian context by examining the behaviour pattern of macropolicy variables. **2676**

## Kalpavriksh School

Kalpavriksh, which dates its formal origins to September 1979, provided early training in social commitment and has over the years made notable contributions to environmental education, documentation and activism.

A 20th anniversary tribute. **2631**

## Jat Assertion

The political waves created by the demand of the jats in Rajasthan for inclusion in the OBC category reflect the coming of age of the backward caste movement in the state. **2630**

## Kargil and Kashmir

Kargil and Kashmir are inseparably linked and the alternative to a series of mature political engagements to regain the confidence of the people of Kashmir will be more Kargils, more killings and more betrayals. **2682**

## Empty Empowerment

In the absence of devolution of financial powers from the state governments, the political empowerment of urban local bodies, as envisaged in the 74th Constitutional Amendment, remains devoid of content. **2637**

## Scavenging Still

A national scheme to eliminate scavenging by putting in better sewage systems and rehabilitate scavengers has been in operation since 1991-92, but has achieved little so far. **2635**

## Fair Elections

The hyper-active Election Commission has a vital role in ensuring that the elections are free and fair, but the success of what it proposes and implements depends on the commitment of the political parties and leaders to the democratic process. **2633**

## Remembering V K R V Rao

His clear vision of economics as an integral part of the social sciences, concern as much as for the methods to achieve goals as for goal-setting and focus on people's welfare as the purpose of economic development were V K R V Rao's principal contributions. **2642**

## Sexual Harassment

The manner in which the case of sexual harassment in the M S University has been handled by the concerned authorities underlines the need for a countrywide campaign for the adoption of the Supreme Court's guidelines. **2638**

## LETTERS TO EDITOR

### Sri Lanka's Indian Connections

THIS is with reference to Partha S Ghosh's article in *EPW* of June 19 on his impressions of a visit to Jaffna in Sri Lanka.

I wish Ghosh had a chance to investigate the sources of funds for the Liberation Tigers of Tamil Eelam (LTTE). I have heard about the drug traffic in Sri Lanka and LTTE's role in it. Secondly, I fear the present anti-south Indian (Tamil) attitude among Sinhalese and the consequent Tamil reactions have led to too much jealous rivalry to make any independent assessment of their ancestries worthwhile.

I was on a pilgrimage to Sri Lanka for seven days, June 3-10, 1999, in the company of some learned Sri Lankan monks and lay Buddhists. As we travelled by road from Colombo to Anuradhapura and Kandy, I was led to the impression that there was an alarming moral decline among Sinhala Buddhist youth. The discussion got focused on a front page article in a Sinhalese daily of June 6, 1999 about the steep rise in the consumption of narcotics in Sri Lanka in the last few years. As drug consumption among Sri Lankan Tamils (both Hindus and Muslims) was presumed to be negligible, it was concluded that most of the consumption was by the present generation of Sinhala Buddhists. My companions pointed their finger at the young Sinhala Buddhist driver of our vehicle who was not only indifferent to his religion but shockingly irreverential of the monks, playing aloud cassette tapes of voluptuous songs of love and sex. Whenever he dropped us at the temples or other historic sites, he used to return late, smelling of alcohol, perhaps enjoying drugs as well. I was distressed to hear from my companions that the smuggling of drugs was done by the LTTE for whom it was an important source of funds for purchasing arms. Drugs do more harm to a population than arms. I remember that on the occasion of the recent handover of Hongkong, the Chinese leaders were recalling tearfully the debilitating havoc that the British had done with opium.

History has so far been only speculative about the ancestry of the Sinhalese people. Like Ghosh, I too got the impression from them, both in Sri Lanka and in the US, that they are at times overzealous about their past links with north India. I think they use the expression north India rather loosely, not meaning Punjab or Rajasthan, but rather the north-eastern states like Bihar, Bengal and Orissa, because of their

associations with Lord Buddha, emperor Ashoka and his son Mahindra, whom they revere.

Again, one is not sure whether south India with its very close proximity has had no impact whatsoever on Sri Lanka. Kerala historians frequently refer to historical and cultural ties between Sri Lankans and Keralites. During my tour, I found coconut trees and coconut-based industries, as well as handloom and other industries as widespread throughout Sri Lanka as in Kerala. Coconut trees which were not indigenous to Kerala were originally brought from Sri Lanka. Like Sri Lanka, Kerala too had a Buddhist past, prior to the Aryan penetration from the north to the south around the 7th century A D. Keralites at present are far outnumbered in Sri Lanka by Tamils, mainly because the erstwhile British colonists found it practical and economical to import labour from the former Madras province by the land-sea route connecting Dhanushkodi in India to Talaimannar in Jaffna, Sri Lanka. Today that route is closed, but there is now a booming air traffic between Colombo and Thiruvananthapuram and Colombo and Madras, carried by both Air Lanka and Indian Airlines. Thiruvananthapuram, the capital of Kerala, is only 45 minutes by air from Colombo.

In the last three or four years, large numbers of Ambedkarites in Kerala have embraced Buddhism. For meeting the spiritual needs of the Buddhists in Kerala, volunteer groups from neighbouring Sri Lanka seem keen to help, following a recent visit to Kerala by such a group.

Incidentally there is a Kerala Association in Colombo, whose vice president is a teacher of Malayalam to Sri Lankans. The Indian high commissioner in Colombo has frequently been a Keralite, including the present incumbent of that post.

P P LAKSHMAN

New York

### Swaraj, Then and Now

THE point made by Mausumi Bhattacharya and Arup Kumar Sen to my article on 'Hind Swaraj' (*EPW*, June 12, 1999) regarding cultural nationalism as a response to globalisation is well made. In my understanding, the 'alienating homogeneity' as a consequence of globalisation, can lead to two kinds of response. Thus the response of reinforced 'cultural heterogeneity' can be either reactionary, as in the case of a cultural nationalism (as in India) and/or religious fundamentalism (as in Iran) that are ethnocentric and chauvinistic, or it can be an expression of a revolt against those at the centre of this process of globalisation, who promote and profit by it, by those at the margins who are disadvantaged by, and hence resist it. Such an opposition can have a positive and progressive content (as in Vietnam war and South Africa's rainbow coalition). Gandhi's swaraj too represented such a positive revolt, in stark opposition to the kind of negative swadeshi that is now being promoted by our present cultural nationalists.

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## Manufacturing Obsolescence

THE recently announced marketing agreement between Ranbaxy and the multinational giant Bayer marks a certain trend which has been evident for some time in the pharmaceutical sector all over the world. While the industry has certainly not languished, a number of factors in the last decade did force a slowing down of growth in the industry for the first time in the post-war years. The high cost of researching new products, the running out of the patent periods of many of the 'magic' drugs of the post-war decades and a growing awareness of drug risks and benefits among consumers, the greater stringency in the granting of new drug licences, newer and tighter controls on the import of drugs into third world countries – all of these contributed to the situation. This has led to some serious corporate shuffling in the sector with buyings, sellings, acquisitions and innovative new co-operative agreements. The Bayer-Ranbaxy deal represents one such trend.

Ranbaxy has agreed to sell the worldwide marketing and development rights for a novel drug delivery system (NDDS) or ciprofloxacin, one of the newer antibiotics, which it has developed and tested, to Bayer for what will amount to \$60 million. Bayer will have exclusive worldwide marketing rights except in India and the CIS, co-marketing and co-promoting it with Ranbaxy in some other countries. The new drug delivery system which is a product of Ranbaxy's research set-up took a few years to develop and is awaiting international patents. The new system will make it possible to deliver the drug to the system in just one dose a day instead of the currently available formulation which has to be taken twice a day. And this is a major breakthrough because it makes possible greater patient compliance. The deal is all the more profitable to both Bayer and Ranbaxy because the original patent on the drug held by Bayer expires in 2003, when anyone will be able to manufacture and market that drug. But now, with the new drug (which is what a novel drug delivery system amounts to) Ranbaxy and Bayer have positioned themselves to capture that market.

While this will certainly ensure that the profits keep flowing for the two companies, what does it mean for the consumers? With the patent expiring on the drug, more players would be in the market manufacturing the much-needed drug thus depressing the price of the formulation. If the drug were in the category of over-the-counter formulations such changes may not affect consumers as much. However, in the drug market, consumers rarely have a free choice, especially for prescription drugs. Moreover, in countries like India generic prescription is not the norm. This means it is not the consumer who

exercises her choice but the doctor who prescribes a branded product. With the well-established marketing methods and network which both these companies will be able to press into service for the sale of the new and more expensive drug, the older drug will get weeded out. This has been the fate of many older antibiotics which remain effective medically, but have been rendered obsolete by the marketing methods of pharmaceutical companies.

It is this manufacturing of obsolescence that is driving the pharmaceutical industry today. Ranbaxy, for instance, spends 4 to 5 per cent (projected to increase to 6 per cent) of its turnover on R and D and has filed patents for half a dozen more novel drug delivery systems (NDDS) in the areas of anti-infectives, cardiovascular drugs and antihistamines. It has also developed a new and advanced dosage form of the antibiotic cephalexin (which has a Rs 182 crore market) for which it has co-marketing arrangements with Glaxo. These two companies had a 55 per cent share of the cephalexin market which was being challenged by a new molecule, cephadroxin. For the consumer, of course, this can only mean a hike in prices. Among other developments in Ranbaxy is reportedly omeprazole, an anti-ulcerant with a \$3.7 billion market whose product patent with Astra expires in a few years. There are other firms too which have undertaken extensive bio-availability studies to come up with new molecules/NDDS here as well as in other countries. Bayer has recently signed an agreement, probably similar to the one with Ranbaxy, with Suntory of Japan for a 'new' antibiotic. An added advantage in the Indian market is ironically enough the government's various schemes for encouraging research in the pharmaceutical sector. New products developed in the R and D departments of Indian firms are offered a number of pricing concessions by which they can escape the price control basket such as it is.

It is not surprising then that pharmaceutical companies, including many in the 'Indian' sector, appear to be doing so well in India with share prices of leading companies showing a rising curve. One cannot, of course, cavil at the growth of the Indian pharmaceutical industry prompted by independent research and innovative marketing and production arrangements. It is also illogical to expect that the pharmaceutical sector, because it produces goods for the ill and is the one industry whose products are consumed by the rich and poor alike, should not be governed by the factors which move corporates everywhere, that is, profit and growth. Unfortunately, unlike for other products, the market here is a more or less a fictitious entity made up of those who have

little choice and can offer no resistance, despite the hard work of the consumer movement, to either price rise and or even quality unevenness. This being so, there have to be other mechanisms to ensure the availability of products necessary for the maintenance of the health of people. The dilemma that the Indian government faces today in its project of modernising the political economy is how to ensure this.

## ARTICLE 356

### Evading the Issue

IN his campaigns in Punjab and Andhra Pradesh, prime minister Vajpayee has been at pains to remind the people that the Congress had "misused the provisions of Article 356 and the authority of the president to pull down state governments". He asked the Congress to clarify the party's position on resort to Article 356 in future.

The choice of Punjab and Andhra Pradesh for raising the issue of misuse of Article 356 was deliberate, because these are the two states which have borne the brunt of such misuse in the past. Also it is the ruling Akali Party in Punjab which has been forcefully arguing for total abrogation of Article 356 from the Constitution. Even this time while the manifesto of the BJP-led National Democratic Alliance has chosen not to commit itself on the subject of whether or not the centre should continue to retain the power under Article 356 to dissolve a duly elected state government, the Akali manifesto has chosen to reiterate its long-held position with regard to this article, namely, that it needs to be altogether done away with. In Kerala, which was the first state to be subjected to the misuse of Article 356, the Left Front government has taken the position in practically all fora that not only should this provision in the Constitution be totally deleted but also that the post of governor should be abolished.

The BJP-led alliance commits itself only to "suitable steps to ensure harmonious centre-state relations in the light of the recommendations of the Sarkaria Commission...". It is noteworthy that the Sarkaria Commission did not recommend deletion of Article 356. What the Commission recommended was that the article should be resorted to "very sparingly, in extreme cases, as a measure of last resort, when all available alternatives fail to prevent or rectify a breakdown of the constitutional machinery in the state". More specifically, the commission recommended that a state legislature should not be dissolved before the proclamation under

the article has been laid before parliament and it has had an opportunity to consider it. The BJP-led alliance has not made its position clear on the subject, not even whether it fully subscribes to the position taken by Sarkaria Commission on how this particular provision of the Constitution has to be tightened to ensure that it is really resorted to only in extreme cases.

It is true, however, that the Congress Party manifesto which can otherwise not be accused of being short on words has chosen to be most economical when it comes to making any commitment on the subject of centre-state relations. While there is a vague reference to the party's belief "in a strong centre, strong states and in strong panchayats and nagarpalikas", everyone knows that in its 45 years of governance the Congress has demonstrated in abundance the extent of its commitment to federalism by its frequent use of the centre's powers to dissolve state governments and legislatures under the provisions of Article 356. It is therefore not surprising that in the party's manifesto all that is promised on the subject of centre-state relations is to "strengthen bodies like the National Development Council and the Inter-State Council and make their functioning business-like and purposive".

Even so, since the BJP-led alliance has chosen not to disclose its position on using the centre's powers to dissolve state governments and legislatures, it is obvious that prime minister Vajpayee was only trying to score a point against the Congress Party while canvassing in states where the public is still quite incensed on the subject, without bothering to make the alliance's own commitment clear on the subject. But will the voters be taken in by such tactics?

## TAMIL NADU

### From Region to Sub-Region

LIKE in the last two Lok Sabha elections of 1996 and 1998, the results of the present polls in Tamil Nadu are going to play a crucial, if not a determining, role in the formation of the government at the centre. The electoral battle in the state is being fought among three formidable fronts – the DMK-led National Democratic Alliance (NDA), the AIADMK-led Progressive Democratic Alliance (PDA), and the TMC-led Progressive Peoples' Alliance (PPA) – which has reduced the possibilities of a sharp swing in favour of any particular alliance, as happened in 1996 and 1998. Yet the dependence of the national parties, the Congress and the BJP,

on the DMK and the AIADMK to cobble up a workable majority at the centre remains undiminished.

The Congress, which claims to be averse to coalition politics, has entered into an alliance with Jayalalitha's AIADMK in Tamil Nadu. Ever since G K Moopanar left the Congress to launch the TMC in 1996, the Congress has been reduced to a nonentity in the state, a message that was driven home by Jayalalitha in her own cryptic manner when she absented herself from the joint rally in Villupuram addressed by Sonia Gandhi. On the other hand, the BJP which was a nonentity in the state till 1996, has gained acceptance and improved its vote percentage from 3 per cent in 1996 to 7 per cent in 1998 when it had an alliance with the AIADMK. In its new alliance with the DMK, which no doubt was facilitated by the resolution of the long-pending Cauvery dispute and the refusal of the BJP-led government at the centre to dismiss the Karunanidhi government, the BJP has been allotted one seat more than the five seats apportioned to it by the AIADMK-led front in 1998.

Interestingly, though the DMK-led front was the first to cement the alliance among its partners, it faced the maximum hurdles over seat distribution. Given that the PMK and the MDMK, two of the partners in the DMK-led front, have definite areas of influence in north and south Tamil Nadu respectively, seat distribution was bound to be a vexatious issue, especially after the PMK was generously allotted three additional seats in north Tamil Nadu while the MDMK was expected to remain content with the five seats it contested as part of the AIADMK-led alliance in 1998. The AIADMK-led front faced fewer hassles over seat distribution since, compared to the AIADMK, the other constituents of the front are dwarfs with small pockets of influence in the state. The seat distribution process within the three fronts reveals that sub-regional parties with near-total hold over geographically concentrated, specific castes or communities now have a larger say in the state. This is true of S Ramadoss's PMK which controls the 10-25 per cent vanniya vote in the northern constituencies, and of K Krishnaswamy's Puthiya Tamizhagam, a member of the TMC-led front, which enjoys similar clout among the pallar dalits in the south. The AIADMK too has carved out a base amongst the thevars, kallars and agambudiyars – the three major OBC castes in south Tamil Nadu. In contrast, the support bases of the DMK, MDMK, the Congress and the TMC are diffused throughout the state among the advanced sections of the non-brahmin

castes, though the TMC is making attempts to cultivate a nadar base in the south while the BJP is involved in nurturing a Hindu constituency in the communally-sensitive areas of Coimbatore and Nagercoil.

As expected, the AIADMK has allotted most of the seats in the DMK-PMK bastion in north Tamil Nadu to its allies. Lately, in the wake of the police firing on agitating Manjoli tea estate workers led by Krishnaswamy in Tirunelveli, the TMC-led front has made a bid to consolidate dalit votes across the state. But given the combined strength of the PMK and the DMK in the OBC sections in the north, the weaning away of parayar dalit votes under the leadership of Thirumavalavan of the Dalit Panthers may not significantly alter the electoral outcome in the 18 constituencies in the north. It is in south Tamil Nadu that the DMK-led front is on a weak wicket. Except for MDMK's hold in certain regions, none of the alliance partners has a strong base there. With the nadars and dalits largely voting for the TMC-led front, and the Muslims and the Christians for the AIADMK-led alliance, which will have the additional support of OBCs in the region, the DMK-led front will be bereft of the support of any numerous significant community. In such circumstances, it may have to fall back upon whatever communal polarisation is generated by the presence of the BJP.

## SPORT

### The Best and the Worst

COMPETITIVE sport has been the focus of much ideological and philosophical debate over the last century. At various historical junctures fuelled by the capitalist ethic, the furtherance of the socialist dream and the bourgeois need for a healthy labour force, competitive sport is certainly in no danger of becoming defunct, as often used to be predicted. The idea that the element of competition need not be a part of sporting activity is today a ridiculous notion. Competition in sports is monitored by a host of sporting bodies which essentially contrive to offer that elusive 'level playing field'. Unfortunately so high are the stakes in competitive sport that these institutions have had to take on the garb and role of policing bodies. In sport after sport scandals of one kind or another have erupted and while they may have been resolved for the interim by stricter rules and rigorous monitoring mechanisms, the question that they pose is this: Is competitive sport facing an ethical and

philosophical crisis which may in its eventual resolution change the very nature of sport as we know it today?

In the last few weeks the track and field arena has seen some of the worst doping scandals ever. These have involved big names, including some who have always come out strongly against the use of performance enhancing drugs in sports. This in itself is not surprising, given the greater stringency in testing methods and the anti-doping campaign that the International Amateur Athletics Federation (IAAF) and the Olympic Committee have launched in recent years.

There can be no gainsaying that doping is not just a danger for a handful of athletes in a few sports, but is a real and serious risk for all athletes and for the future of athletics and sports. In recent years under the leadership of both the IAAF and the Olympic Committee, drug testing has become increasingly stringent and the list of banned drugs has lengthened. In fact, it may well be that the coming Sydney Olympics may see blood tests of athletes because it has been felt that they are more reliable than urine tests. Unfortunately, even as the tests have become more sophisticated and foolproof, the number of ways that drug offenders escape detection has also increased. Even worse, as the number of banned drugs on the list grows, the list has come to include substances which may have other uses and which athletes may consume unknowingly.

Early this year the president of the IAAF pointed out that the organisation had defended its jurisdiction and authority in enforcing some of the world's most severe anti-doping rules, having taken such defence all the way to the US Supreme Court and in Russia, France, Germany and Great Britain. All this he said was in the interest of creating a level playing field. And yet this level playing field is mythical and in the international arena some are more equal than others.

But even if we were to leave this irresolvable issue, there is need to ponder

over the crisis that is affecting all competitive sports. If the endeavour is to achieve physical perfection and to extend human limits beyond what was considered possible hitherto, then there will always be pressure to use aids of every kind. And if the aims and objectives of the international athletic movement are to ensure the health of the athlete and offer level playing fields, there are other issues which need equal consideration. While it may be unpalatable, it is a fact that the more rigorous training methods, some which actually harm athletes and limit their life-spans, too must come under scrutiny. All said and done it is only a small step from intense and severe training methods to consuming highly specialised diets to using supplements to enhance those qualities which would improve performance. It is here that international bodies must focus attention. Why, after all, is the use of performance enhancing drugs unethical, while the use of highly specialised diets and extreme training methods is not? And that is going to be a difficult issue.

Will this mean that fewer records will be shattered in future with better policing of the use of performance enhancing drugs? How great has been the fear of this was demonstrated by the accolades that poured in when US athlete Maurice Greene ran faster than any man had ever done over 60 metres, breaking the disallowed record of Ben Johnson who figured in one of the most devastating doping incidents in athletics. It is true that sports and particularly athletics produce intensely dramatic and near-superhuman triumphs – like the victory in every sense of the term of the gold and bronze winners in the 200m hurdles in the seventh world athletics championship in Spain, both of whom had battled with life-threatening disease only recently. But there is no escaping the fact that the arena which yields such shining examples of the human spirit is based on the ethics of intense and relentless competition which, more often, brings out the worst in the human spirit.

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MANAGER

# CURRENT STATISTICS

EPW Research Foundation

Despite signs of industrial recovery, India's export-import trade remains sluggish. Total imports in dollar terms rose by just 1 per cent in April-July and non-oil imports fell by 6.5 per cent. Exports showed a rise of 4 per cent rise, but with large month-to-month fluctuations.

## Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82 = 100)	Weights August 28, 1999		Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96
				Latest	Previous	1999-2000	1998-99				
All Commodities	100.00	360.7	0.8	1.8	8.8	1.9	5.1	5.0	5.3	6.9	5.0
Primary Articles	32.30	390.0	1.6	2.1	14.2	2.6	9.8	9.3	5.5	7.0	5.4
Food Articles	17.39	458.2	1.3	3.4	16.6	4.3	12.7	11.7	4.0	9.6	9.8
Non-Food Articles	10.08	376.9	1.7	-1.3	12.5	-1.6	7.2	7.5	8.5	3.5	-1.9
Fuel, Power, Light and Lubricants	10.66	398.6	0.4	4.9	8.8	5.0	-1.1	-1.2	11.4	16.9	3.7
Manufactured Products	57.04	337.1	0.5	0.9	5.6	0.7	3.6	3.8	4.0	4.9	5.0
Food Products	10.14	348.4	2.7	-2.7	10.3	1.9	9.9	4.9	5.5	14.1	-0.7
Food Index (computed)	27.53	417.7	1.7	1.4	14.5	3.6	11.8	9.5	4.5	11.1	6.3
All Commodities (weekly average basis) (April 3-August 28, 1999)	100.00	357.2	0.2	5.0	5.8	2.8	7.3	6.9	4.8	6.4	7.8

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent): Point-to-Point								
			Over 12 Months		Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96	1994-95
			Latest	Previous	1999-2000	1998-99					
Industrial Workers (1982=100)	420.0 <sup>6</sup>	0.2	5.3	12.4	1.4	5.0	8.9	8.3	10.0	8.9	9.7
Urban Non-Man Emp (1984-85=100)	346.0 <sup>6</sup>	0.6	6.1	10.5	1.8	4.5	9.0	7.2	10.2	8.2	9.9
Agri Lab (1986-87=100) (Link factor 5.89)	304.0 <sup>7</sup>	1.0	5.2	10.7	2.7	6.3	8.8	3.8	10.5	7.2	11.1

Money and Banking (Rs crore)	August 13, 1999	Variation						
		Over Month	Over Year	1999-2000	1998-99	1998-99	1997-98	1996-97
Money Supply (M <sub>1</sub> )	1024897 <sup>6</sup>	8496(0.8)	165375(19.2)	52693(5.4)	38190(4.6)	145865(17.8)	119484(16.9)	97841(16.2)
Currency with Public	180881	-1997(-1.1)	26239(17.0)	11499(6.8)	9063(6.2)	24115(16.5)	13492(10.5)	13829(11.7)
Deposit with Banks	839296 <sup>6</sup>	10658(1.3)	138314(19.7)	40296(5.0)	28770(4.3)	121479(18.1)	105646(18.4)	84162(17.5)
Net Bank Credit to Govt	417358	-1834(-0.4)	53885(14.8)	30207(7.8)	32876(9.9)	56080(17.0)	41978(14.5)	30840(12.0)
Bank Credit to Comm Sector	500713	2334(0.5)	68959(16.0)	10350(2.1)	-1555(-0.4)	54204(12.5)	57002(15.0)	31659(9.2)
Net Foreign Exchange Assets	170217	1282(0.8)	29777(21.2)	5855(3.6)	2345(1.7)	22064(17.4)	32598(20.0)	23356(28.4)
Reserve Money (August 20)	265631	2070(0.8)	36807(16.1)	6260(2.4)	2422(1.1)	32818(14.5)	26417(13.1)	5527(2.8)
Net RBI Credit to Centre \$	151980	-3115(-2.0)	7824(5.4)	6563(4.5)	10540(7.9)	11799(8.8)	12914(10.7)	1934(1.6)
RBI Credit to Bks/Comm Sector	26995	3868(16.7)	8494(45.5)	1508(5.9)	3220(21.1)	10205(66.8)	2028(15.3)	-15557(-54.0)
Scheduled Commercial Banks (Aug 13)								
Deposits	743963 <sup>6</sup>	10155(1.4)	119854(19.2)	29938(4.2)	25624(4.3)	118837(19.9)	92886(18.4)	71780(16.5)
Advances	373244	529(0.1)	51611(16.0)	4407(1.2)	-2446(-0.8)	41924(12.9)	45677(16.4)	24387(9.6)
Non-Food Advances	351185	1167(0.3)	46547(15.3)	-836(-0.2)	-6956(-2.2)	37593(12.1)	40790(15.1)	26580(10.9)
Investments (for S.I.R. purposes)	283010	3933(1.4)	42594(17.7)	28415(11.2)	21710(9.9)	35414(16.2)	28193(14.8)	25731(15.6)
Commercial Investments and bills rediscounted with FIs	53517	858(1.6)	15034(39.1)	4884(10.0)	6470(20.2)	16879(53.0)	12472(63.1)	4168(27.1)

<sup>6</sup> Includes Rs 17,945 crore on account of proceeds from RIBs since August 28, 1998; excluding them the year-on-year and the 1998-99 fiscal year growth of money supply would be 17.2 per cent and 15.6 per cent, respectively. Likewise, bank deposits without RIBs grew by 16.3 per cent and 15.5 per cent, respectively. \$ after closure of govt accounts

Index Numbers of Industrial Production (1993-94=100)	Weights	June	Fiscal Year So Far		Full Fiscal Year Averages				
		1999	1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96	1994-95
General Index	100.00	144.6	145.4(5.6)	137.7(4.5)	142.8(3.8)	137.6(6.6)	129.0(5.5)	122.3(12.8)	108.4(8.4)
Mining and Quarrying	10.47	115.2	115.7(-0.6)	116.4(-0.3)	120.3(-1.7)	122.4(5.9)	115.6(-2.0)	117.9(9.6)	107.6(7.6)
Manufacturing	79.36	149.0	149.5(6.5)	140.4(4.2)	146.3(4.1)	140.6(6.7)	131.8(6.7)	123.5(13.8)	108.5(8.5)
Electricity	10.17	140.6	143.6(4.1)	138.0(10.2)	138.4(6.5)	130.0(6.6)	121.9(3.9)	117.3(8.1)	108.5(8.5)

Capital Market	Sept 10, 1999	Month Ago	Year Ago	1999-2000 So Far		1998-99		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1998-99	1997-98	1996-97
BSE Sensitive Index (1978-79=100)	4760(53.1)	4594	3109(-23.2)	3245	4906	2783	4281	3740(-3.9)	3893(15.8)	3361(-0.2)
BSE-100 (1983-84=100)	2138(55.0)	2028	1379(-21.8)	1409	2198	1242	1890	1651(-2.7)	1697(15.9)	1464(-5.5)
BSE-200 (1989-90=100)	497(56.3)	463	318(-19.5)	322	504	289	429	380(0.8)	377(14.9)	328(-5.0)
S and P CNX-50 (Nov 3, 1995=1000)	1391(53.4)	1310	907(-21.5)	931	1423	812	1213	1078(-3.5)	1117(15.4)	968
Skindia GDR Index (Jan 2, 1995=1000)	932(49.2)	876	625	581	980	515	1015	653(-30.5)	940(1.1)	930(-4.4)

Foreign Trade	July 1999	Fiscal Year So Far		Full Fiscal Year				1996-97	1995-96
		1999-2000	1998-99	1998-99	1997-98	1997-98	1996-97		
Exports: Rs crore	13209	47478(8.1)	43923(6.8)	141604(8.8)	130101(9.5)	118817(11.7)	106353(28.6)		
US \$ mn	3052	11042(4.0)	10614(-7.7)	33613(-3.9)	34976(4.5)	33470(5.3)	31797(20.8)		
Imports: Rs crore	15485	60507(5.0)	57653(18.6)	176099(14.2)	154176(11.0)	138920(13.2)	122678(36.3)		
US \$ mn	3577	14072(1.0)	13932(2.6)	41802(0.9)	41449(5.9)	39132(6.7)	36678(28.0)		
Non-POL US \$ mn	2849	11317(-6.5)	12108(18.6)	35928(10.3)	32526(11.9)	29096(-0.2)	29152(28.3)		
Balance of Trade: Rs crore	-2276	-13029	-13730	-34495	-24076	-20102	-16325		
US \$ mn	-526	-3030	-3318	-8188	-6472	-5663	-4881		

Foreign Exchange Reserves (excluding gold)	August 27,	August 28,	March 31,	Variation Over								
	1999	1998	1999	Month	Year	Fiscal Year So Far	1998-99	1997-98	1996-97	1995-96	1994-95	
				Ago	Ago	1999-2000	1998-99					
Rs crore	132143	104653	125446	-1054	27490	6697	2142	22935	22137	21649	-7302	18402
US \$ mn	30378	24474	29530	-390	5904	848	-1502	3554	3607	5243	-3690	5640

Notes: (i) Superscript numeral denotes month to which figure relates, e.g., superscript 6 stands for June; (ii) Figures in brackets are percentage variations over the specified or over the comparable period of the previous year

## Production Details of Key Industries in the Non-SSI Sector

Industries	Unit	Production			Percentage Variations		Industries	Unit	Production			Percentage Variations	
		1998	1997	1996	1998	1997			1998	1997	1996	1998	1997
		-99	-98	-97	-99	-98			-99	-98	-97	-99	-98
Milk powder of all kinds	Th tonnes	133	98	99	35.7	-1.0	Aluminium ingots	Th tonnes	550	550	509	0.0	8.1
Wheat flour/maida	Th tonnes	3621	4264	4800	-15.1	-11.2	Aluminium rolled products	Th tonnes	128	116	99	10.3	17.2
Biscuits	Th tonnes	176	155	160	13.5	-3.1	Aluminium foils	Th tonnes	22	23	23	-4.3	0.0
Malted food	Th tonnes	100	80	104	25.0	-23.1	Aluminium wire rods	Th tonnes	139	139	128	0.0	8.6
Beer	Th klitre	433	433	425	0.0	1.9	Aluminium extrusions	Th tonnes	83	83	72	0.0	15.3
Rectified spirit	Th klitre	907	824	810	10.1	1.7	LPG cylinders	Th nos	3376	3398	2779	-0.6	22.3
Soft drinks	Mn bottle	1897	1668	1264	13.7	32.0	Drums and barrels	Tonnes	77636	44400	43886	74.9	1.2
Cigarettes	Mn pieces	77404	83296	73840	-7.1	12.8	Tin metal containers	Th tonnes	80	80	79	0.0	1.3
Plywood (commercial)	Th sq mtr	52392	66996	71340	-21.8	-6.1	Bolt and nuts	Th tonnes	42	36	38	16.7	-5.3
Paper and paper board	Th tonnes	3107	2922	2796	6.3	4.5	Welded link chains	Tonnes	10048	10831	11347	-7.2	-4.5
Newsprint bleached	Th tonnes	369	287	299	28.6	-4.0	Razor blades	Mn nos	4639	4123	3886	12.5	6.1
Finished leather	Th pcs	51231	50074	50161	2.3	-0.2	Complete tractors	Th nos	269	279	245	-3.6	13.9
Leather Footwear (western)	Th pairs	19221	17299	16244	11.1	6.5	Cranes	Th tonnes	15	18	26	-16.7	-30.8
Giant tyre	Th nos	10402	9208	8831	13.0	4.3	Boilers	Rs crore	1177	1315	1412	-10.5	-6.9
Rubber conveyor belting	Tonnes	13313	13606	16067	-2.2	-15.3	Turbines (steam & hydro)	Rs crore	389	433	464	-10.2	-6.7
Two-wheeler tyres	Th nos	10199	7800	8099	30.8	-3.7	Diesel engines	Th nos	276	268	237	3.0	13.1
Laminates (decorative)	Tonnes	22686	21314	20777	6.4	2.6	Refrigerators & air cond. plant	Rs lakh	9344	10527	11410	-11.2	-7.7
PVC pipes and tubes	Tonnes	29940	23466	22274	27.6	5.4	Cooling towers	Rs lakh	14871	13188	14112	12.8	-6.5
Cannon black	Th tonnes	259	218	255	18.8	-14.5	Refrigerators (domestic)	Th nos	1885	1607	1705	17.3	-5.7
Caustic soda	Th tonnes	1439	1442	1457	-0.2	-1.0	Lift	Nos	3609	2369	2393	52.3	-1.0
Soda ash	Th tonnes	1363	1567	1486	-13.0	5.5	Power driven pumps	Th nos	580	697	680	-16.8	2.5
Sulphuric acid	Th tonnes	5377	4847	4984	10.9	-2.7	Air and gas compressors	Nos	15583	17840	16856	-12.7	5.8
Calcium carbide	Th tonnes	83	83	91	0.0	8.8	Ball and roller bearings	Lakh nos	1676	1993	2135	-15.9	-6.7
Oxygen	Mn cu mtr	228	183	180	24.6	1.7	Machine tools	Rs crore	1224	1539	1331	-20.5	15.6
Paints, enamels & varnishes	Th tonnes	308	215	221	43.3	2.7	Typewriters	Nos	69056	91446	84678	-24.5	9.3
Nitrogenous fertiliser	Th tonnes	10815	10539	8822	2.6	19.5	Sewing machines	Nos	66959	96220	108461	-30.4	-11.3
Phosphatic fertiliser	Th tonnes	3535	3191	2931	10.8	8.9	Electric motors	Lakh HP	72	72	72	0.0	0.0
Organic pigments	Tonnes	8618	9468	8621	-9.0	9.8	Electric generators	Rs crore	500	579	427	-13.6	35.6
Reactive dyes	Tonnes	8375	7816	7172	7.2	9.0	Power & dist. transformers	Mn kva	43	44	34	-2.3	29.4
Optical whitening agents	Tonnes	636	1058	1355	-39.9	-21.9	PVC/PICL	K metre	26106	22294	19655	17.1	13.3
Pencilin	MMU	344	345	646	-0.3	46.6	Telecommunication cables	Th km	17960	14820	14694	21.2	0.9
Trimethoprim	Tonnes	267	266	248	0.4	7.3	ACSR/AA conductors	Th tonnes	31	35	39	-11.4	-10.3
Ampicilin	Tonnes	384	356	325	7.9	9.5	Winding wires	Tonnes	18599	17423	17183	6.7	1.4
Sulpha drugs	Tonnes	2132	2559	2106	-16.7	21.5	Storage batteries	Lakh nos	33	35	34	-5.7	2.9
Vitamin C	Tonnes	481	600	639	-19.8	-6.1	Dry cells	Mn nos	1846	1552	1577	16.7	0.3
Soaps all kinds	Th tonnes	493	456	370	8.1	23.2	Electric fans	Lakh nos	54	61	55	-11.5	10.9
Detergents all kinds	Th tonnes	539	519	513	3.9	1.2	GLS lamps	Mn nos	452	400	395	13.0	1.3
Tooth paste	Th tonnes	22	29	30	-24.1	-3.3	Fluorescent tubes	Lakh nos	1545	1543	1363	0.1	13.2
Tooth powder	Tonnes	14730	14804	11740	-0.5	26.1	Telephone instruments	Th nos	4443	5015	3891	-11.4	28.9
PVC resins	Th tonnes	582	548	426	6.2	28.6	Comp system & peripherals	Rs lakh	100237	112523	123661	10.9	-9.0
Caprolactum	Th tonnes	117	94	112	24.5	16.1	Ship buildings and repairs	Rs crore	1218	934	791	30.4	18.1
Safety matches	Mn boxes	3733	3796	4264	-1.7	-11.0	Commercial vehicles	Th nos	158	227	344	-30.4	-34.0
Cine films & X-ray films	Th sq mtr	14993	17264	21117	-13.2	-18.2	Scooters and mopeds	Th nos	1904	1938	1863	-1.8	4.0
Cement all kinds	Th tonnes	87402	81660	73301	7.0	11.4	Passenger cars	Nos	366983	390238	399640	-6.0	-2.4
Ash sheet & accessories	Th tonnes	978	924	855	5.8	8.1	Auto ancilliary and parts	Rs crore	9443	6501	6774	45.3	-4.0
Asb cement pressure/pipes	Th tonnes	248	241	228	2.9	5.7	Bicycles	Th nos	10566	9815	10863	7.7	-9.6
Steel castings	Th tonnes	363	393	388	-7.6	1.3	Process control instruments	Rs lakh	11816	6872	8133	71.9	-15.5
Stamping and forging	Th tonnes	321	330	280	-2.2	17.9	AC single phase metre	Lakh nos	23	23	25	0.0	-8.0
Wire ropes	Th tonnes	100	93	77	7.5	20.8	Wrist watches	Th nos	9540	6989	8508	36.5	-17.9
Spun pipes	Th tonnes	182	151	134	20.5	12.7	Laboratory & scientific inst	Rs lakh	3610	2877	2579	25.5	11.6
Copper metal (cathode)	Th tonnes	174	102	92	70.6	10.9	Medical and surgical inst.	Rs lakh	5066	7569	6579	-33.1	15.0

Note: Figures likely to undergo change based on factual reporting

Source: SIA statistics (various issues).



## LARSEN &amp; TOUBRO

**Restructuring Plans**

ENGINEERING and cement conglomerate Larsen & Toubro (L&T) is the largest producer of cement in the country with a total capacity of 12 million tonnes per annum. The company has adopted a mix of expansion, acquisition and green-field capacity to boost its output over the years. However, high sunk costs as a result of this strategy have resulted in low margins not to mention increased interest burden due to the huge investments involved, and consequent low returns on net worth. The rise in the company's cement capacity has coincided with massive expansion of the domestic cement industry. Though cement accounts for less than a fourth of the company's turnover, it remains a significant factor as far as profitability is concerned.

The company faced a setback in 1998-99 when its net profit declined by 11.4 per cent over the previous year. Continued pressure on cement prices coupled with the higher depreciation and interest charges on account of the commissioning of cement plants in Gujarat and Andhra Pradesh affected the company's profitability adversely.

The company's engineering and projects business contributes around 60 per cent of its total turnover and it enjoys margins that are higher than average. Keeping in mind its core strengths, L&T has decided to take recourse to a restructuring plan for which it has appointed the US-based Boston Consulting Group (BCG) as advisors. The international consultants are expected to develop a comprehensive programme to steer the company to maximise shareholder value. BCG, which is to submit its recommendations by November this year, is expected to propose measures for value-creation through accelerated growth and enhanced profitability and also review the company's business portfolio and revalidate its strategies for becoming an Indian multinational.

If reports are to be believed, L&T plans to hive off its core businesses into separate companies. This move is expected to help the company leverage its strong fundamentals better in engineering, construction and cement.

Meanwhile, with cement prices firming up in recent times, the outlook for the company's cement business appears

encouraging. For the first quarter of the current year, the company's net profit touched Rs 208.5 crore as compared to Rs 289.3 crore in the corresponding period last year. Net sales improved by 34 per cent to Rs 2409.3 crore during the same period. The company's stock presently quotes at around Rs 352 on the bourses, discounting its 1998-99 earnings by 18.6 times.

## HINDALCO

**Right Decisions**

One of the lowest cost producers of aluminium in the world, Hindalco has several strategic advantages which help it control the largest chunk of the Indian market for the metal. These include access to good quality and low cost bauxite reserves, captive power generation to meet most of its needs, alumina and smelting facilities, downstream production plants that span several products, and strategic joint venture companies that ensure uninterrupted supply of other key inputs such as caustic soda and aluminium fluoride.

The company performed well in 1998-99, notching up a 14.2 per cent increase in net profit on a 19.9 per cent rise in net sales. Though operating profit improved by 24.9 per cent over 1997-98, a sharp increase in depreciation (up 60.5 per cent due to the increase in fixed assets following completion of the capital investment programme) and interest (higher by 15.6 per cent) did curtail the rise in the company's bottomline to some extent. With earnings per share growing from Rs 66.6 to Rs 76.1, Hindalco raised dividend from 52.5 per cent last year to 65 per cent.

Keeping in mind that international prices of aluminium on the London Metal Exchange (LME) fell 18 per cent over the same period, the company's performance is quite encouraging. In fact, on an average, the company realised prices around three times higher than those in 1997-98, at a time when aluminium prices were at a five-year low.

One of the main factors responsible for Hindalco's improved performance was the fact that it completed its huge capital investment programme, carried out over the last four years, and these began to yield results during the year under review. Increased volumes with consequent cost advantages helped the company move against the industry tide. The technical

snag at Nalco's smelter, another major Indian aluminium producer, also provided Hindalco with an opportunity to increase domestic sales.

Another important strategy that the company has adopted is its foray into downstream products such as sheets, foils, extrusions and cans, and power transmission lines, which are the key to higher realisations. The significance of this move is evident from the fact that today though value added products make up no more than a seventh of the company's volumes, they account for half of its turnover annually.

Right decisions have helped the company build up its clout in the industry. Its decision to opt out of its proposed Rs 8,000 crore Aditya Alumina project in Orissa appears to be one such. With US-based consultants Kaiser Aluminium and Bechtel Inc having cast doubts over the viability of the project at its envisaged capacity of 2.5 million tonnes, Hindalco has decided to shelve the project as expected returns and shareholder value creation may not quite be commensurate with its large size and risks.

The company's stock presently quotes at around Rs 935 on the bourses, discounting its 1998-99 earnings by 12.3 times. The outlook for the company appears bright with aluminium prices having perked up at the LME during the current year. Though higher prices could lead to increased output all over the world, not to mention the off-loading of inventories built up over the past year, Hindalco should manage to hold its own against cheap imports because of its lower cost of production and other strategic strengths.

## TATA CHEMICALS

**Expansion Put on Hold**

Initially manufacturing soda ash, Tata Chemicals later diversified into fertilisers and cement in the early 1990s when margins from its earlier product became stagnant. Today, while fertilisers (urea) contribute the largest chunk of its total revenue (up to 47 per cent), soda ash comes second bringing in another 39 per cent of total turnover. The balance is accounted for by products such as vacuum salt, sodium bicarbonate, cement, caustic soda and detergent.

The company's urea sales in 1998-99 were lower by 4.9 per cent over that in the previous year. Due to operational

# The Week's Companies

(Rs lakh)

Financial Indicators	Larsen & Toubro		Hindalco Industries		Tata Chemicals	
	March 1999	March 1998	March 1999	March 1998	March 1999	March 1998
<b>Income/appropriations</b>						
1 Net sales	688277	530517	176700	147329	134781	151565
2 Value of production	704140	533106	180225	148829	132344	157592
3 Other Income	19535	14960	13013	12004	4721	2847
4 Total income	723675	548066	193238	160833	137065	160439
5 Raw materials/stores and spares consumed	231275	160966	44732	37365	34140	40141
6 Other manufacturing expenses	213330	155007	32180	29892	19273	23983
7 Remuneration to employees	49292	41369	11920	9866	6501	6537
8 Other expenses	134100	108180	13645	11060	24092	23319
9 Operating profit	95678	82544	90761	72650	53059	66459
10 Interest	24928	13512	8364	7234	19451	21530
11 Gross profit	79038	80031	83839	66085	32598	44726
12 Depreciation	26814	21027	12460	7764	11615	11513
13 Profit before tax	52224	59004	71379	58321	20983	33213
14 Tax provision	5150	5860	14700	8700	2816	4350
15 Profit after tax	47074	53144	56679	49621	18167	28863
16 Dividends	17962	17800	5324	4301	10026	12916
17 Retained profit	29112	35344	51355	45320	8141	15947
<b>Liabilities/assets</b>						
18 Paid-up capital	24852	24850	7447	7447	18070	18070
19 Reserves and surplus	345767	317352	476301	316225	149537	141396
20 Long-term loans	250506	223769	66276	74007	93971	100167
21 Short-term loans	85372	58157	2425	3982	63052	52588
22 Of which bank borrowings	31123	46853	2425	3982	28602	31888
23 Gross fixed assets	587477	549115	520546	362054	273995	259794
24 Accumulated depreciation	132000	119378	162888	123331	70516	59053
25 Inventories	199863	145345	31567	27672	25555	30238
26 Total assets/liabilities	945603	837540	573998	422484	350642	344256
<b>Miscellaneous items</b>						
27 Excise duty	40872	37160	24609	19744	10528	11737
28 Gross value added	158187	146876	93626	72739	56119	71439
29 Total foreign exchange income	31180	65453	16727	17026	205	1998
30 Total foreign exchange outgo	100542	73355	8547	12708	5801	10522
<b>Key financial and performance ratios</b>						
31 Turnover ratio						
(sales to total assets) (%)	72.79	63.34	30.78	34.87	38.44	44.03
32 Sales to total net assets (%)	97.42	85.00	31.98	36.68	41.52	48.54
33 Gross value added to gross fixed assets (%)	26.93	26.75	17.99	20.09	20.48	27.46
34 Return on investment						
(gross profit to total assets) (%)	8.36	9.56	14.61	15.64	9.30	12.99
35 Gross profit to sales						
(gross margin) (%)	11.48	15.09	47.45	44.86	24.19	29.51
36 Operating profit to sales (%)	13.90	15.56	51.36	49.31	39.37	43.85
37 Profit before tax to sales (%)	7.59	11.12	40.40	39.59	15.57	21.91
38 Tax provision to profit before tax (%)	9.86	9.93	20.59	14.92	13.42	13.10
39 Profit after tax to net worth						
(return on equity) (%)	12.70	15.53	11.72	15.33	10.84	18.10
40 Dividend (%)	65.00	65.00	65.00	52.50	50.00	65.00
41 Earning per share (Rs)	18.94	21.39	76.11	66.63	10.05	15.97
42 Book value per share (Rs)	147.40	135.88	437.21	368.25	92.75	88.25
43 P/E ratio	18.58	NA	12.28	NA	7.36	NA
44 Debt-equity ratio						
(adjusted for revaluation) (%)	68.39	66.27	20.36	26.99	56.07	62.81
45 Short-term bank borrowings to inventories (%)	15.57	32.24	7.68	14.39	111.92	105.46
46 Sundry creditors to sundry debtors (%)	105.69	99.97	74.45	87.01	21.79	26.42
47 Total remuneration to employees to value added (%)	31.16	28.17	12.73	13.56	11.58	9.16
48 Total remuneration to employees to value of production (%)	7.00	7.76	6.61	6.63	4.91	4.15
49 Gross fixed assets formation (%)	6.99	21.64	43.78	17.50	5.47	7.44
50 Growth in inventories (%)	37.51	10.22	14.08	12.40	-15.49	39.81

NA. means not available.

problems, the company's fertiliser complex at Babrala produced only 8.78 lakh tonnes of urea as against 10.2 lakh tonnes produced in the previous year. The shutdown due to technical problems and the non-optimal operation also resulted in increased energy consumption, further adding to costs.

On the soda ash front as well, demand declined by 3.5 per cent during the year due to reduction in inventory by consumers and a lower growth in the detergent market. Exports too were adversely affected by the abundant availability of low cost soda ash from China both in south-east Asia and west Asia.

With urea coming under the Essential Commodities Act and its pricing dispatch and distribution being determined by the government, there is a high level of subsidisation of fertiliser for farmers, consequently leading to unremunerative margins for manufacturers. This has also led to Tata Chemicals putting on hold its Rs 1,200 crore investment plans for doubling the capacity of its urea plant at Babrala in Uttar Pradesh to 1.5 million tonnes per annum. The current capacity of the Babrala unit is 7,50,000 tonnes per annum and the expansion project envisaged a gestation period of over three years. The company has now decided to reroute the funds collected for this project to other ventures such as modernisation of its Mithapur soda ash plant.

A major development for the company has been the decision of the Income Tax Appellate Tribunal which allowed its full claim for deduction of Rs 86.42 crore paid as interest in the assessment year 1992-93. This ruling is expected to immensely benefit the company because it has a chain of claims of about Rs 350 crore on the same issue in the next couple of years. Reportedly, the company is expected to benefit by about Rs 200 crore when this ruling is given effect to.

The company's stock presently quotes at around Rs 74 on the Bombay Stock Exchange, discounting its 1998-99 earnings by 7.4 times. The company's strategy to diversify into urea in order to reduce fluctuations in its earnings from soda ash has not helped it much due to the fertiliser pricing system. The delay in determining the pricing policy of urea and the feedstock availability problems have already taken their toll of the company's performance. The company is now considering various investment options in the process industry. Though it is well positioned competitively, Tata Chemicals' future depends on government policy and possible future diversification.

RAJASTHAN

# Backward Caste Movement Gains Ground

Nonica Datta

*The continuing debate in the media over the status of jats in Rajasthan and Sonia Gandhi's decision to cancel her tour of the state are symptomatic of deep fissure in the Congress over the issue of including jats in the OBC category. Clearly, the backward caste movement has come of age in the state and political parties will need to accommodate their interests.*

THE spectre of caste has increasingly come to haunt Indian politics. Caste, wrote the noted social anthropologist M N Srinivas, "is so tacitly and so completely accepted by all, including those most vocal in condemning that it is everywhere the unit of social action". Even though the role of caste is often decried as a fissiparous threat to national unity in some quarters, it is much more widely lauded as a channel of communication, representation, and leadership which links the mass electorate to the democratic political processes.

Caste as a factor in Indian politics is not new, though the resurgence of the OBC movement is of comparatively recent origin and can be traced to the process of Mandalisation initiated by V P Singh. With the backward caste movement gaining momentum throughout the country thereafter, the upwardly mobile jats in Rajasthan have also joined the race to secure access to the levers of power and patronage through reservations. The recent developments in this state, particularly on the eve of the forthcoming elections, is a pointer to the strength of the backward caste movement in Rajasthan.

The demand for reservations affects the upper caste Hindus more than any other segment of society. Hence, the organised opposition in Rajasthan, as indeed elsewhere, to the jat's demand for an OBC status. No wonder the Congress, having recovered the ground it had lost to the BJP, is sensitive to the upper caste backlash. But, in the process, it has alienated the jats, who had hitched their fortunes with the Congress in the recent assembly elections. The recently concluded All-India Jat Mahasabha in Jaipur, chaired by the former wrestler Dara Singh, has lashed out at the Congress for its 'betrayal'. The presence of Kanshi Ram, Ajit Singh and Tariq Anwar lent much political weight to what was

reportedly a massive gathering. The message emanating from the meeting was 'No quota, no vote'. "If khatris, charans, sunars and darzis are declared as backwards, why not us", stated Dharamvir, an IAS officer spearheading the present agitation.

Historians and political scientists have plotted the trajectory of jats in the plains of north-west India, comprising the states of Rajasthan, Haryana and western Uttar Pradesh. But much less is known about their counterparts in Rajasthan, whose origin and history, though documented during the colonial period, is still shrouded in mystery. Part of the reason for this neglect is that the jats in the region, once the stronghold of princely states and feudal barons, did not produce a high-profiled leadership either in the Mewar or the Marwar regions. Nobody acquired the stature of Chhotu Ram, who in the 1920s and 1930s, created among jat peasantry in Punjab an awareness of the importance of its collective strength.

Following the reorganisation of the states, the Rajasthan Jat Mahasabha, an offshoot of the All-India Jat Mahasabha founded in 1905, followed in the footsteps of Chhotu Ram. Local and regional jat leaders, some of whom allied themselves with the Congress, staked their claims through a well-organised campaign. They gained some advantages from their alliance, but the Congress, wary of alienating its upper caste constituency, has been reluctant to go far enough to fulfil their aspirations. The latest burst of anger against the Congress in not fulfilling its commitment to jats has been expressed by three Congress leaders, including a former union minister, who have recently defected to Sharad Pawar's Nationalist Congress Party.

Given their past and recent experiences, one can understand why the jats insist on

being included in the OBC list. Their chief grievance is that they have neither prospered during the long years of Congress rule nor found adequate representation in the bureaucratic or institutional structures. Though some amongst them have done well in the countryside, the rajput jagirdari elite continues to enjoy monopoly on land-ownership and the symbols and rituals of social deference. In some areas the rajputs exercise the right to decide on and enforce public rules.

In the 1920s and 1930s the Kisan Sabhas in Rajasthan organised large-scale agitations against the predominance of the upper castes: indeed their role was critical in mobilising important segments of rural society. The Arya Samaj movement, though based in Punjab, was also a catalyst of change and modernisation in Rajasthan. Prominent sadhus, including Swami Keshwanand and Karmanand, and religious bards toured jat villages preaching and singing of social reform, of the iniquities of the existing order, and of the righteousness of the cause of social purification and change. They helped to foster a strong jat consciousness in a politically benign region.

Despite the pioneering role of the Arya Samaj, there is still strong resistance to any radical restructuring of the power equations. Balbir Singh, an elderly Delhi-based jat activist, insists that the social barriers, inherent in the caste hierarchy, have not been broken down. Many others like him want a share in the symbols of social dominance. I was told by a journalist from Nagaur, an important centre in Marwar and a citadel of jats, "that it is still uncommon for jats to ride elephants or any beast of burden before the hearths of prestigious rajputs". The point is well taken. The caste structures in Rajasthan are, to a large extent, intact. More importantly, the political and economic aspirations of the jats have not been fulfilled in a region where progress has been slow and tardy.

The strength of a community ('jati') lies in its representation in government and the profession. This is where the jats of Rajasthan feel left out. "Discrimination against us is rampant. This is the cause of our community's backwardness", observed Balbir Singh. Harendra Mirdha, son of the senior Congress leader Ram Niwas Mirdha, underlines the backwardness of jat peasantry in western Rajasthan. According to him, the creamy layer formula should be applied in the case

of reservations so that the facility benefits the most deserving.

It is difficult to foretell which way the wind is blowing: Sonia Gandhi's decision to cancel her tour of Rajasthan last month and the continuing debate in the media over the status of jats, is symptomatic of deep fissures in the Congress over the issue of including jats in the OBC category. But one thing is for sure. What is being echoed today on the streets of Jaipur and Jodhpur is nothing new. Long years ago, Chhotu Ram had made strenuous efforts to unite the jats of Punjab, western UP and Rajasthan: he even found in the sacred Pushkar lake a powerful symbol of jat unity. It was he who secured for them, though in a limited way, the status of a backward community. It was he who sensitised them to the importance of harnessing their energies to create a jat front.

Today, what is being demanded by the jats of Rajasthan may be seen as a serious

threat to the upper caste hegemony. But the fact is that the backward caste movements have come of age in Rajasthan, as indeed in other states. It would thus be foolhardy to disregard or take lightly their relentless quest for socio-economic empowerment and a greater share in the power structures.

In effect, political parties, having shed some of their past inhibitions and broadened their social base, will have to discover effective ways of accommodating the interests of the jats and other backward castes in Rajasthan and elsewhere. In the long run, this must surely be every party's agenda for the next millennium. Ashok Gehlot, the chief minister, should be able to read the writing on the wall if he wants to secure the support of the jats who can influence the result of 18 Lok Sabha seats in the September elections. How he deals with the rest of the OBC bloc, which is 26 per cent of the population, is a million dollar question.

## Kalpavriksh School of Social Ecology

Ramachandra Guha

*If the price for being a pioneer is that you don't get any credit then that is the price that Kalpavriksh would readily pay. A 20th anniversary tribute to the environmental organisation.*

THERE is a price to be paid for being ahead of your time. In July-August 1983, a group of young students from Delhi University made a long, arduous journey on foot through the Narmada valley. They studied the landscape, spoke to villagers, interviewed government officials, and scanned through the available official documents on the largest development project planned in free India. After their return to Delhi the travellers wrote an extensive report on their findings, published, naturally, in the *Economic and Political Weekly*. The essay had a straightforward title: 'Narmada Valley Project: Development or Destruction?' (*EPW*, June 2-9, 1984).

The authors of this study came from a then-fledgeling environmental group named Kalpavriksh. They were not professional writers, or professional social scientists. Yet there is a comprehensiveness to their analysis that, to my mind, has not been surpassed in the numerous books and essays since published on this most controversial project. In 13 closely — perhaps too closely — printed pages of the *EPW* were elaborated the ecological and cultural impact of the proposed dams on

the Narmada. The claims made by the state were subjected to close (and damaging) analysis. This was their conclusion:

Deforestation, soil erosion and impoverishment, siltation of reservoirs, pollution, land scarring, wildlife destruction, cultural disruption — all these seem to be inevitable impacts of the kinds of activities that the Narmada project in its present form envisages. In the long run, such environmental disruption is bound to reverse the temporary gains made by the project. Viewed from this angle, the project appears to us to be frighteningly suicidal in nature.

There is nothing of substance in Arundhati Roy's *The Greater Common Good* that had not already been stated in that article of June 1984. Kalpavriksh anticipated the novelist by 15 years. Indeed, they were there before Medha Patkar was. The *EPW* essay was, it appears, an important reason why Medha Patkar decided to shift from social work in Mumbai to social action in the Narmada 'ghati'.

If the price for being a pioneer is that you don't get any of the credit (when the world finally wakes up), then that is a price

that Kalpavriksh would readily pay. For it is an association with a remarkably undeveloped collective ego. The cause, rather than the celebration, has always been paramount. Of all the voluntary groups known to this writer, only the Peoples Union for Democratic Rights matches Kalpavriksh in its indifference to media attention or individual reward. (There is another way in which the two groups can be compared, to their mutual credit. This is the lack of sexism in their internal operations, the fact that in both the PUDR and Kalpavriksh women have played critical roles as actors and initiators.)

Kalpavriksh dates its formal origins to 19th September 1979, when the young girls and boys who were to be its founding members took part in a demonstration against tree felling on the Delhi Ridge. Regular meetings in schools commenced thereafter. Then, the next summer, a group of Kalpavriksh members went on a tour of Tehri Garhwal with the padayatri par excellence, Sundarlal Bahuguna. This, their first exposure to village India, was critical in bringing a social conscience to bear on an already developed environmental awareness. What they learnt in the Himalaya influenced their involvement in the campaign against the notorious Forest Bill of 1982. In the same year, Kalpavriksh also investigated and wrote about the deaths through police firing of villagers grazing cattle inside the Keoladeo Ghana National Park in Bharatpur.

I first made my acquaintance with Kalpavriksh in January 1983. I had just published an essay in this journal which questioned the faith among socialists that, especially in a poor country, environmental movements were but a 'bourgeois deviation'. While visiting Delhi I was contacted by three members of Kalpavriksh, and subjected to a searching examination. It was a singular experience, not least because the interviewers were much younger than myself. Two among the interview panel were still in school; one had just joined university. The interrogators wished to discover whether my *EPW* essay was the product of more than a passing academic fashion. I do not think I completely convinced them of my credibility. Since there could never be any question about theirs, I determined to pursue the relationship, regardless of any lingering doubts on their side. For some 16 years now I have been challenged and inspired by Kalpavriksh.

There are three areas of work in which Kalpavriksh has made notable contributions. The first is environmental

education. They have organised numerous lectures and exhibitions in the schools of Delhi, and have also published literature (based principally on their own work) for wider dissemination. I think especially of their documentation of the threats to little-known and fragile environments, such as the Andamans. These appear under their own imprint; in the wider world, meanwhile, two former members of Kalpavriksh, a husband and wife partnership, are among our foremost science journalists. Another person who spent her early activist years with Kalpavriksh is now a leading figure in a leading environmental NGO, and the author herself of influential essays on the politics of climate change.

Kalpavriksh has also built upon its early studies of large dams. When the Narmada Bachao Andolan got going in the late eighties, it was Kalpavriksh members who staffed and ran its Delhi Support Group. They helped link the Andolan with like-minded groups, and produced, and widely publicised, updated critiques of the project. For several years they circulated a fact-filled newsletter on dams. Individually, some of the teenagers I once knew have gone on to author impressive scholarly works on the politics and ecology of water use. One Kalpavriksh member published a fine sociological study of tribal participation in the Narmada Andolan; a second wrote a closely argued book on the political economy of water management in modern India. A third has just finished a doctoral thesis on the environmental and social implications of flood control.

Most members of Kalpavriksh came to the environment through an interest in wildlife. Bird and tiger watching produced, in this case, not a loathing for the human animal so easily perceived to be the 'enemy' but, rather, the desire to reconcile the sometimes conflicting aims of biodiversity conservation and social justice. The management of our forests and wildlife sanctuaries has continued to be of abiding interest. Bird counts have been organised in Sultanpur and Corbett; studies, set in other sanctuaries, conducted of the impact on biodiversity of commercial felling and mining.

An old faithful of Kalpavriksh has an unsurpassed knowledge of the status of our national parks. He has been in the forefront of the still evolving movement to make parks and sanctuaries more sensitive to the rights and claims of the human communities who live within or adjacent to them. His knowledge – leavened with his humanity – is embodied in dozens of essays and several books. A

honourable mention is also due to the Kalpavriksh member and erstwhile Narmada traveller who joined the Indian Forest Service to put his ideas and commitment into concrete practice.

The group now produces a regular *JPAM Update*, promoting the idea of 'Joint Protected Area Management', modelled on 'Joint Forest Management', whereby the state and local communities might come to work in creative partnership. But the academic study of forests and wilderness in India also owes an enormous debt to Kalpavriksh. I think of a young historian I know who has done important work on the history of wildlife conservation. Another historian is completing a book on the intellectual history of European forestry. A conservation biologist has published a well-documented analysis of pastoralists in Himachal Pradesh, knocking myths about the 'destructive' impact of grazing on biodiversity. An economist trained at the Delhi School of Economics, but oriented nonetheless towards fieldwork, published an essay in the *EPW* on Panchayat forests in Kumaun – this complemented by a more formal justification of common property resource management published subsequently in the flagship *American Economic Review*. The scholars who admire the work of these four lads do not generally know that, in each case, it might never have come to pass without Kalpavriksh.

Kalpavriksh provided an early training in social commitment for some who later moved out of the environmental field. Two of the stalwarts of the PU'DR, heroic and inspirational figures both, came to that organisation from Kalpavriksh. The youngest in the group that interviewed me back in 1983 moved into journalism; he now writes from that most difficult of outposts for an Indian reporter, Islamabad. (He earlier reported, outstandingly, from Colombo). I am told that the district magistrate of Latur in the post-earthquake rebuilding period was a Kalpavriksh man.

This listing is certainly incomplete, based as it is on one person's knowledge of the organisation. Other men and women from Kalpavriksh have gone on to become activists, social workers, and scholars. One, whom I did know, came from an aristocratic Delhi family, yet chose, with her doctor husband, to run a rural clinic and motivate peasants to protect forests in the Kumaun. It was in those forests that she died, tragically and before her time, working to the end in the spirit of quiet, unself-conscious service that Kalpavriksh has made its own.

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# Role of Election Commission in Ensuring Fair Polls

A K Roy

*THE Election Commission can play a vital role in ensuring that the elections are fair and free, but the success of the measures it proposes and implements depends critically on the degree of commitment of political parties and leaders to the democratic process and the well-being of the people.*

EVEN without Kargil and the monsoons this mid-term poll would have been a most crucial election for the country. Within four years the country is facing the third election. If this time also the election fails to give any party a clear majority and produces a hung parliament this may well become the last election under the present Constitution. Elections have become increasingly costly affairs and result in stalling all developmental activities. In Bihar the Lok Sabha election cost Rs 10.45 crore in 1952, Rs 9.5 crore in 1957, Rs 7.31 crore in 1962, Rs 10.96 crore in 1967, Rs 14.43 crore in 1971, Rs 29.81 crore in 1977, Rs 37.07 crore in 1980, Rs 78.28 crore in 1984 and Rs 110 crore in 1989 and in the country as a whole the amount would be several times higher. In the 11th Lok Sabha election (1996) Rs 542 crore was spent, in the 12th Lok Sabha election (1998) some Rs 750 crore, and in the present 13th Lok Sabha election (1999) the amount is likely to be more than Rs 1,000 crore. So in this election not only the fate of political parties but that of the Constitution and the country is at stake. This has put some additional and extraordinary responsibility on the Election Commission, political parties and, of course, on the people to make the polls fair, the results clear and the whole exercise healthy leading to a better tomorrow.

The role of the Election Commission is important. The main point is how to eliminate the domination of money and muscle power and put a check on the fanning of parochial feeling, derailing the process of election. Though the issue is connected with the broader question of social values and of the system itself, the Election Commission can have a catalytic role in the process. In the past the commission used to be considered a wing of the administration to complete the formalities of the election. Nobody even

knew the name of the Election Commissioner, or gave any importance to this institution or even took notice of its activities. However, after the coming of T. N. Seshan, there was a change. Till Seshan was in office he used to be the most talked-about person in any election, towering above all candidates, making his presence felt on all – the government, parties and the people. A model code of conduct was made to operate firmly and sometimes quite absurdly, showing the hitherto undiscovered and untapped power of the commission hidden in the Constitution. The way the election in Patna was declared null and void and officials shifted overnight over the head of the government made the administration shudder. Though after Seshan that initial momentum has slowed down, the trend continues and the office of the Election Commission and its wings in the states may not now be taken for granted.

Though Seshan's shock treatment is considered better than no treatment and often admired, experience shows that this does not solve the real problem. So the initial euphoria, the 'Seshan effect' started evaporating even during Seshan's time. One of the reasons was that the commission could not work as a super-government nor was it meant to bring about social reform. Sometimes it appeared that even the direction was wrong, defeating the basic objective. For example, the commission issued an ordinance last year to enhance the security deposit of candidates from Rs 500 to Rs 10,000, i.e., by 20 times, and increase the limit on expenditure from Rs 4.5 lakh to Rs 15 lakh. The reason given for the first was to discourage non-serious candidates who used to regard the election as a sport (there were 13,952 candidates in the 1996 election for 542 seats). But the treatment was worse than the disease and was definitely of no help in reducing the influence of money power.

On the contrary, it made elections even more the exclusive playground for moneyed people where the poor could not think of getting an entry. If the aim was to eliminate non-serious nominations, the number of proposers should have been increased such that before aspiring to contest the candidates and their parties would need to build organisations in the constituency instead of arranging for the enhanced security deposit.

Regarding the limit on expenditure, experience shows that for a candidate and a party with roots in society and feet on the ground, the amount Rs 4.5 lakh is not small since the campaigning time has been reduced to 20 days (i.e., Rs 22,500 per day, when the average per capita income per day of the people who are to vote is less than Rs 35 and half of them live below the poverty line). To curb money power in elections what is needed is not an increase in the legal limit on expenditure but a ban on donations from business houses and to make it compulsory for candidates not only to submit the actual account of expenditure in elections but also the source from which funds are collected. It is good that a major left party has refused to take a donation from a big business house. Real representatives of the people can go to parliament if parties learn to live on small subscriptions from people and the candidates are made to walk on the ground to find out the ground reality.

The recently published report of the Law Commission and the letter of the law minister also show how divorced is the thinking of the governing bodies and the law-makers from the real problems standing in the way of making elections fair and yielding results in the interest of the country. An absurd and totally irrelevant proposal in the name of avoiding instability of the government is to minimise the number of independents, whose number was only six in the last parliament by increasing the security deposits of the independent candidates to Rs 2 lakh. This means that only the rich people will have the opportunity to stand as independents. Moreover, political instability in the country has not been because of independents but the big parties in which principles have taken a back seat for long. The bigger the party the greater is its contribution to the instability. In the recently concluded conference of leading social workers and intellectuals on July 24-25 at Sewagram, Wardha, there was even an 'Appeal to the Nation': "The

people should reject those parties which have been in power at the centre and in the states and who have been responsible for the present wars in which the country finds itself."

The Election Commission should evolve some code and enforce it with or without the consent of the major parties to disqualify all those from contesting who change parties or enter parties after the dissolution of Lok Sabha, i.e., with an eye to get a ticket. Parliament is not meant for such self-seeking speculators. This means that the law of defection is to be made to operate not only when there is a parliament but also after it is dissolved.

State funding of the parties for elections is another proposal. Politicians and political parties squeeze the state exchequer enough after being elected and it would be ridiculous if they are to be funded for the elections as well. Instead of election campaigns being funded by the state there should be heavy taxation of every party's election expenditure.

What affects the results of elections the most is the increasing bogus voting. In the past this used to be at the most 5 to 10 per cent, but now it exceeds 50 per cent in some places in Bihar. Practically one-third to half of the votes are bogus. Previously there used to be long queues of voters with 50 to 55 per cent polling, but now there is hardly any queue and still polling is 70 per cent. Things have become worse with local toughs, the polling machinery and policemen participating in all this. So as part of its 'arrangements' for the elections, one party in Dhanbad collected the list of polling parties and their centres and reaped rich dividends the last time. People have become so disillusioned that many have started subscribing seriously to the naxalite view that elections are a farce. It is good that the Wardha conference suggested that "on the day of election, vigilance should be organised at polling booths by local volunteers with the permission of the Election Commission in order to ensure that the election is free and fair and is not vitiated by booth-capturing or other malpractices".

To combat this menace Seshan thought of photographs for voters, but for strange reasons the system which could have had some effect in the industrial urban belts with large floating votes was not put to use. However, even this would have had only partial effect as the main problem lies elsewhere. Now large-scale

rigging takes place not by impersonation but by a few persons stamping the ballot papers in full view of the polling authorities. This generally takes place at the end of the day or at the beginning when the voters are yet to exercise their franchise.

The best way of resolving this problem is to organise people's resistance, as the Wardha conference has suggested. But where that is not possible, another step is to examine on complaint the counterfoil on which each voter is to sign before voting and which is preserved. It is difficult to ascertain that those signing are indeed casting their vote, but if the signatures or thumb impressions are found to be of the same persons then the fraud can easily be detected and it concluded that the election has not been fair. Polling officers may not be able to detect impersonation, but they would definitely be able to notice bogus stamping and must report it after the poll, if it is not possible to do so during the poll process because of the lack of security. If the polling officers do not complain but aggrieved parties do and the complaint is later proved to be valid on examination of the counterfoils, then these officers must be brought to book for

conniving with the fraud and concealing the facts.

To curb the use of muscle power in elections, the local police and administration which generally connive in such acts must be shuffled. The day the campaign stops and until the end of the polls the entire administration should be put under the Election Commission and should function directly under the president. This would help eliminate many of the grievances of opposition parties about real or imaginary misuse of state power by ruling parties in elections.

There is talk of reviewing the Constitution and the election system and switching over to the proportional representation or list system. But with the ever-changing parties and a fractured polity, this will create more problems than it will solve. And India is not Germany. What is more, the fault is in us and not in the Constitution. Perhaps this was anticipated by B R Ambedkar when he said while replying to the debate on the Constitution on November 25, 1949: "I feel, however good a Constitution may be, it is sure to turn out bad, because those who are called to work it happen to be a bad lot".

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# Rehabilitation of Scavengers

Ramesh Chandra

*A national scheme to eliminate scavenging by putting in better sewage systems and rehabilitating scavengers has been in operation since 1991-92. But it has achieved little so far.*

RESTRICTING or forcing a person to any particular occupation on the basis of caste has been a great flaw of the Indian caste system. Nelson's theoretical interpretation of the Indian caste system – genesis of social structure and basis of social order – seems obsolete in present times when society at large seems in no mood to accept this idea of structure thrust from above any more. More so, in the light of technological and scientific attainments, continuance of use of human labour to carry out tasks which involve the notion of filth is unacceptable. Scavenging is one such occupation, a blot on the Indian social system. People engaged in this occupation are, as a social group, called the 'bhangis', who were labelled as an exterior caste and polluted people throughout the country. This view was held even by Hutton, famous for his caste-based census enumerations of the country (1931), "it is not possible to say generally that such and such caste is exterior to Hindu society and to apply that dictum to the whole of India. *It may be possible to do so in the case of certain castes such as dom and bhangis.* A reflection that bhangi in background of its hereditary occupation is regarded as exterior everywhere in India and thus scavengers are lowly placed in social hierarchy in Indian society, is easily discernible" (italics added, Bindeshwar Pathak (1991): *Road to Freedom: A Sociological Study on Abolition of Scavenging in India*, Motilal Banarsidas Publishers, Delhi). It is rather unfortunate that although equal opportunity to all and right to a dignified life were incorporated in Indian Constitution, it is still not a reality 50 years later.

The low cost sanitation system, Sulabh International, developed by renowned action sociologist Bindeshwar Pathak, is important for the liberation of scavengers. 'sulabh shauchalaya' serving as a public utility and conversion of dry latrines into water borne (based on pit system of wet sanitation) would help improve sanitation and liberate scavengers from their traditional occupation. Planners and social policy-makers formulated a national scheme of liberation and rehabilitation of scavengers and their dependents with a view to eliminating the practice of scavenging altogether.

This national scheme of eliminating scavenging and disposal of 'night soil' on

human heads was initiated in 1991-92, but became effective during the eighth plan period when the ministry of welfare initiated a scheme for abolishing night-soil disposal on human heads.

"The process of liberation of scavengers involves not only value conflict, rehabilitation and change in the means of livelihood; it is also closely related to the change in social status and patterns of social relationship" [Pathak 1996: 14]. While this aspect of liberation depends on social and cultural constraints, one thing which can be done immediately is stopping the use of traditional dry latrines altogether. It is heartening to note that the scheme of liberating scavengers through low cost sanitation has been introduced in different parts of the country. Bihar introduced the scheme not only in cities like Patna and Ranchi but also in smaller towns like Purnea, Medhuhani and Arrah besides some industrial towns like Dhanbad and Jamshedpur [Pathak 1996: 19]. However, Delhi illustrates how a scheme began with good intentions can become skewed and non-operational.

The national scheme of liberation and rehabilitation of scavengers has been envisaged with two integral components with a view to eliminate the practice of scavenging. One is to restructure the mechanism of disposing night soils by introducing water borne latrines and the other is to rehabilitate the scavengers in some other occupation by providing adequate training.

The work of conversion of dry latrines into water borne is a prerequisite to stop the practice of scavenging. Dry latrines are found in towns and rural areas all over India. Responsibility for conversion of dry latrines lies upon agencies such as municipal corporations and other local government organisations. At national level the responsibility of such conversion of dry latrines into water borne ones is with the ministry of urban development.

The rehabilitation of scavengers thus freed from the traditional work of disposing night soil as headloads, is the responsibility of the ministry of welfare. This is the 'soft-core' work of the entire scheme of liberation and rehabilitation. To meet this objective the scheme evolved three dimensions in its implementation. One, a time-bound programme of identification of scavengers and their dependents at the

national level in different states/union territories and up to the level of village. Two, a survey of aptitudes of scavengers for alternative jobs or trades and a comprehensive training programme for identified trade or job. Necessary training of a duration of one to six months would be arranged in local training centres of different departments of state/central government. Besides, NGOs and such other organisations, which have some expertise in the respective subject of training, are to be involved in the programme. Three, the financial component for rehabilitating scavengers in different traders or jobs by providing adequate loan or subsidy and margin money, etc, through banks and direct central assistance.

Further, an expenditure of Rs 5,000 per month and a stipend of Rs 150 each for identified liberated scavengers and their dependents was envisaged. For their rehabilitation a sum of Rs 50,000 has been fixed as financial assistance to the project for each beneficiary. It includes 50 per cent of subsidy subject to a ceiling of Rs 10,000 of capital cost, margin money loan of 15 per cent of the project cost at a nominal interest rate of 4 per cent. Remaining portion of fund requirement is to come from commercial banks who are under advise of Reserve Bank of India to entertain such proposals. However, the entire amount of subsidy on training is to come from the central government while the outlay on margin money is to be shared by respective state and the central government in the ratio of 49:51.

Ever since the inception of the scheme of liberation and rehabilitation of scavengers in 1991-92 with total fund of Rs 50.50 crore as central assistance, there has been an upward increase steadily in fund allocation. During the eighth plan period, 1992-97, Rs 464 crore was set aside for this problem. A look at the yearwise financial involvement and performance of 'training and rehabilitation' programme helps us to assess the performance of the scheme at the national level (Table 1).

TABLE 1: FUNDS AND ACCOMPLISHMENTS OF SCHEME

Year	Funds Released to State Government (Rs Crore)	Number of Scavengers	
		Trained	Rehabilitated
1991-92	50.50	-	-
1992-93	60.73	16288	19007
1993-94	70.97	13266	40820
1994-95	73.00	24568	63746
1995-96	90.00	50000*	100000*
Total		104122	223573

Note: \* Proposed by state governments.

Source: Annual Report, Ministry Welfare, New Delhi, 1995-96.

The survey for identification of scavengers was carried out in 13 states and union territories – Andhra Pradesh, Assam, Haryana, Himachal Pradesh, Jammu and Kashmir, Kerala, Madhya Pradesh, Orissa, Punjab, Rajasthan, Tamil Nadu, Delhi and Pondicherry. The survey identified 7.36 lakh people (Ministry of Welfare, Annual Report 95-96). Statewise survey statistics are given in Table 2.

In western states of Gujarat, Rajasthan and Maharashtra work of rehabilitation has been slow or negligent. In none of these states has the training component covered more than 3.15 per cent of the identified scavengers; and in rehabilitation accomplishment is about 11.00 per cent in Maharashtra. In Delhi, where the abolition of scavenging was announced by the prime minister from the rampart of Lal Quila, out of 17,420 identified scavengers only 153 were offered training in alternative vocations and 701 were

rehabilitated by 1994-95. Situation at the national level is far from satisfactory. Of the total number of identified scavengers (7,36,114) only 13.29 per cent could be trained and 25.74 per cent were rehabilitated until 1995-96 (Table 3).

It is disheartening to observe the dismal performance of the scheme so vital to social upliftment of the downtrodden and neglected people. This in spite of the fact that a simple technological solution has been available since the 1960s. The constraints are of two kinds 'hard core' – conversion of dry latrines into wet water borne ones, and softcore – training and rehabilitation programme.

Conversion of dry latrines is a subject under the charge of department of urban development. Bearing expenses on account of dry latrines poses a problem. Under the general policy, the government can bear cost only in case of those belonging to weaker sections of the society who are below the poverty line. This allows limited scope for conversion work. Dry latrines exist in small and medium class towns of varying community and income group composition. Even in municipal towns of bigger sizes or class there are dry latrines. In Delhi, a proposal to bear expenses of conversion of dry latrines irrespective of economic status of residents was rejected because the better-off residents would also benefit. Unless some stringent law is enforced to do away with the practice of disposal of nightsoil manually by compelling the residents to incur such necessary expenses on conversion works this practice will not end. However, funds do play a deterrent role in this major task. The problem can be solved only if the civil residents themselves come forward on their own to go for conversion work at their expenses.

Constraints were observed in the soft-core sector of training and rehabilitation as envisaged by implementing agency.

The rate of stipend, Rs 150 per month, for each trainee is much lower than the average income earned by scavenging. There is a proposal to enhance the stipend from Rs 150 to Rs 750 per month.

Although loans are to be granted to individual target beneficiary as per norms laid under the scheme with arrangements with the Reserve Bank of India, subsidiary banks have shown reluctance in sanctioning loans to those found defaulters on account of other developmental schemes, and to more than one individual of the same family. These banks refuse to sanction loan on technical grounds, non-feasibility of projects and in default cases for want of assured repayment of the loans.

Inadequate infrastructural support and contribution at grass roots level is yet another impediment to the scheme. In fact

different state departments are supposed to cater to the need for providing training to identified persons. The training gets weakened firstly by poor enrolment of persons due to lack of initiative and sufficient stipend amount; and then, by poor co-ordination and inadequate facilities.

As regards the rehabilitation programme, project formulation has not seen beyond the traditional avenues of piggery, poultry and the like which turn to be non-viable. There is a need to evolve projects on the basis of current demand for goods and services.

Considering the poor performance, there have been a number of attempts to expand the scope of scheme qualitatively. One such attempt is to reformulate the training modules so as to incorporate TRYSEM norm of training conducted in the rural development sector. Diverting the channel of central assistance through the state scheduled caste development corporation (SCDC) directly through its nodal central agency, the National Scheduled Caste and Scheduled Tribes Finance and Development Corporation is another major breakthrough.

The focus is being shifted from individual beneficiary to his/her family unit so as to widen the scope of group projects to be taken up for rehabilitation. Yet another significant step has been the setting up of National Commission for Safai Karmacharis in 1994. This commission is to recommend specific programmes for elimination of inequalities between states. To provide education to the children of scavengers and others in unclean occupations, under a scheme in operation since 1977, financial assistance such as scholarships, is provided. The central government bears 50 per cent of the expense (Rs 1.98 crore at the end of the sixth plan period). Besides, an ad hoc grant of Rs 500 per month to all eligible children and scholarship is given for 10 months in a year to both hostelites and day scholars.

No matter how well-formulated a national policy is, success depends upon commitment, implementation and the response of the target groups, their ethno-centricism, population size, socio-cultural characteristics and will to accept change. Merely pumping in funds cannot help solve the problem. There must be a two-way reciprocal arrangement between the policy-makers and the beneficiaries. Much can be achieved with limited funds if the size of target group is contained and alternative avenues are explored.

[This is a revised version of 'Rehabilitation of Scavengers: Some Policy Perspectives' presented at a seminar held at the Centre for Social Studies, Surat, in 1997. The views are of the author and not of the organisations with which he is or has been associated.]

TABLE 2: STATEWISE NUMBERS OF SCAVENGERS INCLUDING DEPENDENTS

State/Union Territory	Number of Scavengers Identified
Andhra Pradesh	7453
Assam	5651
Bihar	40249
Gujarat	40000
Haryana	18188
Himachal Pradesh	4760
Jammu and Kashmir	3548
Karnataka	5825
Kerala	1339
Madhya Pradesh	80072
Maharashtra	126691
Orissa	17122
Punjab	26819
Rajasthan	87938
Tamil Nadu	35561
Uttar Pradesh	226189
West Bengal	30000
Delhi	17420
Pondicherry	476
Nagaland	1800
	736114

Source: Ministry of Welfare, Annual Report 1995-96

TABLE 3: TRAINING AND REHABILITATION OF SCAVENGERS

State	Number of Scavengers	Trained	Rehabilitated
Maharashtra	126691	3990 (3.15)	13948 (11.00)
Gujarat	40000	Nil (00.00)	1596 (3.99)
Rajasthan	87938	2675 (3.04)	1621 (1.84)
Total	254629	6665 (2.61)	17165 (6.74)
Delhi	17420	153 (0.88)	701 (4.02)
India	736114	97809 (13.29)	189456 (25.74)

Note: Figures in brackets are percentages of state totals

# Myth of Empowering Urban Local Bodies

Soumen Bagchi

*In absence of devolution of financial powers from the state government, the political empowerment of the urban local bodies, as envisaged by the 74th constitutional amendment, fails to make much sense.*

IT is a common belief among the scholars, policy-makers and many others involved in the sphere of urban problems and issues that the Constitution (seventy-fourth) Amendment Act, 1992, has been a breakthrough in the history of urban local governance in India. Apparently it may seem that the 74th Amendment, 1992, has made a dent in the urban governance in India in comparison to the status enjoyed by the urban local bodies (ULBs) prior to it. It is to be noted that the local administration was a state subject according to article 12, schedule 5, list II of the Constitution. Article 268 and article 269 of the Constitution of India specify the duties that are to be levied by the government of India but will be collected by the state governments. It also clearly mentions those duties and taxes that will be levied and collected by the government of India but are to be assigned to the states. No such provision was kept for the urban local bodies in India. The 74th amendment, 1992, was in reality reluctant enough to keep such provisions. Article 243X of the Constitution of India does not specify the duties, tolls and taxes to be levied and collected by the municipalities and those to be collected by the state and assigned to the local bodies. The ultimate decision of authorising and assigning selective taxes to the local bodies continues to reside with the state legislature. However, the formation of the state finance commissions (SFC) has been a significant move in this direction. Article 243Y empowers the SFCs to make governing principles regarding (a) the distribution between the state and the municipalities of the net proceeds of taxes, duties and tolls leviable by the states, (b) the determination of taxes, duties, tolls and fees which may be assigned to or appropriated by the municipalities, and (c) the grants-in-aid to the municipalities from the consolidated fund of the state. Thus, it can be seen that the 74th amendment, 1992, has more or less succeeded in keeping the financial powers of the local bodies within the jurisdiction of the state governments. Similar is the case so far as the devolution of functions and responsibilities to the local bodies is

concerned. Article 243W (XIIth schedule) of the 74th amendment, 1992, consists of a long list of obligatory functions for the ULBs. However, what functions and responsibilities should actually be assigned to the municipalities in place of or in addition to what they already have is still left to the state legislatures. Thus, if the provisions in the 74th amendment, 1992 are analysed critically, the amendment seems to have succeeded only in providing a long list of functions and responsibilities to the local bodies without doing much in empowering them with the financial powers. It seems at the moment that the 74th amendment, 1992, itself needs certain amendments for it to be more specific in its objectives. Empowering the ULBs should not remain limited to political empowerment as it does not make much sense without financial empowerment.

In fact, shortage of resources is a major problem faced by the ULBs in India. On the one hand, the local bodies have few buoyant taxes at their disposal, and on the other, even these taxes undergo certain unscientific method of computation, as in the case of property tax, or suffer from inefficient collection because of unwarranted political intervention. The empowerment of the ULBs has more or less remained a matter of discussion for scholars and researchers. So far as the financial condition of the ULBs in India is concerned, it is largely dependent on state government's transfers either through various grants or assigned revenues. The financial situation of the ULBs further deteriorated except for Gujarat and Maharashtra with the abolition of octroi and without providing an appropriate alternative for the same. Octroi is supposed to be the only source of revenue based on the level of economic activity of the city and had the required growth potential according to the increasing resource requirement of the ULBs. Often the abolition of octroi is justified on the ground that its method of collection led to enormous wastage of time and energy. So, the best way to improve the situation, it was thought, was to do away with it rather than attempt a more scientific and time-saving mode of

its collection. This drastic step satisfied the affluent few but in the long run handicapped the ULBs already in a financial mess. Thus, on the one hand, the objective is to empower the ULBs to make them go to the capital market and private partners for lumpy capital investments, and on the other, make them more dependent on the state government grants by abolishing the most buoyant revenue source which could have been used for various other purposes including debt-servicing. In the states where octroi has been abolished, it is being compensated by an octroi compensatory grant from the respective state governments. The situation is however far from satisfactory. While the octroi accounted for nearly 60-70 per cent of the total revenue and grew over time with the growth in economic activity of the city, the grants, besides being a fixed amount, account for a mere 15-20 per cent of the ULBs' total revenue. Thus, it has been often observed, the policies adopted by the government become self-defeating.

The state government is no more in a position to continue subsidisation of the civic amenities and has to look for unconventional method of financing urban basic services through funds from the capital market or public-private partnership. Nevertheless, the success of such experiment will depend to a large extent on the financial self-sufficiency of the ULBs. Hence, the government will either have to reinstate octroi or will have to allocate an appropriate alternative for the city level government, provided the alternative source grows with the growth in city's economic activity and of course, does not have to face the similar hazards in its collection as was the case with octroi.

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# Dealing with Sexual Harassment at Workplace

## Impasse Continues

Bina Srinivasan

*The manner in which the case of sexual harassment in the MS University has been handled by the concerned authorities points to the need for a countrywide campaign for the adoption of the Supreme Court guidelines.*

THE MS University campus has been fraught with tension over the issue of sexual harassment since March 1999. As has been extensively reported, it was the complaint of a PhD student that triggered off the furore. In response to the student's complaint of sexual harassment by her guide, the vice-chancellor instituted an inquiry committee to go into the issue which, to put it mildly, gave the lecturer a clean chit. The MSU syndicate lost no time in unanimously accepting the report without a murmur of protest at the language or the obvious biases of the inquiry committee report.

Close on the heels of the inquiry committee report came the report of the Guidelines Committee which presented the syndicate with recommendations to set up a redressal mechanism to deal with sexual harassment on the campus. On August 2, 1999 the syndicate unanimously rejected this report. The syndicate contends that the recommendations are one-sided. A new committee has now been set up to 'look into the recommendations', and amend them suitably. The genesis of the rejected report can be traced to the Supreme Court judgment on sexual harassment at the workplace which was delivered in August 1997. The then vice-chancellor, Padma Ramchandran set up a Guidelines Committee to go into the means by which a redressal mechanism could be instituted in the MSU primarily as a preventive measure. The Guidelines Committee also had a mandate from the syndicate. The Supreme Court judgment legitimised and endorsed the concerns expressed by women within the university and other women's groups. Indeed, the SC judgment gave an impetus to women's groups in campuses all across the country. Many consultations and discussions have been held since then. As a result, many groups have come up with drafts for policies that could be instituted by educational institutions. Following the UGC directives to all universities, the efforts of

women's and students groups have been further underscored.

At MSU, the Guidelines Committee looked up various draft policies, legal provisions, the SC judgment and formulated a set of recommendations. Some of these are: – A permanent cell called the Sexual Harassment Prevention and Redressal Cell should be constituted with seven members on board, half of whom should be women. The cell should also be chaired by a woman and include representatives from the Baroda University Teachers' Association (BUTA), the syndicate, an academic member, Women's Studies Research Centre, an NGO working on women's issues and a PhD student.

– A constituting committee should be entrusted with the selection of members of the cell.

– The functions of the cell should include dealing with complaints of sexual harassment, and creating a gender friendly environment.

– The cell should adhere to the Supreme Court definition of sexual harassment.

The Guidelines Committee report has two dissenting notes. The first one asks for punitive measures for the complaint, "in the same manner as it would have been imposed on the accused if found guilty", if, "the inquiry committee comes to the conclusion that the complaint is baseless and it is made by the complainant with the mala fide intention of harming the reputation of the accused". The second dissent note says that, "the accused must be suspended from his duties immediately", once a complaint has been registered.

As is evident, the Guidelines Committee has taken care to include representatives of all the parties that would be affected by complaints of sexual harassment within the university, i.e., students, teachers and women. NGO members have been included to safeguard against internal pressure. The arbitrary dismissal of such recommendations seems to indicate a mis-

placed fear on the part of the syndicate. When seen in conjunction with the syndicate's acceptance of a report that has made short shrift of a complaint of sexual harassment against a lecturer it seems ominous. In addition, the recommendations adhere so completely to the Supreme Court guidelines that it is surprising, to say the least, that the syndicate has reacted in this knee-jerk and short-sighted fashion.

Here a comment on the first dissent note is necessary. A cell set up to look into sexual harassment cannot begin with a stipulation that 'false complaints' need to be punished. Such a stipulation overlooks the situation on the ground. Central to the issue of sexual harassment at the workplace is the misuse of power and the silence that usually surrounds it. Sexual harassment is an expression of domination in the crudest sense as it inhibits women from functioning without fear of violation of their sexual dignity. A cell to go into cases of sexual harassment is geared to cater to the needs of women who are vulnerable to misuse of power. If creating a women-friendly environment is the basic issue, then introducing a punitive clause is self-defeating. Instead of preventing sexual harassment it will prevent complaints against such acts.

The way the syndicate has chosen to react to both the reports reveals a deep-rooted resistance to making fundamental structural changes. This opposition seems to hinge on two factors, (i) the fear of taking an unambiguous pro-women stance, and (ii) the reluctance to allow for mechanisms that would break the silence around sexual harassment. The silence imposed on women in this context is linked to a morality that sanctions the supposedly 'predatory' nature of male sexuality. The two polarities at play here are male privilege and female assertion. Since one cancels out the other there is a clear oppositional dynamic. When institutions decide to disfavour female assertion, they take sides with male privilege. Any mechanisms that seeks to break the silence overturns the balance of forces. By that standard a perspective that allows for any move towards such an overturning can indeed be called biased. However, the objective reality is that women, even in positions of power, are often vulnerable to a morality that glorifies submission and celebrates domination. The SC guidelines are a breakthrough in that they represent an attempt by the state to articulate a women-centred point of view in terms that unequivocally favour gender-justice.

It is true that merely constituting a cell as recommended above will not solve all

problems. All such bodies would be subject to various kinds of influences. However, the importance of the existence of such a cell is that it would act as a deterrent to acts of sexual harassment. This is precisely what the SC guidelines hope to initiate when they refer to preventive measures. That, however, is the second step yet. In MSU, as is perhaps the case elsewhere, even the first step, i.e., the need for a cell has met with such resistance that we seem to be decades away from any effective implementation of the SC guidelines. At this juncture, the struggle it seems, is about the acceptance of the SC mandate. Implementation and devising ways in which they can be complemented with tamper-proof measures will be a protracted and perhaps, acrimonious affair if educational institutions refuse to re-examine some of their inherent proclivities towards preserving the male dominated status quo.

Despite the wide publicity given to the SC judgment it seems that the authorities in MSU have failed to realise that not taking active steps to amend their statutes in accordance with the judgment, is tantamount to contempt of court. At the National Consultation on Sexual Harassment on University Campuses organised by Indian Association of Women's Studies and the Human Rights Programme of the University of Hyderabad in January 1999, most groups reiterated the many frustrations of working with similar attitudes. In rejecting the recommendations as biased, the MSU syndicate endorses its belief in the submission of women to structures of power governed by a male-dominated ethos. The new committee refuses to allow for participation of women's groups both inside the university or outside. This surely reveals what could be called anti-women prejudices on the part of the syndicate. A bias in favour of vulnerable sections is an acknowledgment of the disadvantages caused to vulnerable sections of society by structural biases and displays a will to rectify that. However, a disposition in favour of existing power structures that are predicated on the subordination of these vulnerable sections negates the very basis of justice. Indeed it calls into question the very objectives of setting up any mechanism that ostensibly speaks for these sections. So while we do have a committee in place at the MSU, it remains to be seen as to what mantle it will don.

As none of these developments have occurred in a vacuum, it is even more clear now that given this environment, if the SC guidelines have to be implemented, the struggle would have to be across univer-

sities, across all workplaces. As it were, battlelines have been drawn in a war that seeks to decide if sexual harassment on campus is an issue that merits any serious concern. In a context vitiated by Machia-

vellian tactics, women in MSU may find themselves bereft of even the minimum support the system can offer in terms of safeguarding their interests on the campus.

## Russia: Twilight of Yeltsin Years

P L Dash

*Yeltsin's last year as president is the most intensely political year for Russia. Yeltsin needs a man he can trust as the new president considering his shady links with Russia's oligarchs and the Russian mafia. But there is a real challenge posed by Moscow mayor Luzhkov and ousted prime minister Primakov. The economy and the common people continue to suffer while politicians play politics.*

IN the autumn of 1991, expectations were high in Russia. The unsuccessful *coup d'etat* of August 19 had finally revealed to the public the incapacity of Mikhail Gorbachev to bridle his regime. His reinstatement in power within two days of the coup never revived the aura of his political prowess for the rest of his tenure. For Russia, Gorbachev was gone and the political hero was Boris Yeltsin, a populist maverick catapulted to prominence by the 'velvet revolution'. His demagoguery had buried forever the essence of glasnost under the debris of a crumbling Soviet Union. Within just four months, the Soviet Union was no more. In retrospect, it seems Russia's real agony had just begun.

The period since August 1991 in Russia has remained as tumultuous as the country's bumpy path to capitalism. Native prescriptions for quick capitalism have landed the country in chaos. An established system was thoroughly dismantled in favour of a system that has never fully taken root. The shenanigans of unsuccessful reforms have more horrifying tales to tell than just explain the inability of political leadership. The failures are reflected in the everyday misery of Russia's people.

In the book *Genocide* published in Russian in 1997, Sergei Glazyev states that from 1992, a consistent tendency of depopulation is discernible in Russia: the death figures are 1.5 times higher than birth. The per woman birth rate is just 1.3 children – lowest of all European countries. At the same time, 15 deaths are registered per 1,000 population – the highest in entire Europe. This tendency, if continued, suggests that by 2005, there will be a 6 per cent or 9 million decline in Russian population. Longevity is declining, currently at 57.5 years for men

and 70.4 years for women. Infant mortality is rising.

The post-Soviet economic difficulties have negatively affected the Russian reproductive behaviour. Lack of employment opportunity, less pay and often no job along with all attendant difficulties of transition from socialism to capitalism have largely discouraged the population to procreate. Seventy million people or half of Russia's total population are on the brink of or below the poverty line. Compared to 1990, the level of poverty in Russia was up 15 times in 1997; and after the August 1998 economic crisis, it has soared higher driving nearly 70 per cent of the population to the brink of subsistence.

A couple of years back, when Anatoly Chubais obtained the ouster of the then Central Bank chief Victor Gerashchenko, easy credit flow suddenly ceased. Inflation was attacked through monetary starvation and debts and wage arrears piled up. Much of the economy shifted to the rails of barter, and when that failed to yield results, a large part of the population of Russia was reduced to hand-to-mouth existence. This was the cumulative result of years of experiments with dismantling the Soviet economy. This was indeed the real shock therapy for the Russians. After eight years of reforms, less than one-third of the Russians expect to have enough financial resources to consider buying a house; and only one-sixth think they could borrow a few weeks' wages from a bank. In contrast, as noted by Robert V Daniels, "capital accumulated from speculation or from natural resource exports was squirrelled away in Swiss bank accounts and London real estate to the tune of perhaps \$ 100 billion a year". It is clear that when people suffered, racketeers profited.

Employment in Russia has decreased 14 per cent, from 75 million in 1990 to 64 million in September 1998 and GDP has fallen during the same period by more than 40 per cent. The minimum monthly wage is currently 83 rubles or just around \$ 4. Some 15 per cent of the Russian population in 1996 was made up of people who were 'very poor'. While only 3 per cent of the poor live in metropolitan cities like Moscow and St Petersburg, poverty has become a chronic phenomenon in rural Russia where it is estimated to be 43-44 per cent. With low education, inadequate occupational skill and lack of access to landed property, the 'very poor', obviously unemployed, remain invariably the worst sufferers.

While this lowest decile of the population is the cause of concern, in spring 1998, three in five Russians were not getting the wage or pension they were entitled to. This trend has increased ever since. Russia's per capital GDP in 1998 fell by 4.6 per cent and is expected to drop further by 3-4 per cent in 1999. Amidst this gloomy picture of a country that was once a superpower, Russia is drafting a budget for 2000, which is just \$ 24 billion or half the budget of Texas. In 2000 Russia is going to spend 42 per cent of the budget in debt servicing. It targets an economic growth rate of just 1.5 per cent with 18 per cent inflation. These figures are unlikely to take Yeltsin's countrymen to a luxurious millennium.

In the past eight years of Yeltsin's rule analysts encounter the ebbs and tides of incredible negation. Prime ministers appear and disappear, but the country's president goes on to throw surprising reshuffles of his political cards. Aligning with the forces of foreign capital controlled by the native neo-rich called oligarchs, ailing Yeltsin is the typical symbol of Russian decadence. Russia's cadence of sorrow is really the decadence of its leadership. His promises of a prosperous Russia have proved empty promises, and people doubt that they would ever be fulfilled.

In the past 17 months, Yeltsin has changed five prime ministers. First, Victor Chernomyrdin was replaced by Sergei Kiriyenko in March 1998. Kiriyenko lasted five months and was thrown out in August 1998. Yeltsin's efforts to reappoint Chernomyrdin at that time met with the Duma's stoic opposition. Yevgeny Primakov, who rose as a compromise candidate endorsed by all was unexpectedly out by May 1999. His failure to minimise economic problems and handle the Kosovo crisis to the linking of the west

earned him the displeasure of Yeltsin. His place was then taken by Sergei Stepashin, who continued in office for a mere 82 days up to August 9, 1999. From that day, a little-known Vladimir Putin, who was once a close associate of the discredited St Petersburg mayor, Anatoly Sobchak, has taken over the mantle to take Russia to the 21st century.

Why has Yeltsin been changing prime ministers so frequently? A look at Yeltsin's way of functioning through the years of presidency reveals a tussle between the president and the Duma. Over the years the president has grown apprehensive of a danger to the very presidential system Russia has evolved in post-Soviet years. The danger first stemmed from the communists led by Zyuganov; secondly, from the ultranationalists headed by Zhirinovskiy, and thirdly, from the rest of the innumerable factions opposing the presidential system in general and Yeltsin in particular. Yeltsin's forte has been doing damage to these groups and sending them into political oblivion.

The other apprehension is family centred. Under the shadow of Yeltsin's failing health, the coterie around the family has grown more powerful. Active here are people as much from the immediate family as from the political family. The blood relatives are Yeltsin's wife Naina, his first daughter Yelena Okulova and her husband, his second daughter Tatyana Dyachenko and her former and present husbands and a host of people close to her. They include media tycoon Boris Berezovsky, journalist and book writer Valentin Yumashov, former ministers Anatoly Chubais, Boris Nemtsev, presidential staff Aleksandr Boloshin and gas magnate Roman Abramovich. All these people act in a close coterie to Yeltsin and manage Russia and her politics the way they like. Yeltsin, himself incapable of physically overseeing all their activities, gives in to what they say. Tatyana Dyachenko plays the conduit between various factions within the coterie in her official capacity as advisor to the president. Major appointments and dismissals including those of prime ministers are decided in this coterie. No Russian premier has ever been privy to this circle of fortunate few, who take major decisions about Russia's future.

The other consideration is the Luzhkov factor. Moscow mayor Yuri Luzhkov is currently the most popular person. Hand-in-glove with the powerful mafia, Luzhkov is chary of contesting the forthcoming elections, and instead has expressed his support for Yevgeny Primakov. Yeltsin's

alarm stems from the fact that the political equations are fast changing, particularly after the announcement of parliamentary elections to be held on December 19. Experience of the hostile Duma over the past years has compelled Yeltsin and his cronies to ensure that the next parliament is not entirely anti-president.

Yeltsin's last year in power is Russia's most intensely political year. New alignment of political groups are surfacing to take Russian national cause to the people during the two upcoming elections: first in December 1999 for the Duma, and then in July 2000 for the presidency. Yeltsin, who has kept himself away from the public throughout his tenure after re-election in 1996, seems now to be concerned about his political legacy.

In fact, his legacy for Russia is of taking revenge on his comrades of yesteryears and coterie rule. Politicians of different hues and creed agree that right from his 'five hundred days reforms' through 'shock therapy' to total privatisation, he has been a saga of continuous failures. A question that must be haunting Yeltsin in his sleep is: will he be tried for his failures after he leaves office? Russia in turmoil has no clear answer to it; and possibilities are many.

Therefore, Yeltsin along with his close coterie of half a dozen people, has been searching for ways to ensure adequate safety to his political future, economic interest, and physical well-being after he leaves office. Behind the removal of every prime minister Yeltsin had the aim of reducing their stature. Now history may repeat itself at Yeltsin's cost. Since the country's constitution provides for the prime minister to take over the presidency in case of the president's sudden demise, personal reasons and deteriorating health have compounded the issue of succession. Yeltsin apparently wants his trustworthy man in that job. He feels uncertain about the security of his family members and friends, particularly those very close to him, and those who know the details of his shady dealings with the oligarchs.

In recent times, after the dismissal of Primakov, there has been regrouping of political forces. Moscow mayor, Yuri Luzhkov and many regional governors have formed a political alliance. Their objectives are obvious: to gain electoral leverage in the Duma and then counterpoise the pro-Yeltsin nomination in presidential elections. Luzhkov has also hinted at fielding Primakov as a presidential candidate.

On the other side of the judiciary, a legal battle looms large. Russia's dismissed



procurator general Skuratov, who was conducting investigations against oligarch Boris Berezovsky, had successfully handed down the job to his deputy, Yuri Chaika, who in turn, has found money laundering and charges of corrupt banking deals right from Russia to Switzerland. The Swiss authorities are investigating cases against 24 Russians, an action that might snowball into a scandal against Yeltsin and his oligarchs. Haunted by the ghost of financial racketeering and apparently blackmailed by the oligarchs and the mafia, Yeltsin and his daughter Tatyana Dyachenko spend sleepless nights to refurbish Yeltsin's image. However, Yeltsin's presidency is a sinking ship in troubled waters.

It sounds absurd when an incumbent president nominates a successor and announces his profile to the public. But Russia's fragile democracy is mature only to that extent. In the absence of a viable succession procedure, and with scant regard for constitutional provisions, Yeltsin first tried to explore extra-constitutional means of staying in power. Suggestions were few. One debate centred on the very premises of the presidency. Yeltsin was not the elected president of independent Russia in June 1991. He transformed himself into Russia's president after the Soviet collapse in December 1991. That he could contest for a third term was hitched to his actual years as president. The matter was referred in vain to the constitutional court for advice. Irrespective of the merits of this argument, Yeltsin has been president of Russia ever since December 1991 when Gorbachev ceased to be Soviet president. The new Russian constitution provides a maximum of two terms of four years for the president; and Yeltsin is apparently crossing that time limit.

The supporters of Yeltsin have tried an alternative postulate. In case of a Slavic Union with Belarus – its young and visibly effective president Aleksandr Lukashenko might contest as Russian president. But such a union has not materialised. Besides, the western countries would not like Lukashenko simply because he is the odd man out in the CIS. He holds the fort of socialism in the midst of turmoil and trauma of capitalist reforms. He has not dismantled the socialist edifice of Soviet years and has continued to advocate the efficacy of the system, particularly in ensuring social security for the young and the aged. He has rebuffed outside pressures and rejected IMF prescriptions for Belarus to follow. Such a man, the west opines, cannot be trusted to carry on with the burden of

Yeltsin's Russia. Added to all this, Lukashenko is not a citizen of Russia and Slavic Union is not an official entity.

Russia today is polarised between the lofty and the low. On the one hand stand Yeltsin and his daughter Tatyana along with a handful of friends with dubious credentials. On the other, there is Moscow mayor, Luzhkov, speaking for the masses. With him stands the Leviathan of the Russian apparat, and all of them enjoy the support of the mafia. Their number is in thousands. The third group consists of the parliamentarians and law-makers, who have already outlived their longevity in the present Duma. Once upon a time the communists led by Zhyganov and the LDPR led by Zhirinovsky fiercely opposed Yeltsin. However, over the years, Yeltsin has either lured them over or decimated them by political cunning. Although these law-makers now meekly accept what Yeltsin says; they worry the president, who foresees a danger in their possible proselytising in the election year. He keeps dividing them, sometimes wooing, sometimes luring and often punishing. If all the parliamentarians align with Luzhkov, the president fears, the forthcoming election outcome cannot be pro-Yeltsin.

Meticulous observation of Russian political development through the past decade and sensible analysis of the current equation of political forces yield six possible scenarios.

One officially, Vladimir Putin has been announced Yeltsin's successor as Russia's next president. However, there is little credence attached to the presidential announcement because over the years Yeltsin has not groomed anybody to be his political successor. Whosoever analysts considered his successor, be it Chernomyrdin or Primakov, was shown the door unexpectedly. In the given situation, Putin is a feeble contender in Russian politics compared to other heavyweights like Chernomyrdin, Primakov and Luzhkov.

Two, Primakov and Luzhkov are the two names making the rounds in the Russian press as next year's presidential candidates. Neither seek Yeltsin's favour and both are fiercely disliked by his coterie. Although considered a heavyweight, Primakov is currently a political non-person, while Luzhkov basks in the sunshine of power as Moscow's mayor, who enjoys considerable mafia support. Certainly, a combination of efforts by both these politicians would be a lethal answer to Yeltsin and his oligarch friends.

Three unofficial, but a real possibility is the role of the powerful Russian mafia. It is sure to play its role in the upcoming elections, at least for its own survival. There is already evidence of cracks appearing within the mafia: the elite supports Yeltsin; and the rank and file stand by Luzhkov. Any widening of this gap over the next few months would determine the political shape of things to come.

Four, Russia's elections, both to the Duma and presidency, will not be issue-based. By all reckoning, it is likely to be centred around the personality of the candidate. The communists and the ultranationalists, who had entered the Duma in 1995 had considerable popularity in the presidential elections in 1996. Their popularity has however outlived the needs of Russia's electoral politics. They have grown relatively poor and their frequent compromise with Yeltsin's erratic activities has exposed the pernicious side of their vital public role. The possibility of their coming to power is remote.

Five, there is evidence of new political alliances cutting across party lines and territorial boundaries. The recent alliance of regional governors with Luzhkov is a good example. This has generated hopes about coalition politics becoming a reality. Yabloko. Our Home Russia and Fatherland Party may align with like-minded groups to forge a stable alliance in the Duma election in order to give coalition politics a chance in Russia.

Six, with their diversified approach and incoherent agenda, Russia's political parties and groups are too feeble to withstand the onslaught of the incumbent president who is all-powerful. His 'heart beats like a clock' and together with his oligarch friends and mafia barons, he rules the roost in today's Russia. All of them together wish to continue in power. While the ways and means are unclear, it is possible that they would grab power or cancel the elections or declare a state of emergency to prolong Yeltsin in power. This would spell the doom of the country's fragile democracy.

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# Economic Ideas of V K R V Rao

S L Rao

*His view of economics as an integral part of the social sciences, participation in goal-setting as well as the methods to achieve them, aiming at people's welfare and quality of life as the goal of economic development, strong belief in good survey-based data and involvement in policy formulation – these were V K R V Rao's major contributions. As an institution-builder he had the capability, so rare in India, of thinking carefully about the organisational structure of institutions so that they could survive his departure.*

I CAN claim to have read much of V K R V Rao's writings, but a long time ago, and I have not re-read them. However, I have had the privilege of witnessing his preparing many of them. I have also listened to many of his addresses. I cannot recall an occasion when a speech by him was not delivered to packed halls. He was a great speaker, and a passionate believer in communication and dissemination of his ideas. In his later years I was also able to talk to him at length about his experiences in his life and his work. In this very personal and unscholarly paper, I attempt to link many of his ideas and his work to his life and upbringing. Those who knew him in his active years will recall his charismatic personality, his gift for clarity and articulation, his enormous energy, his charm, his sometimes overbearing personality, his uniformly equal treatment of people irrespective of their age or position, and his regard for youthful talent. He spotted talent and some of the greatest names in the social sciences, particularly in economics, were spotted by him and given early opportunity and recognition. He was not threatened by young talent, and indeed actively searched for it, and brought it into his institutions.

V K R V Rao belonged to an impoverished Kannada-speaking south Indian brahmin family living in Srirangam, the home of Ramanuja, the great Vaishnavite saint. Throughout his life, he remained a deeply religious man. His father worked for a while as a minor government servant. For some reason, he gave up his job, and disappeared for almost two years, leaving his wife and (at that time) four young children to survive on the meagre allowance of a posthumous daughter by a first wife, which stopped when the lady died suddenly. The father had gone to far away Bombay where he established himself as a practising astrologer to some of the

leading Bombay industrialists and lawyers – mainly Gujaratis.

Astrology was an uncertain profession. Believers use astrological forecasts for decisions about matters where results are not amenable to interpretation. They are more imminent than, say, the estimates by the government's Central Statistical Organisation of the gross domestic product (for which there is no finality!), or the industry ministry's index of industrial production (which assumes too much), or the other statistical tools used by economists. Their forecasts are based on cosmic data, not observation of human behaviour, but they cannot afford to be wrong.

For almost two years the family lived in not-so-genteel poverty on the Rs 20 a month that was the allowance of the step-daughter. Then they were left with no income. They finally found the father in Bombay and the family started getting an erratic remittance. The wife and children went through years of extreme uncertainty and penury, indeed of real poverty. However, V K R V Rao does not seem to have had an unhappy childhood, though he was rebellious, disobedient, and not easily amenable to rules, traits which he seemed to carry into his distinguished adult life as well.

Soon the father sent for the family, and they settled down to life in a one-room tenement in Gamdevi in Bombay. VKRV was seven years old. His father chose him as the one most likely to change the family fortunes. He received preferential nutrition over his older brother and sisters from the uncertain and meagre earnings from astrology. Perhaps this family history might explain his interest in forecasting the future but with a good data base, his interest in nutritional programmes, in equality of opportunity which was his interpretation of socialism, in spotting and nurturing young talent, and in programmes to not

only eradicate poverty but to enable a better quality of life for the poor.

The contrast between the small towns in the far south and the modern, bustling city was striking. Bombay ignited the fire inside him, which till then had found expression only in pranks and juvenile antics. English became his medium of instruction, and the new challenges evoked a quick response so that he had a very successful school and college career. Around this time two of his sisters were married soon after puberty, and both had large families. Indeed, his four siblings who survived to adulthood, had a total of 28 children. With his own three who survived out of six, that was a total of 31 children to be supported by families that were by no means well-to-do. Only one sister completed her schooling, and his brother became a registered auditor which enabled him to practise as an accountant. Two of his three brothers-in-law had to start working in their teens. Bombay was even then the promised land for impoverished south Indian families. The 1920s and early 1930s were very difficult years what with the killer influenza epidemic and subsequent economic depression which lasted almost to the beginning of the second world war. Young boys flocked to Bombay from all over south India to find employment, mostly as clerks and stenographers, because of their good grounding in English and arithmetic. It would not be surprising if these happenings triggered his interest in demography, employment, population control, understanding the structure of the economy so as to intervene for solving social ills, the empowerment of women through education and programmes for their health and nutrition.

Bombay was in many ways the home of the Indian nationalist movement. The darlings of the bright young college students of those days were a great British journalist, Benjamin Horniman, editor of *The Bombay Chronicle*, and Yusuf Mehraully. V K R V Rao has told me that they were leaders of the Young Socialist League and attracted bright young men like him. He had to soon decide whether to be an activist, or merely the intellectual backdrop to the movements. Given his family's desperate need for him to bring in some income soon, he decided against active politics. Instead, he said to me, he became the pamphleteer for the movement. His writings of those days are not to be traced. Perhaps they were unsigned, or as is also likely, he just wrote and then moved on. He did not collect what he

wrote, at any time in his life, making the job of bibliographers and interpreters of his thinking very difficult.

We cannot talk about the important influences on V K R V Rao's economic ideas without referring to his years as a postgraduate student of economics. The thinking of Marshall and Pigou were to deeply influence his view of economics as a social science to improve the human condition. As a student of Keynes, and part of the small group of students who interacted closely with him, he was of course to discover the tools of government intervention to achieve this objective. Colin Clark stimulated his interest in statistical demography and his work on national income accounting.

The strong intellectual basis for his social democratic beliefs was to develop later when he went to complete his postgraduate and doctoral work in the UK, and interacted with the wellsprings of social democratic thought in England like Harold Laski. But his family environment and his early introduction to socialism gave him an unshakeable belief in the equality of man. The influence of Mahatma Gandhi inculcated a far more tolerant attitude to other castes and religions than would normally be the case with a brahmin with a priestly ancestry and from a small town in south India in the old Madras presidency. The social class that he belonged to was intensely caste conscious. The oppression over centuries of the non-brahmin majority by the small brahmin community was to result in a major social revolution. In the next 60 years this revolution was to sweep over the whole of India and fundamentally change the bases of social and political power. VKRV remained true to his devout religious background, but had none of the caste superiority and discrimination. All this developed in him the ideas of equity and social justice, and a passion to improve the human condition, which found intellectual support from his studies in England. His interest in the fledgling subject of economics might well be traced to these experiences.

Gandhiji stimulated his interest in rural India, small industry and the idea of swadeshi. These were to lead to his keen involvement in agricultural economics, and making that an important subject for research in the Delhi School of Economics and the Institute of Economic Growth. His interest in small industry as a means particularly suited to solve India's need for employment and development led to his encouraging the earliest research in this field by P N Dhar at the Delhi School. Swadeshi made him a lifelong proponent and user of khaddar. It also led him to ideas of self-sufficiency, which later led to policies of import substitution. As has

been documented in studies on productivity in Indian industry, the extreme forms that this took in actual policy implementation led to very high import tariffs and quantitative restrictions on imports, making India into a relatively closed economy, with little competition, and low productivity.

What could be identified as V K R V Rao's contributions to economics? The first and the most significant, in my view, was his clear understanding that economics was a social science and that its practice must inevitably mean interaction with the other social sciences. He saw economics as a means to improve people's lives *en masse*, and his interest from the outset was not as much in theory as it was in application and developing policy conclusions. He and D R Gadgil were perhaps the first among economists in India to give it this strong orientation to policy.

Because he wanted to use economics for policy purposes, he was also committed to comprehensive field observation, data collection and analysis. That was what perhaps made him develop the methods to do the first scientific estimates of India's national income, developing in the process a framework which with some modifications is still in use. His work on estimating national income took him to the study of agriculture, in which he made some significant contributions. He became an authority on cotton as one result. He initiated the first socio-economic surveys of refugee townships which helped considerably in understanding the economic and social problems of refugee rehabilitation. These impelled him in later years to initiate other similar studies, some on a continuous panel basis, in Delhi and other towns, and many years later in Tumkur in Karnataka. These ground level studies and the continuous surveys initiated in the Agro-Economic Research Centre that he founded at Delhi gave him the idea in later years of district level planning, and the concept of village clusters for various development actions. The early work of the Institute of Social and Economic Change that he established in Bangalore in 1972 was in this field and he was a keen participant in the thinking behind the panchayat raj experiment developed by Ramakrishna Hegde as chief minister of Karnataka. The institute conducted many training programmes on the subject.

His strong sense of fairness, equality and justice led him in the formative years of the United Nations to develop the ideas of international action to promote development and food security in the poor countries. All his life was devoted to applying his brilliant mind and the concepts that he had learnt or developed himself to one purpose, namely, the improvement of the human condition.

It was in institution-building that he excelled. In another life he would have been a very successful entrepreneur. His imagination had no limits, and he did not consider any task too difficult; only, how he could accomplish it. He dreamt grand dreams, and achieved them. Elsewhere, P N Dhar has described how he visioned the Delhi School of Economics in 1944, when the whole economics department in Delhi University was in two small rooms in temporary barracks, and the faculty consisted of Rao, B N Ganguli and P N Dhar. But his vision of a teaching and research institution to rival the London School of Economics came to pass, and 50 years later its faculty and students are respected the world over.

No description of Rao's ideas can be complete without mentioning his great capabilities as a teacher and as an administrator. At the very young age of 28, he was invited by the great industrialists of Ahmedabad to become the principal of two colleges, one an arts college and the other a commerce college, still among the best in India because of the traditions that he set for them. His experience there might have some bearing on his recommending in 1961, when he was chairman of the Committee on Commerce Education, that the curriculum could be strengthened and commerce education given a great deal more importance in Indian education, because it met the vast needs for trained people in industry. Then, in 1942, Maurice Gwyer, the vice-chancellor of Delhi University, decided to start a Department of Economics in the university and offered the department to Rao. He was 34 when he came to Delhi. He stayed there till 1972, and was actively involved in all the major policy formulations regarding the economy during these 30 years. In 1957 he became vice-chancellor of Delhi University, and in 1960 a member of the Planning Commission. In the latter capacity he tried to bring his economic ideas and thinking to bear on policy and implementation. In 1967 he joined the Congress Party and entered politics, becoming a minister on his election. As minister of transport and shipping, and later of education, he brought his great administrative skills to bear on his portfolios, but there was no particularly new economic idea that emerged out of his experience of active politics.

Let me now take a quick look, through his work, at the influence he exerted on economic ideas and thought. His first published work was on the taxation of income in India. This was his thesis for his Master's degree in economics from Bombay University and was published many years later in 1931. It set the tone for his work in future years, empirical and policy-oriented. It must have been of some

value to him many years later, in 1953, when he was appointed to the Taxation Inquiry Commission under the chairmanship of John Mathai. His work on national income was done in fulfilment of his MPhil and, later, PhD programmes at Cambridge in England. He and Simon Kuznets drove the International Association of Income and Wealth, which sought to standardise methods for national income estimation over the world.

His 'Essay on the Nature and Purpose of Economic Activity' was delivered on his appointment as Professor of Economics in Delhi. At that time the most significant writing on the subject was *Nature and Significance of Economic Science* by Lionel Robbins. Robbins had stressed scarcity of resources and choice between alternatives as the core of economic science. Rao on the other hand stressed that economic activity was of the nature of both ends and means activity, unlike Robbins who urged that economics is neutral as to the ends and is concerned, given the ends to be achieved, with the use of means in the most economical way. This essay demonstrates Rao's approach to economics as an integral part of the social sciences and the humanities, one that must interact with sociology and anthropology. It explains why the two great research institutions that he established had the ends defined in their names, the Institute of Economic Growth and the Institute for Social and Economic Change. It is interesting that at least some economists are moving once more to this view of economics in the nature of their work. PC Joshi has acknowledged Rao's "interest in bridge-building between economics and other disciplines and in the interaction of social science and policy-making" which helped Joshi "to evolve my own interdisciplinary and social action oriented perspective of social science".

According to H W Singer, the evolution of thinking from GNP growth to the reduction of poverty and the satisfaction of basic needs as the primary objective owes a great deal to Rao. Singer traces it back to the work done by Rao as chairman of the United Nations Sub-Committee on Economic Development in 1947 or so. His "analysis of the national income concept as applied to developing countries" was "basic to the first stage of aiming at GNP growth as a development objective". He was perhaps the earliest economist to argue for development oriented towards employment. His theoretical writing on this subject was, in Singer's view, "particularly seminal in the development of the ILO World Employment Programme." Singer goes on to say: "In the later stages, when questions of poverty and basic needs came to the fore, once again we find that

Rao gave early attention to the 'Human Factor in Economic Growth' [written in 1963]". "[H]e was also influential in creating ideas and shaping policy in the international aspects of the attack on the world poverty."

Another area of deep interest to Rao was, according to C H Hanumantha Rao, "the study of the sources of growth of agricultural output and variations in its performance according to crops and regions in India. His presidential address to the...Indian Society of Agricultural Economics...in 1961...was a pioneering study". He goes on to say that "in 1967 he predicted the rising significance of rabi cultivation in Indian agriculture owing to its profitability as well as the relative certainty of yields".

Rao in an article titled 'Deficit Financing, Capital Formation and Price Behaviour in an Underdeveloped Economy' in 1953 in the *Indian Economic Review* made a strong theoretical case for government intervention through massive public investment financed by a reasonable level of government deficits for building the basic infrastructure and the heavy industries, large irrigation projects, etc, essential for the development of an underdeveloped economy. This was one of a series of three articles. His argument about the investment multiplier in a developing economy provided the theoretical underpinning for high direct taxation, incentives to savings, and a large role for government in capital formation. In recent years, east Asian countries replaced this dis-saving by government with a budget surplus. They achieved this with large inflows of foreign capital. The latter, along with strong export-orientation, gave those countries spectacular economic growth for over a decade. The Indian formula, accompanied by policies of self-sufficiency, import substitution even when the result was high cost, massive tariff walls, protection of jobs even at the cost of efficiency, and a negative attitude to export-oriented growth, resulted in poor growth in the 1960s and 1970s, and in the 1980s to unsustainable growth leading to a balance of payments crisis. In retrospect, it does appear as if the desire for self-sufficiency, suspicion of foreign investments, the closing of the economy, the central direction of resources, a commanding role for government in the economy, a belief that growth and social justice could be achieved together through a 'socialistic pattern of society' were ideas that together prevented Indian entrepreneurship from getting a free hand to show its capability, and led to an economy that was not only cut off from the world, but was also inefficient and uncompetitive. Thirty years of economic policies are now seen as having been ineffective. Rao as

a key economic thinker and policy-maker, like many others who are still with us, must bear responsibility for this. Many who participated in developing these ideas and policies have recanted, and are at the forefront of thinking and policy formulation on liberalisation and economic reform. Rao in his conversations with me in the last two years of his life accepted that we had given far too much primacy to government in the economy.

As a footnote, we must not overlook the great meltdown that is taking place in south-east Asian economies as well as that of South Korea. Even Japan and China are likely to see major turmoil as they improve the efficiency of the financial systems in their countries. But these countries did register spectacular levels of growth for many years. As a result, their peoples gained superior standards of living and improved quality of lives. It was in India that the intellectual argument for a major role for the state in economic development, of which Rao was the leading proponent, was developed. It worked for many years in those countries. If it did not work for India, and instead distorted the Indian economy, there were other causes which had to do with the nature of Indian democracy and its bureaucracy.

This cannot take away from Rao's fundamental contributions to economic thinking in India, as has been described in this paper. Economics as an integral part of the social sciences, participating in goal-setting as well as the methods to achieve them, aiming at people's welfare and quality of life as the goal of economic development, strong belief in good survey-based data, and involvement in policy formulation are his important contributions. His monuments will be the many institutions that he built and others that he initiated. As an institution-builder, he had the capability, so rare in India, of thinking carefully about the organisational structure of institutions so that they could survive his departure. The loss of a founding father has led to the decline of many other institutions in India.

V K R V Rao was, in the ultimate analysis, a selfless man. Many who knew him might disagree with me when I say that in a very real sense his apparent ego was in fact a reflection of his passionate commitment to his ideas and his objectives, and his impatience to realise them. He built people and institutions. His judgments were honestly arrived at, even if with hindsight we find that some were wrong. He had no hidden agendas. His thinking was not for sale to the bidder who could pay him the most in terms of money or position. Whatever his ideas and actions, they were meant for the good of the people of India.

## Broad-Brush Picture

Prabhu Ghaté

**Words Like Freedom: The Memoirs of an Impoverished Indian Family: 1947-1997** by Siddharth Dube; Harper Collins Publishers, India, 1998; pp x+297, Rs 395.

THIS is a consciousness-raising book about the painfully slow climb out of grinding poverty of a scheduled caste *pasi* family in a central UP village. The story is told with a passion that emerges not only from the words of three generations of family members themselves, but also from the author's analysis of the broader political economy. Given Dube's method, the test of the book is whether he gets the 'feel' of it right. This he does admirably, through faithful recording and fine descriptive writing. To take just a few examples: the stoic acceptance of mortality (10 out of 12 of Ram Dass' children died), the true experiential meaning of 'words' like widowhood and caste violence, coping as an orphan, being handicapped, struggling as an 'educated unemployed', making progress as a migrant worker in Bombay, and the role of individual characteristics in the making of differential life fortunes. We get horrific glimpses of the not so recent past "there were no crippled children then in the village... because sick children would all die" or "once when...the rats started dying...we all ran away into the fields and we stayed there for 15 days...whoever stayed in the village died, maybe about 50 people". Illuminating the accounts of the family members are the author's own commentaries on topics like the Congress Party and land reforms, the caste system, movements in the poverty line, Ambedkarism, Indira Gandhi's populism, UP politics, the national failure in literacy. By using the device of the changing fortunes of a single family as a convergence point, the author makes the forces of recent history as well as topics like gender, literacy, health, migration and many others come alive, making the book of great interest to the general reader and placing it in the genre of other well known books that have contributed to an interest in rural development. It will no doubt also be widely used in school and college courses at home and abroad.

While the broad picture is well presented, specialist readers more interested in the details and nuances will have to look elsewhere. Part of the interest of a new

case study is the extent to which it modifies or corroborates the prevailing generalisations. However, this is not a work of economic anthropology. (Indeed, we are never told how the author met the family, how long he spent in Baba ka Gaon, where he lived, etc.) While many aspects of poverty are inherently unquantifiable (the sense of precariousness, exclusion, physical vulnerability, gender relations, legal and other disabilities, in conveying all of which so well Dube helps to redress an imbalance in the poverty literature) there are other aspects of poverty that are best measured. To take just one example, wages are a measurable variable not only at the level of the single household, the author's unit of analysis, but also surmount the sample-of-one problem in being uniform for the village as a whole for long periods of time, as analysed in another recent study of a UP village (*Economic Development in Palanpur over Five Decades* edited by Peter Lanjouw and Nicholas Stern (reviewed in *EPW*, June 12, 1999)). Like *Words*, the Palanpur volume spans the last 50 years and tells a similar story of slow and modest economic gains but wide-ranging social and political failure. Given the scope and depth of the Palanpur volume it is probably the definitive study so far of rural development in the Gangetic plain, and will be used here as a comparator for *Words*' findings. On wages, *Words* supports the Palanpur volume's finding that wages were stagnant (rose very slowly) till "about ten years ago" (the mid-80s). However, we are left wondering why they were so much lower than in other UP villages at 1.5 kilos of grain a day, how much they went up by as result of the concerted refusal to work for less than the 'government' wage of Rs 18 at the time, how much are they now, etc.

While the author draws liberally from the literature and his understanding of the broader 'macro' context at the national and state level, only a sketchy picture emerges of many aspects of the immediate village context. While a village study was not the author's objective, he could perhaps

have garnered more information from other villagers and the available village records on contextual questions. Thus only the broadest picture emerges on the distribution of castes, holdings, and occupations, the extent of migration, regular employment outside the village, irrigation, tenancy, etc. One result is that the rest of the village remains undifferentiated. While the advantage of focusing on three generations of the same family gives us a good sense of slow progress over time, it would have been more satisfying to see for ourselves rather than merely being told at the outset that the family belongs to "that small percentage of the poor" which has escaped poverty. The reasons for the escape may have been even more untypical. The crucial events in the family's escape from impoverishment appear to have taken place some time ago when Ram Dass's father and uncles migrated to Bombay to work in the railways. Ram Dass and his son Shrinath followed them for spells in turn, enabling Ram Dass to pay off the family debts (we are not told how much these were) and to buy some land, and enabling Shrinath to get an educational edge over other village children to eventually become a teacher and buy more land. The family ends up with an operational holding of 5 acres (half owned, half share-cropped). As important as a source of income is Shrinath's job.

We learn only from the Palanpur volume however that the *pasis* are unusual in having a greater historical exposure to the outside world, mostly through railway work, and that many of them migrated originally from eastern UP with the expansion of the railways (an example of the importance of caste-based connections in securing outside employment). Jatabs on the other hand, the largest and poorest SC group, continued in Palanpur to have extremely limited access to regular (as opposed to casual and semi-regular) employment at the end of the 50-year survey period. Largely as a result of this difference, the per capita income of the *pasis* was three times higher than that of the jatabs. It was second only to the *muraos* (or *mauryas*, a cultivating middle caste) and higher than that of the *thakurs*, the dominant caste in both villages.

Further, did the growth in the size of the family's holding make its experience much more typical of the middle castes than of the SCs? The Palanpur volume documents the ascent of the *muraos*, which began with the abolition of zamindari in the

1950s and the tenurial changes that followed, consolidated by the skilful use of technical change and the increase in real wages which gave them an advantage over thakurs who used to rely intensively on hired labour. As a result of land sales and a relatively high rate of population growth, per capita landownership had declined much more for thakurs than for muraos. Tenancy had the effect of further reducing caste differences in land cultivated. However, as we are told was the case in Baba ka Gaon, there was little improvement in the economic condition of the jatahs, who continued to live in conditions of acute deprivation on the margin of society, a "caste apart". By the end of the survey period, thakurs owned about a fourth as much land as they had in per capita terms.

These trends may not have been so marked in Baba ka Gaon (BkG), (nor was the author equipped by his method to measure them) but they illustrate the importance of an understanding of context. Of course, the author would be justified in pointing out that if a pasi family had to struggle so hard and for so long, one can imagine the plight of the poorer families and the destitute, aspects of whose experience he does describe.

The broad-brush treatment of village-level variables including anti-poverty programmes gives us no sense of the nuances in the relevance and implementation of different social security, basic needs and redistributive programmes. While the overall feel conveyed of tokenism and callousness (e.g. in the administration of widow's pensions) has resonance, some of the programmes surely work better than others. Shrinath himself says about the distribution of new house-sites, "at least this was done honestly!", and the family did receive two-thirds of an acre of farm land (in another place we are told one-third) as did apparently the rest of the village. Tarring every programme with the same brush of leakages leaves us with no sense of the way forward – do we throw all the schemes out, or are there any design and incentive issues that might improve things? The example of the hand-pump that had been put up as a 'show' for Rajiv Gandhi's visit to a nearby village is probably a bad one – Jean Dreze and his colleagues in a chapter in the Palanpur volume found public hand-pumps to be one of the few schemes out of the 18 examined that were widely welcomed by the poor. Another useful scheme was the seed store, whose credit operations are contrasted with the Farmers Service Society, which had been honed into an instrument to defraud poor borrowers. (An

interesting question arises – has action ever been taken in clearly documented cases of corruption such as this, although the evidence is thrown up as a by-product of social science research? Is the Development Commissioner listening?) The consolidation of holdings was another successful programme, since it had the backing of politically influential groups such as affluent landowners.

At the other extreme, the consistent neglect of the basic needs of politically disadvantaged groups, such as primary education and health care, is laid by the Palanpur book at the door of the failure so far of state politics, local democratic institutions, and more generally of collective action. Adversarial collective action does succeed sometimes as in the 1995 panchayat elections in BkG when the maurya candidate unseated the thakur incumbency of the post of pradhan for the first time since 1952. We are told that the elections irrevocably changed caste equations in BkG, but not what difference it made to outcomes. One looks to a postscript in a subsequent edition to show what this meant in practice to redistributive programmes. In Palanpur it made very little difference when a backward caste gadaria ("a notorious thug") replaced the thakur pradhan in the same elections.

As for collective action of the co-operative variety, the mystery remains. Why is it so rare? It does not entail the costs of adversarial collective action, including violence, well documented by Dube in the 1995 BkG election, nor is it forthcoming even in situations of homogeneity, as in the failure of neighbours to dig sillage pits for effluent from hand-pumps, or to contribute shramdan for the pavement of village lanes, or report the village school teacher for non-attendance, some examples analysed in the Palanpur book.

While Dube's analysis is admirably holistic, there is little doubt that the factor he holds responsible for the continuing "perpetuation of mass poverty", the title of his last chapter, is the failure to implement land reform. He brings out very well the history and political economy of this lost opportunity ("original error") but insists the scope for further redistribution is "still gigantic" and would significantly reduce poverty. However he fails to test this assertion against the evidence of his own village. Putting together numbers contained in different parts of the book in the testimonies and his own commentary we learn that in a village of about 850 acres and about 100 families two thakurs had about 35 acres each, and the remaining 20

smaller thakur holdings and about 8 brahmin and middle-caste holdings had an average 10 acres each. We are never told how the rest, presumably more than half of the village land, is distributed. But even if the two large holdings were above the official ceiling (we are told they were, but not what the ceiling was in their case, or whether any attempt had been made to enforce it) it sounds as though partitions though succession have made land reform a historical issue in this as in the vast majority of western and central UP villages.

This does not mean that it may not still be possible to give most if not all villagers title to small pieces of land under consolidation of holdings operations, which provides for the appropriation of about 5 percent of village land for approach roads village commons and related purposes. The Palanpur volume says there is no active resistance to this policy and there probably would be none if the level of appropriation were raised to a level adequate to provide an acre to each landless labourer (requiring an additional appropriation of less than 2 percent of village land). While this would not achieve much in terms of egalitarian objectives, as the authors point out, it would be an important step in raising both the status and social security of the allottees. Such distribution on a smaller scale have taken place in the past in both villages, but have been plagued not only with the poor quality of the land distributed, but also with corruption inability to take possession, and other implementation problems. The problem with an excessive preoccupation with what might have been is that it diverts attention from tackling such problems, and from pursuing other approaches that might now be much more promising such as massive land development programmes, or financing the purchase of land by the poor as some of the state scheduled caste corporations are doing (e.g. in Andhra Pradesh).

The rather strong conclusion in the last sentence of the book – "In the future, as in the half-century past and in centuries earlier, India is destined to remain the land of hunger, want and suffering" – is premised on a continuation of failure to undertake widespread reforms. While one cannot disagree with the basic diagnosis as political failure, the more interesting question is what is the scope for manoeuvre within this constraint, how can it be relaxed and with what programmes? Books such as this sensitise us to the problem, but it remains the task of careful social science research to show us the way forward.



# Probing an Area of Silence

Shilpa Phadke

**Question of Silence? The Sexual Economies of Modern India**, edited by Mary John and Janaki Nair; Kali for Women, New Delhi, 1998; pp 412 Rs 420.

IN the 1990s sexual health and sexual rights have become important areas of inquiry and intervention at the international level. The discussion of these polemical ideas, which was until recently restricted to the academic milieu and to the feminist movement, has undergone a process of legitimisation in international fora. The concept of sexuality is one among those which have been recently discussed and included in the programmes of action of the International Conference on Population and Development (Cairo, 1994), the Fourth World Conference on Women (Beijing, 1995) and the World Summit for Social Development (Copenhagen, 1995). Sonia Correa (1996) points out that despite such apparent acceptance, it continues to be important for feminists to clarify meanings associated with concepts like gender, reproductive rights, and sexuality to counter the possibility of oversimplification or distortion.

In India, too, recent work by feminist scholars has problematised sexuality as an important area of research to understand gender concerns and the myriad crises of modernity. The essays in this edited volume attempt both textual and contextual analysis as they address various operational dimensions of sexuality, and attempt to uncover the rationales of political economy that underpin them. As such, they engage in discussions of race, caste, nationalism and politics, media and popular culture, consumerism and capitalism with relative fluidity.

Perhaps more interesting than the individual essays themselves is the fact of their being together in one volume. In an incisive 'Introduction', the editors have successfully tied various threads and themes, simultaneously providing a cogent and comprehensive overview of the many complex debates surrounding the issues of sexuality, reproductivity, violence and the ways in which these are enacted on women's bodies. They have also looked at the debates from the perspectives of different disciplines and discourses: demography, anthropology, law, art and media, being some among them.

It is with some delight that one encounter editors who successfully manage to take their project very seriously without taking themselves too seriously. Wry comments about how some issues have provided more than their fair share of grist to the academic mill are adequate testimony to this. "For instance", they write, "over the past 10 years, studies, of the social

arrangements within which devadasis worked and flourished in the period before colonial decline have burgeoned into a veritable cottage industry" (p 11).

In 'Unravelling Kamasutra' Kumkum Roy focuses on the socio-cultural context of the 'sutra' and tries to lay open its complexities and ambiguities and the fact that women's sexual subservience represents a continuity. Roy examines, on the one hand, the codification of the Kamasutra and the disjunctions between prose and verse that are apparent in the process. On the other hand, she analyses the more modern problems of translation: selection and interpretation in the context of patriarchal society.

Samita Sen analyses how the issues of women's employment and migration in colonial Bengal were closely linked to male control of both women's sexuality and labour power within marriage and the complexities that arose from differences/gaps in law and custom. Anandhi S examines the complexities of the birth control debate in colonial Tamil Nadu. She addresses debates by referring to the eugenic justifications of birth control vis-a-vis caste and class lines, the linking of Indian women's sexuality to marriage and reproductivity (as opposed to the 'sexuality materialistic' western woman's body). Most relevantly, she discusses Periyar's advocacy for women to have control over their own bodies.

Tejaswini Niranjana interrogates the categories of 'modernity' and 'Indianness' to understand questions of gender, race and sexuality in Trinidad, and juxtaposes these with the experience of 'Indian nationalism' and 'womanhood' in the sub-continent. Uma Chakravarti discusses the crisis of the Indian state in the late 1980s and relates this to the spate of television serials ('Udaan', 'Sangarsh' 'Ramayan' and 'Mahabharat') which appeared to respond 'dialogically' to the crisis of legitimacy of the Indian state. These serials according to Chakravarti, could have been sanctioned for the express "purpose of ideologically reconstructing the fragmented nation" (p 244). In particular she interrogates the tele-serial 'Chanakya'. 'Chanakya' is presented as authentic history and constructs India as a "strong, unique, spiritual and decisively Hindutva nation" (p 250). Celibacy is valorised as enhancing male vigour and women are relegated to stereotypical roles. This, Chakravarti avers, has relevance for the contemporary politics of the Hindu Right.

U Vindhya analyses issues of gender and sexuality in Andhra Pradesh in the context of the pioneering creative work of Chalam who successfully initiated a feminist debate, more particularly a feminist critique of the revolutionary left which in turn can transform the quality of revolution as well.

Susie Tharu discusses the journalism and writing of the Gujarati writer Saroj Pathak. She contends that Pathak's work focuses on "the oscillations, impasses, irresolutions that menace Indian modernity" (p 217). In Pathak's writing, sexuality thus becomes an important site for diverse arguments on citizenship and subjugation in relation to the Indian state in the 1960s. Ravi Vasudevan looks at the question of sexuality through the prism of the narrative form of popular Bombay cinema through a critique of the film, 'Awara'.

In exploring the cultural components of modernity, Kalpana Ram introduces the lens of subjectivity in her ethnographic study of construction of puberty among the coastal women of Kanyakumari district. Using the medium of orally related biography, Ram locates the puberty ritual and its understanding within the wider construction of masculine power and sexuality that have been given a new life in the politics of Dravidian cultural nationalism. Using her work with battered women in Madras as a resource base, V Geetha discusses the language in which women articulate their feelings on marriage, desire and sexuality, and analyses the category of the masculine contained in these expressions. In conclusion, she argues that "violence is the form assumed by sexual love in the conjugal context" and asserts that "eros [has] to be rescued from the domain of the family and conjugality... The right to be free from sexual hurt... the right to demand in the most intimate of relationships, an accountability to freedom, equality and dignity..." (p 324-25). Prem Chowdhry, in the context of rural north India, analyses the threat posed to patriarchal and patrilineal kinship linkages by marriages that infringe cultural norms and practices of endogamy and exogamy, and the subsequent violence inflicted in those who break these codes. An important aspect of such enforcement is the control of female sexuality, and reproductive and productive powers. This is particularly the case with upper caste women. Lower caste women, on the other hand, by definition have neither 'honour' nor 'purity' to protect. Chowdhry addresses the complex linkages of caste, gender, control of land and property and the new urban influences which mediate these experiences.

Using globalisation as a lens Mary John interrogates the area of sexuality with reference to the media, the various political economies of the 'beauty' industry and the

opening of new spaces to understand sex and conjugality in popular Hindi cinema. This is perhaps the most significant essay in the collection, not the least because it charts out future research agendas in sexuality. John's highlighting of the institution of marriage puts heterosexual desire and intimacy back on the feminist agenda as an important area of inquiry and theorising. John points out that critiques of heterosexuality (its intimate connection with patriarchy exemplified in the slogan 'the personal as political') resulted in a climate where not only was heterosexuality seen as politically suspect but also seen as unthinkable within feminism. Through her focus on heterosexuality, John has drawn our attention to the loss inherent in such hegemony.

Some western feminist scholars have also put forward similar arguments. For instance, Jane M Ussher (1997) points out that the radical feminist rejection of heterosexuality may not correspond to many women's lived experiences, and may lead to feelings of guilt or shame at the pleasures and desires in which they indulge. She argues, very relevantly, that "it is not only heterosexual sex that is associated with issues of power... Lesbian (and gay male) sex is not immune from power games" (p 229).

In recent decades, there has been prolific work in the area of gay and lesbian sexuality and rights but the sexual rights of heterosexual women have elicited more silence than anything else. Women who are heterosexual by choice find themselves caught between images of women as victims of sexual violence on the one side and the rights debate in homosexuality on the other. Women, theorising on heterosexual pleasure, run the constant risk of being accused of trivialising the issue or, worse, of being traitors for 'sleeping with the enemy' and seeking pleasure in it.

The contraceptive revolution in the west led to the sexual revolution in the 1970s. In retrospect, this revolution has been critiqued by feminist scholars as a male revolution. However, Barbara Ehrenreich et al (1986) point out that the sexual revolution also meant substantial gains for women. They point out that the notion of heterosexual sex changed to a more open-ended and varied kind of encounter.

In India, on the other hand, the introduction of contraception and even the legislation of abortion were linked to demographic goals and family planning programmes rather than having any significance for sexuality. Even today, for Indian women the Sitaesque ideal of chastity continues to exercise enormous importance.

While, particularly in urban contexts, there is an increasing incidence of sex outside matrimony (pre- and extra-), this is still stigmatised and must be conducted in the strictest secrecy. While many popular magazines are discussing sex and sexuality, it is yet to become an arena where women and men meet as equals. Sexuality, in the Indian context, is still in many ways shrouded in silence as the title of the present volume suggests.

From Kamasutra, the text, to Kama Sutra, the condom, the book takes one on a rigorous journey through various pre-colonial, colonial and post-colonial contexts. The essays are well researched, if not always insightful. The book, however, effectively raises several significant and timely questions in the area of sexuality and makes a valuable contribution to the growing body of literature on the subject.

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# What Is Happening Inside Indian Democracy?

Javeed Alam

*The processes around democracy in India have detached themselves from the infirmities surrounding democracy itself, whether these be of the leaders or the parties, and have acquired an autonomy of their own. The deepening legitimacy gained by democracy inheres in these processes which provide the space, now contracting, now expanding, for the range of resistance people are capable of. This has been happening in spite of the shape that organised politics has acquired and points to the need for a radical revision of theories of legitimacy and of how it comes about and where it resides, as elaborated in academic studies.*

DEMOCRACY in India is well over 50 years old. It has survived with full and equal legal citizenship. Its survival has belied the prophets of doom who had since the late 1950s, starting with Salig Harrison, prophesied its oncoming demise. Not only that nothing of the sort happened, but Indian democracy could even overcome the trauma of emergency terror with only a few scares on its body politic.

Contrary to the general perception among the educated strata, it is possible to show that democracy in India has acquired deeper roots over the last 50 years. People are more favourably disposed towards it today (with all the shuffling of governments, instability and what not) than they were in the post-Nehru era under Indira Gandhi with all her radical populism which marked her ascendancy in the first phase as prime minister. All this may seem intriguing, but is what has happened, as data will show. In fact we are in for some real surprises when we scan the data on Indian politics today.

All this is so in quite a paradoxical way. The intelligentsia is dot right when in numerous ways of expression in newspapers, T V, books and journals they have concluded that people across the social spectrum, looked at as modern classes or active communities of caste and religion, have become sceptical of the functioning of the government; that is, in other words, they are mistrustful of or have a low esteem for political leaders and political parties and what they talk about and promise. Yet from that to infer that democracy as a system of governance has become suspect is to make an unwarranted jump. As we will soon see, logical deductions do not hold good in understanding the complex and contradictory connections and their perceptions which partially go to make the functioning of democracy possible in our country. This will also show that the consciousness of the people is inherently

internally contradictory and the contradictory elements may hold good for a long time without necessarily having any adverse impact on the popular acceptance of democracy.<sup>1</sup>

An overwhelmingly large number of our people are living under simply disabling conditions. They are reeling under abject poverty, discriminations and lack of facilities to realise their meagre wishes, leave apart having capacities to become what they may be capable of being. So it often becomes common sense to assume that they would much rather like, in some form or other, a satisfactory solution of these problems over, what is considered by many, the luxury of freedom or the somewhat spurious electoral choice. But what seems evident logically is patently untrue. They would not like to have democracy denied to them for a promise of solution of their problems through a non-democratic government. In other words, to put it in a slightly technical language, there is an obvious discrepancy between efficacy and acceptability of parties and leaders on the one hand, and trust and confidence in democratic rule and legitimacy of institutions informing that rule on the other. The question is not only how such a situation comes about but what makes it persist for so long.

I will begin this account of democracy by putting forth for consideration some data on this issue: that is, the nature of assessment of democracy and the powers that surround it.

## PERCEPTION OF INSTITUTIONS AND GOVERNANCE

When we scan the data on people's assessment of democracy in India a rather complex but highly revealing picture emerges. Democracy is both a system – norms and procedures and a set of institutions – on the one hand, and actors and functionaries and officials who run

these on the other. For the people it is also a pattern of experiences. The experience of these two facets is at sharp variance; that is, when seen from its general side like the norms or values or procedures laid down as against the concrete experience of those who become in charge of giving these a shape or who work them. The complexity which reveals an interesting feature has to do with contrasting assessments of these two facets of democracy – the system and procedures and how they are made to work. In any society there is always a possibility of a certain discrepancy between these two facets, though we have no way of comparing different societies; yet in our situation the discrepancy is very glaring. In clarifying the reasons for the contrary assessments we will be able to understand the shifts which have come about in the experience of people over a period of 25 years; that is, between 1971 and 1996, the two points at which data were gathered through a cross-polity survey of popular perceptions of socio-economic and political variables.<sup>2</sup> Let us have a quick look at some of this data. And let us start with specific institutional mechanisms of democracy, viz. the vote, the representation and political parties and leaders, before we put all these together and look at democracy at a general level.

More people now in 1996 believe, close to 60 per cent, that their vote has effect on how things shape up in the country. Twenty-five years earlier in 1971 only 48 per cent thought so. This is an enormous increase in the trust people have acquired in the potential and power of their vote. This is also reflected in the fact that for ordinary people the act of franchise has by now become a carnival of democracy, a celebration of their power. Now this is no simple error of judgment on their part because in their assessment of other related or proximate institutions – variables – there is a consistency with this which is

noteworthy. Look at their approval of the system of representation. About the same number of people think that election of representatives is an important part in making the system work. Likewise a slightly larger number, 61 per cent, consider political parties as important institutions in the working of democracy. This is an enormously high level of trust in and approval of some of the key institutions of democracy viewed especially against the background of illiteracy and poor levels of living of the majority of the people. We will later see that if we were to look at this approval in relation to classes and communities, the poor and vulnerable people show a higher degree of approval than those who are better off or occupy vantage positions.

The fortitude with which people express this trust in some of the democratic institutions and mechanisms as noted above really comes as a surprise. It is surprising in the extreme because this trust sustains itself in the face of the fact that more and more people, around 63 per cent, now think that the representatives they chose do not pay attention to or care about what the voters think, whereas only a few, just about 22 per cent, think that they care. Now this low level of the sense of efficacy of people who get elected in contrast to the high level of esteem in which the system of representation is held is indeed a source of anxiety. In 1971 the number of people who thought so was less at 58 per cent. Also important to note in passing is the fact that those who rated the effectiveness of their representatives highly is down from about 27 per cent to 23 per cent between 1971 and 1996. It is quite obvious that though people value the system of representation, they do not find the representatives elected by them as worthy of regard. This tallies to a large extent with their assessment of government officials who run the administration which is important for their everyday life. Only as low a number as 31 per cent think that the relations between government officials and people are cordial. A still lower number, 28 per cent, are of the opinion that the attitude of the police towards common people is humane. Looking at the bureaucracy at large, as high a number as 42 per cent do not at all have trust in it and as high as 57 per cent do not trust the police at all. (It therefore should not come as a surprise that more than 80 per cent of the people have never contacted any political leader or government official for any of their needs or problems.) It can be easily shown that this is no random reflection of the attitudes of the people.

They do assess some other institutions quite highly and on this count their assessments may well be quite in tune with those of the informed critics of the system of parliamentary rule in our country. For example, over 75 per cent of the people think that the judiciary and the Election Commission function in a commendable manner.

#### DEMOCRACY AS AN ARENA OF PARTICIPATION

Now when we come to the system called democracy – not how it is conceived of by the people in respect of this or that aspect but its overall experience – the matter is entirely different. And this is where a crucial rupture comes in the way people have learnt about and relate to politics. Their experience of politics has a complexity which has not been captured in our academic or journalistic accounts of Indian democracy. And it is precisely here that we also notice that simple logical deductions do not help in the understanding of the intricate manner in which implications are drawn from experience by the people. Democracy for the common Indian is something he would not like to see replaced even if another system is offered to him on grounds of quicker solution to his problems. The dissatisfaction and alienation from leaders, parties, and certain institutions do not, in their eyes, discredit democracy as a system of governance. When it was put to them that if there were no parties and elections were not held, did they think that the government of the country would run better, the suggestion was summarily rejected. Close to 70 per cent of the people said no and only 11 per cent thought that it would run better. Whatever has been happening to the parties, on which there is no need of a commentary here and the supportive institutions which too have seen a rather pronounced decline over the last two decades, has not effected people's faith in democracy as the space for struggles. In fact, their confidence in it has grown and become widespread. Twenty-five years back in 1971 far fewer people, 43 per cent only, thought on the same lines. There were more undecided people then, 42 per cent, whereas now when only 19 per cent do not have a clear opinion, only 14 per cent felt that it would run better without parties and elections. There is then a difficult angle in the perceptual perspective. The more observable or tangible a feature of politics like the leaders or the parties with which we directly interact, the less the faith in it. The more removed from direct experience a phenomenon like democracy in general

the greater is the faith in it; that is, contrary to what one may anticipate, as we move from the abstract to the concrete the trust declines. As I will try to show later, democracy in popular experience is not a conceptual entity but a set result in their life conditions. What makes the data on this matter quite reliable is the high degree of agreement, as we have seen above, in the assessment of the effectiveness of the vote and the system of representation on the one hand, and on the other the acceptance of democracy in general terms as something desirable. Now let us look briefly at the time – the 25-year gap in the two sets of data – over which this extensive approval of democracy as a welcome presence in our politics has come about.

1971 was the high mark of radical populism and a triumphal moment for Indian nationalism. The survey then was taken after Indira Gandhi decisively defeated the conservative wing in the party and to isolate them went about announcing one radical measure after another, culminating in the most catchy slogan ever coined in Indian politics, 'Garibi Hatao' (remove poverty). All this turned into euphoria with the defeat of Pakistan in the war and the creation of Bangladesh out of the erstwhile Pakistani province of East Pakistan. But surprisingly, the period following this moment of electoral triumph was one of momentous challenges to the Indian state. Instead of consolidating on this triumph the Indian state soon faced very sustained popular assaults. There was a popular revolt in Gujarat followed by a protracted mass movement in Bihar and soon these grew into what came to be called the JP movement, a mass movement all over India. How and why this came about and its consequences will be looked at later in another paper. The period also saw an intensification of earlier forms of struggle – agitations of the working class – culminating in the great railway strike.

The Indian state, which was going through a process of rapid centralisation of power ever since Indira Gandhi effected a split in the Congress Party in 1969, met all such challenges to its authority by increasingly sharp authoritarian measures. More people were arrested during this period and more of them died in police firing than at the time of the Quit India movement. All of this climaxed into the darkest chapter in the history of independent India, the jettisoning of democracy and the imposition of internal emergency. Authoritarianism which was sporadic and ad hoc in Indian politics till then became institutionalised; happily for us it lasted for only 19 months.

Now a feature of Indian politics then which persisted into the 1980s is worth recalling in passing before going further with this account of what is happening to Indian democracy. Beginning with 1971 when Indira Gandhi received a massive mandate from the Indian people when the united opposition, barring the communist parties, called the 'grand alliance' was routed right through to the 1984 elections in the wake of Indira Gandhi's murder which also saw a murderous frenzy, an invitation to the cold-blooded massacre of Sikhs, which catapulted Rajiv Gandhi into power with the largest majority as well as vote, Indian politics has been witness to rapid popular reversion of moods. The same people who voted the governments with huge mandates soon turned against their own governments and the Indian state was under constant popular assault. The phase following the 1971 elections we have noted above. The Janata government which followed the defeat of the emergency regime and which restored democracy faced the same situation in the way of popular agitations. The same had been the case in 1980 and 1984. This is an important indicator of the unresponsive nature of the ruling class vis-a-vis the problems of the people and the lack of adequate accountability of the governments of the day. All this finally ended after the 1989 elections which ushered in the era of coalition or minority governments which is still with us today.

Now it is clear that this phase of politics devalued the leaders, political parties and certain institutions which lost their autonomy and were converted into mere instruments of powers that began during emergency and have more or less remained so ever since. It is therefore understandable that people have lost faith in them. With the incessant revelations of cases of massive corruption and defrauding of public funds by the political leaders from the prime minister downwards, Rajiv Gandhi with Bofors and Narasimha Rao in innumerable cases, it is unlikely that the political leaders will soon regain the faith of the electorate. Nor is the story of political parties any better, barring the Left and the Right reactionary BJP and some regional parties. It is important to keep this in mind. The disease actually afflicts the centrist parties which have been singly or in combinations providing the government at the centre. People see what the Congress has done to the country and rebuff it and what comes in its place led by Janata Party or Janata Dal tries to rule with good intentions but cannot hold for long. Splits and self-disruption seem to be built into

it. Where do people go from here? If not BJP, it is only one or the other centrist party which can provide the core of the government. So when people actually talk so negatively of the political parties it is really their experience with the unseemly behaviour of these centrist parties which they have in mind.

Before looking into the reasons for the strong and widespread approval of democracy as a system of governance when much that surrounds it is suspect, we must note an implication of the approval as a significant fact. Approval for democracy now after its long journey through turbulent times stands on its own. It is valued for its own sake. It does not any more, like earlier, require crunches in the shape of tall or powerful leaders to survive. These were the guardians of democracy and the trustees of the people. It was Nehru's deep commitment or Indira Gandhi's false populism which provided democracy with the cushion to survive in, what was considered to be, an inhospitable environment. Emergency changed all that. It showed people what it means to lose freedom. Retrospectively they also learnt that it is possible to fight for liberty, even if not really extensive; and along with this they also realised how precious is its possession even when poverty stares them in the face. Ordinary people were always subjected to institutionalised violence, oppression and terror in Indian society, apart from exploitation which is normal in every class divided society. But all of this except exploitation was ad hoc and sporadic in nature earlier. Emergency made it systematic and pervasive to the extent that the privacy of the person, though little, was daily invaded by the lumpen elements of the ruling party and the agents of the state. What we today call the criminalisation of politics becomes a feature of Indian politics in a systematic way since then though one cannot deny its intermittent presence earlier.

Today in spite of the leaders and elected representatives, it is the environment of public opinion which provides sustenance to democracy and the leaders manage to be worth something because democracy cannot be run without the system of representation and because elections cannot be fought without the parties and their leaders. Leaders, formations around them and parties are the necessary means through which alone the representative system can work in large democracies like India's. In other words, one may be quite right in inferring that many parties and their leaders and other representatives are being tolerated because people want democracy

This reversal from earlier phases is important in itself. It provides a better grounding to the democratic institutions and compels practice to be, in some minimum degree, in conformity with the norms which sustain democracy. In the words of the debates in political theory what we have been witnessing is the shift of legitimacy from the authorities to the regime or from the political class to the institutional set-up. This is the biggest gain in the political realm of 50 years of experience of democratic politics; its inadequate performance but together with a chance to make oneself heard. Democratic polity seems now finally to have become integral to political consciousness. It seems now to be a choice of the people rather than something given to them.

Before we proceed further a note of caution about an inherent danger to the survival of democracy is needed here. In spite of the deep conviction people have acquired in the overall worth of democracy, it may still be swept off by a demagogic intervention *a la* Vajpayee or Advani; not because they are shrewd but because there is an element within the popular perception which can become potentially unsettling for the survival of democracy as an institutional and procedural system. Struggle for power, I presume, is suspect in India. 60 per cent people feel that parties struggling for power is bad. They do not; it seems to me, realise that majority in a democracy is a contestation; it is made and unmade as one struggles for power. It we do not consider this struggle as something intrinsic to democracy, it is difficult to conceive how majorities can be made and unmade. It is therefore not very unexpected that 73 per cent of the people think that a strong and determined leader is what is needed to tidy up the political mess and a mere 8 per cent disagree with this. In a country which abounds with demagogues and whose number is increasing day by day, this is a bad forewarning. This is precisely the sense in which in the beginning I had talked of consciousness as (potentially) inherently contradictory and unstable. The legitimacy of the system has to be seen in the circumstance of this inheritance of a deep-rooted contradiction of the popular consciousness. That the BJP's campaign for a presidential form of government which is supported by an assortment of political opinions has ominous implications.

Legitimacy for democracy means in other words that it has acquired social roots. This in turn implies that legal and constitutional guarantees are not the only sources for the practice of democracy but

popular mood now is its chief foundation. All this suggests that democracy now in Indian society is a model morally approved by the people. It does not any more need guardians or trustees protecting it as earlier. This means that highly respected leaders as Nehru and others who were seen as embodying the legacy of the Freedom Movement are no longer the only basis for the survival of democracy.<sup>3</sup>

#### TERRAIN OF LEGITIMACY

How did this come about? Indian governments have solved none of the basic problems of livelihood – food, shelter, health, work, etc – whether suffered singly or collectively by the people. That these problems are less severe or that fewer people statistically speaking are victims of these problems is a moot point. Also the point is not that there has been very little development in building a modern economy in India. Even if it is less than what India was capable of, it is quite considerable looked at from the sheer increase in the size of science and technology, industry, agriculture, infrastructure and so on. But what singularly marks the Indian experience with development even when we compare it with not east and south-east Asia but even countries like Tanzania, for instance, is the complete inability of the Indian style of development to solve the basic problems of poverty, health, literacy livelihood, housing, etc. Economic and technological development in India, in other words, has failed to solve social problems. So obviously the growing acceptance of democracy is not because it has solved the problems of society. Thus the Indian experience with democracy seems to me to be somewhat unique. Where then do we look to for the explanation for such widespread acceptance of democracy as desirable?

The clue, I would like to suggest, lies in what has happened to the social structure with the working of democracy in the context of the development of capitalist relations in India. This has unhinged the rigidity of the mechanism through which social conformity of the most severe kind was conventionally enforced. All traditional societies enforce strict conformity; that is, codes both at the level of morals and conventions are not advocated but imposed; force rather than persuasion is the mode of enforcing compliance. This is important because advocacy implies persuasion whereas imposition is evidently coercive. But in India, in addition to this much else is involved. With its caste system India has been quite a case by itself. There is a powerful in-built mechanism in it to

push people towards a status-ridden, hierarchic downgrading and through this process a systematic denial of respect to people in the lower orders of the caste system. Because of the scriptural sanctions that it enjoyed, it has been a self-validating system of authority and traditions associated with it. All this started breaking up, slowly in the beginning but gathering strength as time went by, with industrialisation and urban growth, increasing penetration of capitalist ways of accumulation of surplus in the countryside, subsumption of labour and all else which goes with the development of capitalism. This process of capitalist development has taken place within a framework of a more or less sustained working of democratic institutions and practices and intense electoral competition. This has given a specific flavour to the making of modernity in India.

Modernity may, as it is alleged, enforce normalisation – everybody made to live by the same standards and norms and of an origin which is not indigenous – but it is not conformist in any sense. Modernity allows for a great deal of autonomy of persons. It does so, first, by giving rise to an objective, historical process of individuation – making persons bound up within communities into (self-referring) individuals and by putting a high premium on individual choices for lifestyles and self re-making. It permits me to become different from my surroundings and to live at a certain distance from the communities out of which I may have emerged. It undermines those conditions which make life unfree. Democracy when it functions uninterruptedly in the context of such a change, facilitating and checking its excesses, has a loosening effect on the inherited social structures, which were always seen to be excessively oppressive, especially their hierarchical features based on notions of high and low in terms of purity and pollution. This is what seems to have been happening in India over the years of functioning of democracy. Rule of majority, whatever its limitations in India, recognises individual-level equality of vote even when other aspects of equality are regularly denied in practice.

Denials and affirmations are a complex amalgam here. As a dalit social being I may be denied access to village wells or an upper caste house. As a woman I may not be allowed to regulate my time or work. But as a citizen my vote, whatever my social status, is not worth any less than that of a brahmin or the patriarch. Or my evidence as a witness in a judicial process does not count as of any less weight. Even

very marginal increases in worth of people of low status is a challenge to those of an upper caste. For a brahmin to be told that the word of his village dalit is worth as much as his is a serious insult to his (false) sense of esteem as also an experience of pain inflicted on his self.

This disjunction between social existence and citizenship does, no doubt, lessen my functioning as a citizen but it does not negate it. In fact it opens up a terrain for struggles and however constrained my struggles, they are a means of enhancing my capacity to function as a citizen and to narrow the gap between this and my social existence. With this when people become conscious of group numerical strength, there also comes to them a greater sense of ability to move things in their own favour, a little here and a little there.

Democracy in India is therefore an assertion of the urge for more self-respect and to be better than what you were made out to be. This is a clear manifestation of the secular power of politics which is simultaneously the erosion of the self-validating nature of the power of the social structure and the traditions sustained by these. All this has conferred an added thrust to and taken forward the radical impulses generated through the powerful popular movements during the freedom struggle, in spite of the ruling classes acting as brakes on the process. Whatever the limitations, democracy in India has opened up the spaces for the great battle for egalitarianism. Let us look at this a little closely.

Indian society for ages had given an effective voice only to a small stratum made up of what are called the 'dwija' castes. It may have, perhaps, been overtly less repressive than other pre-modern class societies but its mechanisms of conformity were more elaborately ideological in nature and based on internalisation of direct scriptural sanctions than anywhere else. The voice of everyone else was taken away by this 'dwija' stratum headed by the brahmins. Democracy with all the struggles, agitations, mobilisations of all kinds, electoral participation and such other things broke the rigidity of the enforcement mechanisms of the social structure. The most lowly placed in the Indian society, the worst victims of this, could feel a little less suffocated; in a *minimal* way they could feel what it means to breathe the air of freedom, a perception as well of what all freedom can become.

Here we must be careful and not overread the situation. What the ordinary people have gained, given the conditions of their

social existence, is really very little. It is important to realise what is the limit on this freedom. It is exercised in a very narrow space. And this space becomes available by the traditional power becoming *loosely regulated and sporadic in its nature*. It has not broken down and therefore conditions which constrain the people from exerting their powers to enhance the realm of choices remain ever present. To put it in another way, it means that reprisals have become ad hoc in nature. Ordinary, poor people can go on doing things in their own way, contrary to inherited norms. But then at points unforeseen they may be hit at with varying severity. But then again they now can register an FIR with police and/or, more importantly, organise more people of their kind to fight back. This is the opening they really cherish. In defending the democratic (space) system it seems to be this little gain that they cannot think of being deprived of.

From the point made above, an important implication follows. The conditions of social existence being what they are, the inequalities within the society have, without becoming any less severe, changed, seen in a relative sense, their terrain in an important sense. What stared people in their face and which took away their voice were the ritual-status inequalities. In their place have come to the fore the economic inequalities and with this those of power in the secular sphere. Inequalities of power in the secular world, unlike those of the ritual world, do not restrain the assertion of civic and political rights; in fact they encourage these and help bring together, as is happening all over the world, egalitarian values as integral to the democratic principle, for struggle and debate. It is in the very essence of economic and other secular inequalities to elicit a counter trend of fighting against this. And it is this which is the basis of all radical, including socialist, consciousness.

The loosening of the social structure and therefore the margins and spaces becoming available to the common people allow them to fight for dignity, rights and entitlements and to resist oppressive social custom to which the ordinary people, especially those belonging to lower castes, were systematically subjected. Precisely due to this they see democracy as an arrangement which permits a fight for a decent life in whatever minimal way they conceive it; given the social and material inheritance of the people this may well be felt by them as a large 'concession' won. In fact the very nature of caste and the relations of 'jatis' to 'varna' order itself

have undergone a drastic change. None of the lower castes – the dalits or the OBCs – any more are prepared to accept or act in the public sphere as lower category people. They do not any more accept that they are unpure and therefore polluting in nature.

This has come about with the emergence of new modern classes within the old caste order; crucial within this class formation is the making of a more or less numerous middle class, with literacy and skills in handling the secular world being the most important assets. And it is these strata who are waging a battle for equality on behalf of their communities.<sup>4</sup> What is entailed in democracy is seen by them as a set of diverse resources. Hence a deeper commitment for democracy among these people. Confirmation of this comment and a deeper substantiation for the observation comes from another set of data. If we cross-examine the data on the growing acceptance of democracy and the institutions which surround it in terms of the weaker and vulnerable sections of society as against the relatively more privileged, we get some rather revealing sketches of preferences in relation to castes and communities. Let us therefore look at this data a little closely.

To do this, I only take for the present the changing nature of the electorate for some scrutiny. What we do here, to put it in another way, is to look for the inner composition of the aggregate of those who vote or do not vote; the emphasis though will be on those who vote. What strikes one immediately is the change in the composition of the electorate. This is important because the percentage of the electorate which votes has not changed in a pronounced way between 1971 and 1996 but the composition of those who vote or do not vote has changed in a dramatic manner. Compared to 1971 those who vote have, within the same overall percentage, got altered. There are more illiterates, rural-based people, scheduled castes and OBCs who comprise voters today than earlier. In 1971 there were more upper caste, urban, and college-educated voters than in 1996. Similarly, the percentage of Muslims or tribals who deviate from the national average is more pronouncedly towards voters than non-voters. Which means that the percentage figure converted from the sample to the overall electorate will add into millions of voters from these groups; in other words, these vulnerable sections of electorates make up more of actual voters now in 1996 than they did in 1971. We can therefore say with a fair degree of confidence that the democratic foundation to power today

is made up much more of the vulnerable sections than in 1971. The change in the composition of those who choose to vote out of the total electorate is rather unnoticed, when as so often happens we confine our attention to the surface observations. If we go behind what is hidden by the *aggregates* we get the startling fact that the fate of those who will rule within our parliamentary governance is now being determined, in an unexpected way, more and more by those who are weak and powerless and driven by need.<sup>5</sup>

Put differently, to say that the voting percentage in India has remained more or less the same hides more than it reveals. If fewer well-off people come out to vote than earlier and more poorer people decide to vote, then does this reveal anything significant about Indian democracy? If democracy has to solve problems in society then these concern more of those needs which pertain to the poor, viz., illiteracy, health, nutrition, housing, livelihood, etc. These same problems have got sorted out more or less satisfactorily vis-a-vis the well-off sections of society. We found earlier that the clue to Indian democracy surviving for half a century is not in the nature of problems solved or not but in the space that democracy provides for the vulnerable communities or sections<sup>6</sup> to stand up and fight for their rights and entitlements. So let us pursue this story further and see what is specific to each of these.

In the analysis which follows I only take for consideration the communities which are vulnerable. This is for a simple reason. The exploited like the workers are uncomplicated in terms of opting to vote or not and cannot easily be prevented from voting. This is very unlike the case of certain communities whose fate in terms of choices is not the same across the communities nor is it uncomplicated. Oppressed communities in India are of two kinds in class terms. There are the *propertied oppressed* like many of the OBCs, though not all as many of them are in various handicrafts. The propertied oppressed were mainly, before the land reforms, dependent peasantry. Within these there is, obviously, bound to be class differentiation but we need not, at this point, go into this. There is then the *propertyless oppressed*. The most pronounced groups which make up this category are the dalits, being mainly landless agricultural labourers, but also in sizeable number in 'unclean' traditional work like that of various kinds of cleaning or leather work and so on. Among the propertyless are also the most backward

classes who are largely in 'clean' traditional occupations like barbers or washermen, and so on.

When we look at the changing composition of the voters we get an interesting picture. Let us look at this in relation to the castes, starting with the OBCs vs the upper castes. In 1996 over the average polling of 58 per cent, there were 1 per cent more OBCs voting as against nearly 2 per cent less of the upper castes; that is 59 per cent OBCs vote as against 56 per cent upper castes. It becomes more pronounced if we look at the scheduled castes who are 2 per cent above the average, that is, about 60 per cent of them vote as against 56 per cent upper castes. In 1971 the difference was not at all pronounced as it is now. Then both the OBCs and upper castes were 1.5 per cent below the average, but the scheduled castes were then only half a per cent above the average.

When we move, secondly, to the distinction in terms of education there is a more pronounced shift. Here we look at the illiterates vs educated (up to college level and above). In 1996 we have slightly less than half a per cent more illiterate vote above the average but what really comes as a surprise is that nearly 5 per cent fewer than average of those who are educated exercised their franchise; in other words, if 60.5 per cent of the illiterates are voters then only 55 per cent of the educated chose to go to the polling booth on election day. Here there is a rather drastic shift in the inner composition of the voters. The active portion of the electorate now is comprised of illiterates who obviously also are much more poor as against the college educated who more often also come from the better-off strata of our society. In 1971 there were slightly above 6 per cent educated above the average of 55 per cent as voters as against the illiterates who were 3.5 per cent below the average.

Here we then have a comparative puzzle which is also so from a commonsensical point of view. Comparative studies based on cross-polity surveys and other types of similar aggregate data have very clearly shown that the survival of democracy is negatively related to the persistence of illiteracy, poverty, oppression and related features. Furthermore, it is features of this kind that make a society prone to demagogic manipulations and populist manoeuvres. Not that India did not have a share of these. Radical populism followed up with some measures in the policy and administrative spheres has an undoubted place in all societies with socio-economic conditions like those of India. The euphoria

generated in 1971 in the wake of radical pronouncements but which soon dissipated in ruling class manipulation, as noted earlier, is a witness to that. But the Indian experience also very clearly shows that empty populism and radicalism which turns into empty rhetoric has been seen for the bluff that it is. The decisive rejection of the emergency regime by the ordinary Indian people is as emphatic a proof as one can ask for. Commonsensically too, as revealed in newspaper reporting, the apathy within Indian democracy happens to be with the sections who are illiterate, poor, etc. Let us for instance note that during every election during the last few years, news correspondents travelling across the country for reporting, repeatedly come up with the news that there is very little interest in the election campaign among the people. From this they often have inferred about voter apathy. Ordinary people do not, perhaps, talk politics as often and as coherently as we in our living rooms; or, at least, do not do so with us. What has not been realised is that there is much greater self-mobilising among these people than before. More of them are making up their minds about how to vote without being prodded.

Let us look at two more vulnerable groups or communities in a broad sense, viz, tribals and Muslims. This will further the substantiation of the assertion made above. In 1996 the aggregate vote of the various tribal communities is slightly less than 1 per cent below the national average. In 1971 it was below the average by 8.5 per cent. That is, on the average of 58 per cent it stands at 57 per cent in 1996 whereas in 1971 on the average of 55 per cent it stood at 48.5 per cent. This represents an enormous increase. In the case of Muslims it is exactly 1 per cent below the average whereas in 1971 it was 7 per cent below the average.

Now Muslims, unlike tribals, include non-vulnerable sections as well. There are landlords and professionals and a sizeable, though not quite as big as our impressions are, middle class among them. But it has been calculated by the data unit at the CSDS that the number of better-off section among the Muslims is no more than a third of their population and the rest of them are no better than the OBCs. Only among the dalits (19 per cent) and adivasis (16.4 per cent) is the proportion of better-off sections lower than among the Muslims. Clearly, the Muslims are not 'pampered' and have not gained excessively because of the appeasement policies of the 'pseudo secularists' when we compare them with the upper castes (the category here includes

the dominant castes such as the jats and reddy and so on among whom the number of better-off people is more than two-thirds of their population. So minus this small stratum the rest of them can be treated as vulnerable. They are vulnerable in another sense. Given the history of their role during the freedom struggle and varying degrees of identification with the separatist politics of the Muslim League they are a suspect presence in the eyes of a large number of people and this takes two forms: a non-hostile suspicion among a sizeable section of non-communal people and open hostility as by the hindutva forces and the like-minded. It leaves them as an aggregate of communities bewildered and insecure and this increases because the history of riots and their sociology are a gruesome aspect of Indian politics.

Let me end this story of numbers with another pair: the urban vs the rural population. Now it is not my contention that the rural is vulnerable and the urban is not. It will be an absurd position, though from Charan Singh on this too has been a refrain in Indian politics. The rural areas also contain a reservoir of the most reactionary ideologies in the presence of landlords who roughly constitute about 4-5 per cent of rural population and in addition to them there is a sizeable presence of kulkas and rich peasants. Likewise, the urban areas contain the most systematically exploited section like the working classes and also the run-away destitutes; all this and more. Nevertheless the urban areas also have the concentrated presence of the information and media networks and access to them is a source of potential power; there are the most powerful professional groups; and, above all, the most strong and stable section of the ruling classes, the bourgeoisie. All of this gives it a very pronounced advantage. This indeed is the reason for giving it consideration. Now as we look at this pair we find that the votes of those residing in rural areas are 1 per cent higher than the average, whereas in 1971 it was a little over 1 per cent lower. This is not a very significant shift as in case of some others we have considered above, but 1 per cent converted as absolute number given the size of the rural population is a huge number. But it acquires a significance when looked at in relation to the voters in urban areas. In 1996 the vote of the urban residents was lower by about 3.5 per cent but in 1971 it was higher by 4 per cent. So the overall decline in the proportion of urban voter is rather pronounced, suggesting the relative rise and fall of interest and apathy among the electorate.



What all this reveals is the infirmity of common sense and the untenability of facile comparisons; alternatively, we can say how deceptive are the surface looks of a phenomenon. When looked at closely appearances dissolve into questionable commentaries and what emerges as coherent pictures are the invisible underlying patterns. To note this is important to recognise who the democratic masses in India are. It is also important to call the pontificating bluff of the withdrawing elites who loudly blame the ordinary people for all the ills which no doubt inform the working of Indian democracy and the untidy manner in which the extension of democracy is taking place.

It is nobody's case that serious problems, almost a crisis, are not being encountered by Indian democracy especially in the working of democratic institutions and more particularly of governance as well. It is important to note in passing that the crisis of governance is due to, more than anything else, a sort of contradiction that has emerged between the 'principle of representation' and the 'requirement of parliamentary rule'. This has come about because the conditions determining representation are moving in directions in which the acquisition of majority by any political party is becoming difficult.<sup>1</sup> This has become in fact more pronounced with the slow erosion of the support of the Congress since the Emergency and after its sudden decline after the 1989 parliamentary elections. All this is due to the ineptitude of the 'governing class' which is largely made up of the established elites and those who are emerging from different hitherto excluded strata and are joining the established elites. The point to emphasise is that the danger to democracy comes not from the ordinary people but that the threat lies in the lack of skill of the emerging elites to properly run the democratic institutions and in their propensity to violate the rules of the game and to pay scant regard to the procedural aspects of democracy. More seriously the rise of Hindutva is also an effort on the part of the erstwhile dominant elites to regain the prominence they have been losing with the emergence of and ascendance to power of the middle classes from within the vulnerable communities.<sup>8</sup>

The predicament is precisely that which lies with the ruling classes and their political representatives. It is evident that ever since crises points emerged in Indian politics from the late 1960s the ruling establishment has shown a strong propensity to take recourse to authoritarian means for handling popular pressures; all this

culminated in the declaration of internal Emergency in 1976. One can therefore argue that democracy in India survives not despite the illiterate and poor people but due to their pressures for democratic governance. The elites in India have fine-tuned the culture of evasion and repression. We see all the time efforts to solve people's problems through bureaucratic and technical means. It is only under intense pressure of popular movements and agitations that limited political recognition as agents is acknowledged vis-a-vis the people. It is this space that people want to protect and preserve. And it is this space which is under serious threat from Hindutva forces – the militant Hindu right-wing – emboldened to indulge in arm-twisting and illegal exactions on society.

Like with the exercise of vote, if we were to look at all the institutional aspects of democracy and popular orientations to these as well as their assessment of democracy in general, what comes as a revelation, no more unthinkable I hope after what has been disclosed above, is the fact of the much more widespread acceptance of these by the ordinary people than the better-off sections. But this is something I will not go into here, it has to be a story for another occasion. This acceptance furthermore is towards these as values and the processes by which these are being realised and which are affirmed irrespective of how these are made to function by the political elites, which is more often as we have seen viewed as a let-down. It is important to note this because an *inner agreement* is emerging among the oppressed about Indian democracy, whatever be their political fractiousness, which is in no way visible to us. It may be fragile and ad hoc but nevertheless an indication of its incipient strength. The fragility may largely be due to the weaknesses of the ordinary people who may or may not be able to beat back an assault launched by the ruling classes. Let us take the case of globalisation frantically under way now. People may know of its implications when they become victims of its consequences but they are not equipped either to its logic or to foresee the consequences. The ruling classes have the means and strength to push these through authoritarian methods. Nonetheless we will see that compared to any other section of society the ordinary and vulnerable are the ones who feel more strongly for democracy and its institutional set-up as well as the surrounding conditions.<sup>9</sup>

The central point underlying the picture that emerges from what we have seen through the data reported above and the

argument built around them can be stated as follows: the processes around democracy or the democratic process have detached themselves from the infirmities surrounding it, whether they be of the leaders or the parties or representatives, and acquired an autonomy of their own. The deepening legitimacy for democracy inheres here in the process – the struggles including electoral battles and their locales – and the process is the space which becomes available, now contracting and now expanding, for the range of resistance people are capable of. The invisible incremental advances and 'concessions' won are registered here. This happens in spite of the shape that organised politics has acquired. This also suggests that a radical revision of the theories of legitimacy together with how it comes about and where it resides, as elaborated in academic studies, is called for. The functioning of democracy in India has not provided an opportunity for a revolutionary advance. But it has given rise to a new kind of democratic progress, constrained no doubt by the hegemonic bourgeois condition. The question how do we overcome this condition remains the key question as it has been for quite some time.<sup>10</sup>

## Notes

[This is not so much a continuation but a follow-up of my previous article 'Is Caste Appeal Casteism? Oppressed Castes in Politics', *EPW*, March 27, 1999. In that article I looked at what is constitutively happening to the various castes and its implications for social existence and political mobilisation as well as the reversal taking place within the 'varna' order and its implications for the nature of social mobility. Here I shift the focus and look at how the oppressed castes who, as has been argued earlier, are increasingly becoming 'communities', relate in complex ways to democracy in India.]

1 Consciousness, in the limited sense in which I am using it here, is what one draws or which gets unreflectively drawn from the experience plus stable ideological orientations where ideology itself is the sum total or framework of all our separate representations of the world we live in. Representations of all the things are never all the time right. So consciousness is never one like knowledge of reality which can also be validated in one way or another. Therefore, one facet of consciousness is always shifting because of the contradictory multiplicity of experiences people undergo and a good bit of it they may never sort out. But the other aspect of consciousness is more anchored, based as it is on the ideology people live by. This is important to keep in mind because in the course of this essay we will often use the word without specifying which side of it we are talking about.

2 All data are drawn from the CSDS data unit.



Data for 1996 based on a cross-polity survey conducted immediately after the parliamentary elections. The data for 1971 too are from a similar survey done then, a gap of 25 years which has seen momentous developments in Indian politics.

3 Legitimacy is something distinct from legality. It is always a flow of sentiments from below, from within the society, for practices or authorities or institutions whereas legal injunctions are directions from above, from the competent authorities, which then move down into society; even when those directions do not find acceptance they have to be obeyed. In other words, there is always a degree of compulsion inbuilt in legality. Legitimacy is, to the contrary, an active and willing endorsement of something as desirable. For example, practice of untouchability or asking for dowry does not enjoy any legality; these are banned practices. Yet these are widely prevalent across classes and communities. For legal injunctions to become legitimate these must come to be seen as desirable or morally binding by society as such in terms of its own volition. There can always be a disjunction between legality and legitimacy in any society but it is generally more pronounced where a change is sought in the values and outlook of the people, as is happening in our society.

4 For a detailed elaboration of the logic of this development see my, 'Is Caste Appeal Casteism?' op cit.

5 The voting figures in India stabilised from the time of the third general elections in 1962. These have randomly fluctuated between 55 per cent and 62 per cent in most of the elections except in 1991 when these went down to 51 per cent and, in the opposite direction, these rose up to 64 per cent in 1984. But otherwise the range holds over seven parliamentary elections. At the two points at which we are making comparisons the voting figure in 1971 was 55.3 per cent and in 1996 it was 57.9. This is not an insignificant difference but it is not too dramatic either to vitiate comparisons.

6 The vulnerable sections in India comprise those who are exploited and socially oppressed. These ought to be treated as distinct because one who is exploited, say, an upper caste worker, is not socially oppressed but a middle peasant belonging to OBC is not exploited but the expression of the social order in India is such that historically OBCs have been oppressed. In many instances, say, in the case of the harijan/dalit agricultural worker, he is both exploited and oppressed at the same time. Women belonging to well-off sections are an instance of those who are socially oppressed but who may also be the exploiters as well as oppressors of the labour and person of the poorer strata.

7 See my 'Is Caste Appeal Casteism?...', op cit. In addition to the reasons advanced there, there is also the fact of a shift in the basis of allegiance and mobilisation towards the various regions of India which are in the process of redefining the Indian nation in new terms.

8 See my 'Is Caste Appeal Casteism?...', op cit. for details of this process.

9 Here it may be interesting to look at the estimation of the future by the people which is a source of an insight as well as a confirmation of the assertion that the development of capitalism in India within a functioning democracy has opened up spaces for struggle against the stranglehold of inherited social structure. Asked if their children would have better opportunities in life than

they had over 54 per cent considered the prospects for children as better and only 22 per cent felt that they would not have better opportunities.

10 As a political statement in the given conjuncture one may be able to say: Defeating Vajpayee is the first step. Sidelining Sonia Gandhi after that is the next. Building a relatively stable Third Front is the third. After that the shape of popular struggles will determine our future.

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# Agricultural Tenancy and Interlinked Transactions – I

## Neoclassical and Marxist Approaches

Mamata Swain

*This article attempts to study features of tenancy and interlinked transactions in Orissa in recent years. The applicability of the neoclassical and Marxist approaches to the study of interlinked factor markets is examined with empirical data collected from three villages through an intensive survey. It is argued that the Marxist approach is more powerful in studying interlinkage as it addresses the problem in the context of a differentiated class society. However, the autonomous role of class relations should not be overstressed. The macro variables that shape class relations and the enforcement device of the dominant class are to be given due recognition.*

*This article appears in two parts. This, the first part, analyses features of tenancy prevailing in the survey area and explores causes for the existence of tenancy and its persistence.*

IN underdeveloped agrarian economies it is very often observed that transactions in rural markets are intertwined in a significant way in the sense that a transaction in one market becomes contingent upon a transaction in another market. A landlord and his tenant enter into several transactions at the same time; in leasing out land, in hiring labour, in providing credit, in sharing of input costs, in marketing of output, etc., all as part of a comprehensive interlinked contract encompassing several markets [Bardhan 1980]. Thus interlinkage of factor markets is said to take place when contracts regarding several interdependent market transactions are simultaneously agreed upon between the same parties.

### I

#### Neoclassical and Marxist Approaches to Interlinkage

There is a plethora of literature on interlinked land, labour and credit transactions most of which try to explore the causes of interlinkage and delineate its consequences on farm economy. However, the different views on interlinked deals can broadly be divided into two strands of thought, the neoclassical and the Marxist.

The neoclassicals argue that rural factor markets are imperfect, characterised by prevalence of risk, uncertainty, indivisibility, information asymmetry and moral hazard problems. They emphasise that interlinkage is the means by which the profit maximising landowner overcomes the inefficiencies of incomplete and imperfect markets and this facilitates increased efficiency and higher social welfare.<sup>1</sup>

The most plausible explanation put forward by the neoclassicals for the existence of interlinked deals is that it

minimises transaction cost and ensures insurance against risk and moral hazard in a world of uncertainty and information asymmetry. It is stressed that interlinked rental and credit contracts may be a device to internalise externalities generated by moral hazard considerations when production uncertainty and information asymmetries between agents prevail – as in the case when it is difficult for the landlord to monitor if the tenant's low output is the result of inadequate effort or bad luck [Braverman and Stiglitz 1982; Braverman and Srinivasan 1981]. The landowner provides a consumption loan to the tenant to induce him to work harder, advances production loans to enable the tenant to adopt improved package of practices and shares in cost to increase the intensity of input use, all aimed at getting increased yield [Braverman and Stiglitz 1982]. Thus interlinking of land, labour and credit markets can be regarded as an attempt to improve allocative efficiency by reducing transaction cost in the face of risk and moral hazard in the absence of any insurance market. This is precisely what the neoclassicals argue for the existence of interlinked deals.

Marxists, however, believe that interlinked transactions are devices of the dominant party to subjugate the poor and to increase their political economic power in the village community. Interlinkage is viewed as a method of surplus extraction which helps the dominant class consolidate their class position. The various instruments that are interpreted in the neoclassical analysis as increasing the efficiency of sharecropping as noted in the preceding paragraph are deemed in the Marxist formulation as weapons for im-

proving the effectiveness of surplus extraction.<sup>2</sup>

The differences between the neoclassical and the Marxist viewpoints on interlinked transactions can be summarised as follows: (i) Neoclassicals presume that interlinked transactions are an individual's rational response to market imperfections aimed at improving allocative efficiency. Marxists argue that interlinkage symbolises class relations and is a mechanism of surplus extraction. (ii) Neoclassicals argue that interlinked deals are welfare promoting devices from the points of view of both the landowner and the tenants and it represents a symbiotic relationship where both parties benefit. Marxists hold the view that the purported increase in income is cumulatively appropriated by the dominant class and the incomes of the tenants are pushed back to their bare survival level needed for their reproduction only. (iii) Neoclassicals stress that the tenants enter into interlinked transactions voluntarily as it increases their welfare. Marxists, however, believe that interlinkage is nothing but a survival strategy for the weaker sections and it is a compulsive involvement in market transactions to meet their subsistence needs.

Thus the neoclassical interpretation of interlinked transactions is contractual, while the Marxist explanation is one of surplus appropriation. One notes of the Marxist approach that it lacks a macro framework which needs to take into account the macro variables that create favourable conditions for the landowning class. The contingencies upon which the Marxist superstructure is to be built need to be pointed out. More accurately, the macro variables which create an advantageous situation for the landowning

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in the year 1991-92 the percentage of operational area under tenancy in Orissa was only 9.5 per cent and tenant holdings constituted 16.4 per cent of total operational holdings.

High incidence of tenancy in the non-irrigated village Sandhagaon can be attributed to various reasons. In dry land farming practised in this village, crop yield and cropping intensity are found to be quite low. Cultivation is viewed as a losing concern. Moreover, wage rate is higher in this village. Due to existence of many industrial complexes in its vicinity, casual labourers demand high wage in parity with the available industrial wage. Low yield along with high wage and high cost of cultivation induces landowners who have other sources of income like salary and business to lease out their land. On the demand side, in the absence of adequate employment opportunities the agricultural labourers are keen to lease in land to produce some food crops which they can retain as food security against the lean period.

If we analyse the incidence of share tenancy over time in our study villages, in Charapara and Harinababi most of the tenants reported that share tenancy is tending to increase due to emigration of landowners to urban areas for employment. But in the non-irrigated village no such trend is perceptible.

It is usually believed that land attracts land: that landlords prefer to lease out land to landowning peasants as they are considered to be efficient cultivators having managerial experience in farming [Nadkarni 1976:A142; Sarma and Dreze 1990:58; Chadha and Bhaumik 1992:1010; Gill 1989:A82]. On the other hand, some empirical findings suggest that the big lessors prefer to rent land to landless tenants with large family size (dependency burden) and preferably in small parcels [Bharadwaj and Das 1975]. It is argued that under the burden of survival the landless poor will exert more effort to get an increased yield to meet the subsistence needs of the family. This is interpreted as a strategy of extracting labour rent from the sharecroppers in a hidden and subtle manner.

Our findings with regard to the incidence of pure and part tenancy are presented in Table 5. In the advanced village Charapara 56 per cent of tenant households are pure tenants and they operate about 60 per cent of tenanted area. Thus incidence of pure tenancy is higher than part tenancy. But in the backward village Sandhagaon pure tenants constituting 60 per cent of total tenants account for 31 per cent of tenanted area. In the case of Harinababi this question does not arise as there are no landless

households in Harinababi. In Sandhagaon the resident higher caste lessors prefer to lease out their land to their relatives rather than leasing out to landless scheduled castes. In this village there is some sort of caste conflict between the higher caste landowners and the scheduled castes, whereas in the irrigated village Charapara there is good understanding between the two classes. It is not the caste consideration but managerial ability and honesty in paying rent that are the criteria to screen the tenants. Managerial ability is gauged by a number of factors: experience in cultivation, number of able-bodied adult male members in the family and past yield performance of the tenants.

However, in Charapara, leasing out of land to landless labourers is a comparatively recent phenomenon. The supply of tenanted land has increased due to

emigration of landowners to urban areas for employment. Moreover, the owner cultivators of the village are disenchanted with cultivation and are not willing to lease in land. Sharecropping on hired labour basis is not at all an attractive proposition for the landowning class due to problems of labour availability and labour supervision. On the other hand, the standard of living of the landless agricultural labourers has improved because of implementation of various government poverty alleviation programmes. The financial position of the landless labourer families has improved and they are able to incur cultivation expenses and possess their own bullocks. They are interested in leasing in land and cultivating with their own family labour. A detailed distribution of cultivating households according to tenancy status is given in Table 6.

TABLE 7: CAUSES FOR LEASING IN FREQUENCY OF RESPONSES

Reasons	Charapara	Harinababi	Sandhagaon	Total
No alternative job opportunity	9 (100.0)	3 (60.0)	9 (81.8)	21 (84.0)
Bullock adjustment	-	-	2 (18.2)	2 (8.0)
To consolidate holding	-	1 (20.0)	-	1 (4.0)
To increase operational holding	-	1 (20.0)	-	1 (4.0)
Total	9	5	11	25

Note: Figures in parentheses indicate percentages to total.

TABLE 8: FARM INCOME FROM TENANTED LAND OF PART TENANTS

Category	Sl No	Farmer Class	Net Income	Rent Payment	Net Receipt	Imputed Value of Own Labour	Total Farm Income
1	2	3	4	5	6 (4-5)	7	8
Charapara							
OT	1	SF	537	694	-157	358	201
	2	SF	398	591	-193	48	-145
	3	SF	1216	827	389	134	527
TO	1	MDF	536	519	17	144	161
Harinababi							
OT	1	SF	2811	1565	1246	1382	2628
	2	SF	873	669	204	431	635
	3	MDF	4495	2430	2065	-	2065
TO	1	SF	1484	1203	281	-	281
	2	MDF	1210	779	431	462	893
Sandhagaon							
OT	1	SF	1154	1204	-50	204	154
	2	SF	328	816	-488	1190	702
	3	MDF	-141	868	-1009	1190	182
TO	1	SF	-832	326	-1158	-	-1158

TABLE 9: DISTRIBUTION OF LESSORS OF TENANTS BY RESIDENTIAL STATUS

Village	No of Tenants	Total No of Lessors	Average No of Lessors Per Tenant	No of Resident Tenant	No of Semi-Absentee Lessors	Per Cent of Total
Charapara	7	24	3.4	8	16	66.7
Harinababi	5	12	2.4	1	11	91.7
Sandhagaon	11	18	1.6	15	3	16.7
Total	23	54	2.3	24	30	55.6

#### IV Reasons for Leasing

We now attempt to analyse the characteristics of tenants and the causes for leasing in land. The decision to enter into a tenancy contract can mainly be triggered by two types of motives. Firstly, the objective may be to earn subsistence as no alternative job opportunity is available. In this case, it is a compulsive and involuntary participation in the transaction because the returns from tenanted land are hardly commensurate with the effort that the tenant puts in due to high rent. The poor peasant most unwillingly enters into the production relations of share tenancy as there is no option for him other than sitting idle and semi-starved at home. Secondly, leasing-in may be undertaken to increase the scale of operation due to indivisibility of factors of production to earn commercial profit. Here the contract is voluntary and promotes allocative efficiency. This type of tenancy is called capitalist or commercial tenancy. In the first case tenancy is a survival strategy whereas in the second case it is a welfare promoting device.

In backward agriculture 'subsistence leasing' by poor peasants on sharecropping basis is mostly observed as a survival strategy. By contrast, in agriculturally progressive areas 'commercial leasing' by rich peasants on fixed rent basis is prominent. Several empirical studies reveal that in developed areas, large farmers are found to lease in whereas small farmers tend to lease out [Bharadwaj and Das 1975, Nadkarni 1976:A41; Singh 1989:A88; Vyas 1970; Srivastava 1989:358]. The entrepreneurial large farmers rent in land primarily to cultivate large tracts of land in a compact block on commercial lines by using tractor and installing pumpsets for irrigation. The small farmers lease out because there is security of wage earnings in advanced agriculture due to high demand for labour. They prefer wage income which is certain in advanced areas to uncertain crop income from leased-in land. This sort of leasing-in by large farmers is termed reverse tenancy [Singh 1989] or capitalist tenancy [Parthasarathy 1991]. But large farmers are found to rent land on fixed crop or fixed cash basis rather than on crop share [Vyas 1970:A-78, Bhalla 1983:837].

Our study villages are located in the agriculturally backward region of eastern India where mechanisation is as yet in its infancy. There are mainly small lessees and also small lessors found in our study villages. This finding supports Ray's (1978) evidence from West Bengal.

Table 3 shows that mostly the landless, marginal farmers and small farmers are leasing in land. The average owned holding of an owner tenant is 2.32 acres in Charapara, 4.4 acres in Harinababi and 2.83 acres in Sandhagaon. The average owned holding of a tenant owner is much smaller, only 1.96 acres in Charapara, 0.96 acres in Harinababi and 0.48 acres in Sandhagaon.

On inquiring about the causes for leasing in, in Charapara all the tenants reported that lack of alternative job opportunity compels them to lease in land (Table 7). In Harinababi 60 per cent of the tenants and in Sandhagaon 80 per cent reported 'no alternative job opportunity' as the reason. In Harinababi 20 per cent each reported the reason for leasing in as 'to consolidate holding' and 'to increase operational holding' and in Sandhagaon 20 per cent of the households reported 'bullock adjustment' as the reason for leasing-in.

The landless casual labourers do not get work throughout the year and it is found that households with large family size are interested to lease-in land as they can cultivate the land with family labour. If they produce some crop by leasing in land, they have an insurance against hunger for the rest of the year. Also, small farmers belonging to higher castes lease in land. Because of their caste status they hesitate to hire out labour and work in another man's field. That is why they lease in land as no other employment opportunities are available.

Thus, it emerges clearly that most of the tenants (84 per cent) are renting land because there are no alternative employment opportunities for them. It is a compulsive involvement in the transaction and supports the Marxist view. We need to explore whether the compulsion is economic, i.e. due to certain macro features of the economy, or non-economic characterised by extra-economic coercion. Our study reveals that the share tenants are under no bondage or compulsion to lease in land from a particular lessor. They are quite free to take their own decisions on how much land area to lease in and from whom. The lessees are completely free to rent land from more than one lessor. No tenant reported doing unpaid labour services for the lessor and when they work for the lessor they are usually properly paid. But it is observed that tenants do sometimes borrow from the lessors and that they repay in labour. They are usually paid at a lower wage rate than the prevailing market rate, which is, of course, equivalent to charging an implicit interest rate. Thus,

our survey evidence negates the presence of any sort of extra-economic coercion, but suggests some interlinking of markets.

Absence of coercion, of course, does not mean absence of exploitation. The mode of exploitation changes with changes in productive forces and there may be hidden strategies to extract surplus. The compulsions are more due to the macro features of the economy at large rather than due to exercise of power of landlord class over the poor peasants within a village boundary. Due to the slow pace of industrialisation, the land-poor peasants find it difficult to get alternative jobs in the non-farm sector. Therefore, they are leasing in land even if it is hardly remunerative. By leasing in land, they become subordinate to the landowning class and subject to all sorts of surplus extraction through high rents, low wages and interlinking transactions with labour, credit and output markets. In the villages under study sharecropping can clearly be seen as a method of surplus appropriation (discussed in subsequent sections) as the aim of the landowner is not to improve allocative efficiency but to appropriate surplus after paying the labour just enough for his reproduction.

The next important question is why sharecropping is the predominant form of tenancy contract rather than fixed cash or fixed kind rent. The most plausible explanation is that due to their precarious existence at the margin of subsistence, tenants are not in a position to take the risk of a fixed payment contract. An important aspect of sharecropping is the reason why a sharecropper leases in land? Does it pay? To address this we have calculated net farm income from an acre of gross cropped area of tenanted land of part tenants. The net farm income has been arrived at by subtracting the rent payment from net income and adding to it the imputed value of own labour. The findings are presented in Table 8. It is clear from the table that in the case of part tenants, tenancy is nothing but a labour adjustment process as imputed value of own labour constitutes a significant proportion of farm income and in some cases the net receipt after payment of rent is negative and show positive profit only when we add imputed value of own labour to the net receipt. In the non-irrigated village the landless pure tenants reported that leasing-in is not at all paying whereas the pure tenants in Charapara reported that because of the landowning class they are able to survive by renting land.

Thus, tenants are leasing in land most unwillingly as no other job opportunities

are available. From this fact, it can be discerned that if alternative job opportunities were available to the land-poor section of the peasantry in the non-farm sector through industrialisation, sharecropping would tend to disappear. The crux of the problem here is not that class relation (as emphasised by the Marxists) compels the rural poor to interlink transactions, as that the operation of certain macro features like population pressure on limited land, tardy industrialisation, lack of employment opportunity cause the persistence of sharecropping. We suggest that the autonomous role of production relations, or agrarian structure, should not be overstressed.

In our study villages most of the lessors are small lessors, i.e., MFs and SFs as shown in Table 3. In the irrigated villages all the lessors are MFs and SFs whereas in Sandhagaon there are two MDF lessors. The average holding of pure lessors is 2.03 acres in Charapara, 1.4 acres in Harinababi and 2.98 acres in Sandhagaon. Table 10 shows that in Charapara there are three owner cultivators belonging to the MDF and LF categories who have also leased out a part of their land because it is distant or problematic. In Sandhagaon a scheduled caste landowner has also leased out all of his land because he has salary income.

In the irrigated villages most of the lessors are semi-absentee landlords (Table 9). It is observed that most of the lessors have migrated to urban areas mostly to Calcutta and are employed there invariably in unskilled and semi-skilled jobs. But their family members stay in the village. They come to the village every two or three months to see their family members. But in Sandhagaon there are also resident lessors. As they have other sources of income, they prefer leasing out to self-cultivation.

Reasons for leasing out are listed in Table 10. In Charapara out of nine pure lessor households four PLs reported that as there are no able adult male members in the family to supervise cultivation due to the migration of the head of the household to urban area for employment, they are leasing out land. The OCs who have leased out part of their land reported that as the land is situated at a distant place they prefer to lease out. One LF in Charapara reported that as the land is problematic due to too much weed growth, he leased it out. The hidden intention is to take it up for self-cultivation after a few years when weed growth will be lessened. Moreover, it is found that the owner cultivators prefer to lease out only non-irrigated and problematic land. In

Harinababi out of three pure lessors two reported lack of sufficient manpower due to migration of family members as the cause of leasing out. In Sandhagaon, three out of six PLs responded that they did not have bullock power to cultivate land and that is why they had to lease out. Thus, non-possession of bullocks also compels the lessors to lease out.

When we asked the tenants the reasons for their lessors' leasing out land, most of them also reported that their lessors did

not have able-bodied adults residing in the village to supervise cultivation due to emigration of family members.

It is to be noted that though there are pure lessors the pure rentier class is quite absent. We find that in Charapara only 13 per cent of the income of PLs is rent income and it is 8 per cent in Harinababi and 11 per cent in Sandhagaon. Again in Charapara a major proportion of PLs' income is from remittances (46 per cent). In Harinababi also remittances constitute

TABLE 10: REASONS FOR LEASING OUT: FREQUENCIES OF RESPONSES

Reasons for Leasing Out	Charapara			Harinababi		Sandhagaon		All Villages	
	OC	PL	Per Cent of Total	PL	Per Cent of Total	PL	Per Cent of Total	Lessors	Per Cent of Total
No able adult to supervise*	-	4	44.4	2	66.7	1	16.7	7	33.3
No bullock power	-	3	33.3	-	-	3	50.0	6	28.6
Difficult to get farm servant	-	-	-	-	-	1	16.7	1	4.8
Difficult to supervise	-	1	11.1	-	-	1	16.7	2	9.5
Small landholding	-	1	11.1	1	33.3	-	-	2	9.5
To reduce weeding	1	-	-	-	-	-	-	1	4.8
Distant Land	2	-	-	-	-	-	-	2	9.5
Total	3	9	100.0	3	100.0	6	100.0	21	100.0

Note: \* Head of household is non-resident being in employment in distant urban area.

TABLE 11: TENANT'S ASSOCIATION WITH LESSOR

Village/ Category	SI No	Years with Present Lessor	Years as Tenant	Experience in Cultivation
Charapara	OT	1	6	10
		2	1	20
		3	2	10
	TO	4	3	25
	PT	5	2	2
		6	2	4
		7	4	4
Harinababi	OT	1	1	12
		2	2	16
		3	5	34
	TO	4	2	30
		5	5	20
Sandhagaon	OT	1	3	50
		2	10	10
		3	10	30
	TO	4	15	25
	PT	5	2	6
		6	2	7
		7	10	10
		8	1	5
		9	2	2
		10	4	4

TABLE 12: REASONS FOR EVICTION REPORTED BY TENANTS: FREQUENCIES OF RESPONSES

Reasons for Eviction	Charapara	Harinababi	Sandhagaon	Total
Resumption of land for self-cultivation	1	1	1	3
Dissatisfied with tenant's yield	7	3	4	14
In fear of tenancy legislation	-	-	2	2
To lease out to another favourable tenant	-	1	3	4
Ask for cash advance for mortgaging land	-	-	1	1
Distribution of joint family land	-	-	1	1
Conflict over sharing fixed investment on	1	-	-	1
Conflict with tenant family	-	-	1	1
Ask the tenant for unpaid labour service	1	-	-	1
Total	10	5	13	28

reported that the landowner sometimes asks for unpaid labour services and if the tenant does not agree to this, he is evicted. Even a casual labourer cited this reason for his eviction a few years back.

In the non-irrigated village Sandhagaon two tenants reported 'fear of tenancy legislation' as the cause of eviction and some reported 'to lease out to another favourable tenant'. One tenant reported that he had leased in 3 acres of land and had been cultivating it for the last 20 years but that the lessor asked for a loan of Rs 10,000 by keeping the land as mortgage. As he (the tenant) could not advance that loan, he was evicted. In this type of mortgaging the arrangement is that when the landowner repays the loan the land will be returned to him. Until that period the lender cultivates that land and retains the crop produce as interest. In the irrigated villages the frequency of eviction of tenants is on the increase whereas it has remained the same in the non-irrigated village as reported by the tenants. But eviction of tenant for the purpose of resumption of land for self-cultivation is rare.

## VI Conclusion

We attempt to summarise our findings to examine them against the viewpoints set out at the beginning. Our findings give some support to certain of the Marxist propositions on share tenancy.

Firstly, share tenancy is found to be a compulsive involvement in market transaction from the point of view of both the lessee and the lessors. In regard to the causes of share tenancy the main reason for leasing-in as reported by the share tenants is 'lack of alternative employment opportunity'. The prime reason for leasing out as expressed by the lessors is 'no able adult male in the family to supervise' due to migration of family head to urban areas for employment. Thus, tenancy considered from the viewpoint of both lessees and lessors is a compulsive contractual choice arising from certain social contingencies.

Secondly, share tenancy is seen to be a method of surplus appropriation rather than a mechanism to increase allocative efficiency. Illegal unrecorded tenancy, high rent, absence of input cost sharing, shortening of leases, eviction of tenants due to dissatisfaction with tenant's yield and high rent are distinguishing features of share tenancy as observed in the study villages. If minimisation of transaction or supervision cost is the primary motive to lease out, then the resident cultivators are expected to lease out instead of cultivating

their land themselves. But no such leasing out by resident large farmers is observed in the study villages.

Our analysis shows that the Marxist approach, though more appropriate in explaining share tenancy than the neo-classical approach, is not sufficient and needs to be supplemented by an overarching macro framework so that the persistence of tenancy can be adequately explained. Factors like population growth, adverse land-man ratio, tardy industrialisation, unemployment and regional disparity account for existence of tenancy.

Moreover, the historical development of the areas is to be considered. It is important to know how the landless class was created and why there is no industrialisation or transfer of surplus labour to the non-farm sector and also why agriculture remains overcrowded and land-man ratio is adverse and getting worse. Thus a particular production relation does not begin on a clean slate, the historical antecedents and the role of the state play a dominant role in structuring a production relation.

But, we stress that we do not find in our village a pure rentier class, or a class of large landlords renting out land to subject peasantry. This particular Marxist view is clearly not supported. Nor can the Marxist approach, as exemplified by, say Pearce (1983) be supported. The role of certain situational contingencies, of certain macro features and the role of migration need analytical attention of a kind that Marxist treatment has tended not to give.

## Notes

[This paper is based on the author's PhD thesis, Department of Economics, School of Oriental and African Studies, University of London, 1993. The author is grateful to her supervisor T J Byres for his comments at various stages.]

1 For neoclassical viewpoint on share tenancy see in particular Cheung (1969), Bardhan (1980), Braverman and Srinivasan (1981), Braverman and Stiglitz (1982), Mazumdar (1975), Reid (1974, 1976), Basu (1983). A concise summary of neoclassical theories on tenancy is given by Quibria and Rashid (1984).

Also exponents of agricultural ladder hypothesis like Robertson (1987) with data from sub-Saharan Africa and Winters (1978) citing evidence from 19th century Iowa argue that migrant labourers and newly married couples lease in land to earn their livelihood as a means of getting on to the bottom rung of the farming ladder. In this context share tenancy is viewed as a co-operative endeavour on the part of the tenant and the landowner in co-joining their factors of production which leads to an efficient outcome.

2 For Marxist interpretation of tenancy and interlinkage see Bharadwaj (1974, 1985),

Bhaduri (1973, 1977, 1983a, 1983b), Pearce (1983) and Prasad (1973, 1974). The agricultural ladder hypothesis put forward by Robertson (1987), Lehman (1985), Winters (1978) is to some extent akin to the Chayanovian view of agrarian relations which has been criticised by the adherent of Marxist line of thinking [Patnaik 1979].

3 Categorisation of Farmers:

Owner cultivator (OC) cultivates his owned land only.

Part tenant (PRT) cultivates his owned land as well as leased-in land. An owner tenant (OT) is a part tenant half or more than half of whose operational holding is owned land. Thus an owner tenant is more of an owner than that of a tenant. The reverse is the tenant owner (TO) who is more of a tenant than that of an owner and more than half of his operational holding is leased-in land.

Pure lessor (PL) leases out all of his owned land and his operational holding is nil.

Pure tenant (PT) is the landless tenant who does not have cultivable land of his own.

Landless casual labourer (LCL) does not have any owned land and he hires out labour to earn his livelihood.

Attached labourer (AL) is attached to a particular employer and works for him. Usually he is provided with homestead land or land for cultivation by the employer. But he has the freedom to work for other employers when his employer does not have enough work for him. He is semi-attached to that extent. And he is paid wages for the days he works for the employer.

Farm servant (FS) is a fully attached labourer who is paid annually or monthly. And he does not have the freedom to work for other employers during the period of the contract. He is given food and clothings by the employer.

Others include the government job holder, pensioner and single widow family.

	Land Holding (Hectare)	
	Unirrigated	Irrigated
Marginal farmer (MF)	1	0.5
Small farmer (SM)	1-2	0.5-1
Medium farmer (MDF)	2-4	1-2
Large farmer (LF)	≥4	≥2

4 In Bhalla's 'pipeline theory' in the first instance non-cultivating village residents, or absentee landlords, whose main income is derived from a non-farm occupation lease out land. But as time passes these lessors lose interest in land, lose contact with the village and ultimately sell their land.

5 See Newbery (1975b:117-18) for a critique of Rao's arguments.

[The list of references will appear with the second part of the paper next week.]

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# Tribals, Missionaries and Sadhus

## Understanding Violence in the Dangs

Satyakam Joshi

*The tribals of the Dangs, Gujarat, had suffered exploitation by local elites and outsiders for over a century. When educated Dangis began to fight back, their first target was the corrupt Congress organisation. The issues were rights over natural resources, land titles, poverty and unemployment. Conversions to Christianity had led to minor skirmishes but no worse. Hindutva organisations stepped in at this point, relegated the real issues to the background, sowed paranoia and reaped votes.*

ON Christmas day 1998 a big rally was held at Ahwa, the district headquarters of the Dangs district of Gujarat, to protest about an alleged wave of conversions of local adivasis (tribals) to Christianity. That evening and over the following days there was a series of attacks on Christian churches and schools in different parts of the district. Within a week, 36 churches and prayer-halls had been burnt. Though the chief minister of Gujarat, Keshubhai Patel of the Bharatiya Janata Party (BJP), sought to dismiss these attacks as insignificant, they attracted nationwide and international attention. The prime minister, Atal Behari Vajpayee, and the leader of the opposition, Sonia Gandhi, both visited the Dangs, as well as reporters from foreign newspapers (*India Today*, January 25, 1999; *Guardian*, January 20, 1999).

These attacks were paralleled by similar violence against Christians in other parts of India in late 1998. As in other cases, the chief instigators appeared to be from the bodies associated with the Hindu Right, namely, the Rashtriya Svayam Sevak Sangh (RSS), Vishwa Hindu Parishad (VHP), the irregular wing of the latter, the Bajrang Dal (BD), and the Hindu Jagran Manch (HJM). Together with the BJP these are often described as the Sangh parivar. The VHP leader, Ashok Singhal, went so far as to justify the aggression on the grounds that Hinduism was in danger from 'Christian conspiracies' (*India Today*, January 11, 1999). Whatever the instigation, however, the actual attacks were carried out in the Dangs by one group of local adivasis on another. This paper seeks to show how this situation came to arise.

We shall start by examining the socioeconomic issues which have given rise to tensions in the Dangs in the past few years, and then go on to examine the issues of community solidarity, the Christian conversions which are supposed to have fractured this solidarity, the Hindu backlash, and the emergence of a new adivasi leadership in the Dangs allied with the BJP. In

March 1999, I travelled to the district to conduct interviews with people of the Dangs as well as outside religious figures, and I shall close the article with these interviews and my comments on them.

### I

#### Background

Situated in south-west Gujarat on the border with Maharashtra, the 1,764 sq km district of Dangs is almost completely covered by forest, being one of two districts in the country having over 90 per cent forest cover. Ninety-four per cent of the inhabitants, living in 309 villages, are classed as scheduled tribes. Of this 40 per cent are kunbis or kuknas, 33 per cent are bhils, and 14 per cent are varlis. Kuknas appear to have migrated to the area around the 14th century from the coastal region of Konkan (Maharashtra). During the pre-colonial period, the Dangs was ruled by several bhil chiefs, who had ties with neighbouring rulers of Gujarat and Maharashtra. Formerly, no powers from the plains had achieved military success in the Dangs, because of its dense forest and malarial climate. However, the British subjugated the bhil chiefs in 1830, subsequently allowing them to continue as independent rulers under the paramountcy of the colonial state. During the 1840s they forced the chiefs to give them the right of timber extraction in the tract, in return for which the chiefs were given an annual stipend. The British sought to exploit the teak wood which was considered exceptionally good for building warships, railway sleepers and for other purposes [Hardiman 1994].

The British exploited the forests extensively for timber. About a half of the area was classified as reserved forest, and the local people were not allowed to cultivate, collect wood, or graze their cattle within these reserves. Over half of the villages were within the reserved areas; the tribal inhabitants were forcibly evacuated and

resettled in the remaining villages. Due to this the Dangis were forced to change their traditional methods of shifting agriculture and cultivate on the same plot year after year. In time, this caused serious environmental degradation. This also gave rise to conflict between the bhils and the kuknas, as the latter proved to be more adaptable to the new situation, and were able to consolidate their power over and against their erstwhile rulers. This led to resentment by the bhils and tensions. This is an important point, as it shows that the adivasis of the Dangs were not homogeneous [Skaria 1999:115-20].

When India won independence in 1947, the bhil chiefs ceased to be rulers and the Dangs came under the governance of Bombay state. The post-independence forest department continued with the same policies. There was however one important change, for political activists and non-governmental social workers were now allowed entry into the Dangs. Previously, the British had banned all such people from the area, due to their association with the nationalist movement (Christian missionaries were the one exception to this rule). A Gandhian ashram was established at the district headquarters town of Ahwa by the brothers Chhotubhai and Ghelubhai Nayak in 1948. In the first two months after the establishment of the ashram at Ahwa, Chhotubhai received 1,700 complaints from Dangis against atrocities committed on them by the forest department. To counter this, the Gandhians persuaded the Bombay government to allow forest cutting to be organised and controlled by labour co-operatives which were under their control. The government agreed, and labour conditions soon improved considerably [Joshi 1992:413-19].

The forest labour co-operatives provided a strong power-base for the Gandhian workers, allowing them to consolidate their power in the tract. Chhotubhai Nayak became the first popularly-elected president of the Dangs district panchayat in

1958. In 1968, after a decade of power, some rivals within the south Gujarat Congress Party decided to challenge him by encouraging some young kuknas to establish rival co-operatives, using these as a power-base to challenge for control over the district panchayat. This was achieved in 1970, when Ramu Thakare, a kukna of Sarva village, was elected as president. Thakare was to continue in power up to 1995. He and his followers extended their control over the co-operatives formerly dominated by the Gandhians, and founded new ones of their own. Using their new powers, they began to enrich themselves at the expense of the majority of the population. They bought land, built lavish houses and acquired personal jeeps. Increasingly, forest labour could be obtained only through bribes. As many said to me when I was carrying out research in the Dangs in the late 1980s: 'Our sons are cheating us' [Joshi 1992:435-59].

It was in their interest to extend the area classified as government forest as much as possible so as to increase their power and income. In this, they worked with the forest department. When previously cultivated land was left fallow in a particular year, the forest officials quickly reclassified it as forest department land and planted it with saplings. They could get away with this as much of the cultivation continued to be shifting, and land title rights were not yet clearly established. The officials claimed that the land had been surrendered voluntarily, which was hardly credible in view of the steep rise in population, which had created a severe land hunger throughout the tract. (Population grew rapidly over the years – in 1951 it was 42,282; in 1961, 71,567; in 1971, 94,185; in 1981, 1,13,664; in 1991, 1,44,009.) The degree of encroachment is brought out by a comparison of the areas considered cultivated as against forest over the course of the past century. In the late 19th century the British had accepted that about two-thirds of the Dangs should be available for cultivation, though by 1911 the forest department had encroached on this to the extent that over half of the tract was classed as reserved for forest [Skaria 1998:619]. A survey of the 1960s recorded that 45 per cent of the area was cultivated. In 1981, however, this figure had fallen to 36 per cent [Hardiman 1996:121-22]. In 1987 only 53,994 hectares was recorded as cultivated land, or 31 per cent of the whole. As there were 62,964 agricultural workers (cultivators plus agricultural labourers) in the district, this represented a land-person ratio of 0.857 or less than one hectare per agricultural worker [Patel 1994].

In 1986, alarm about the rapid destruction of forests throughout India compelled government to impose a total ban on the cutting of trees in reserved forests. At a stroke, the forest labour co-operatives in the Dangs lost their chief function. With inadequate land available for cultivation, a large number looked for work outside their home district, migrating to the plains of south Gujarat to find work as seasonal agricultural labourers. By 1990 about a third of the entire population was so employed, returning to the Dangs only during the monsoon period when work was not available. In the plains, they were badly exploited, being unable to either earn sufficient to send remittances back to their relatives in the villages, or to save much to bring back with them at the end of the labour season. The older people who remained were left often in a state of destitution.

The discontent which was generated by these processes led to a growing assertion by Dangis against the forest officials and corrupt politicians. They demanded that the land taken from them by the forest department be returned and that a new survey be conducted to regularise their holdings. A 'Gram Vikas Mandali' (GVM) was founded to voice these demands. One of its active members, Sonubhai Gavit, told me:

We organised a number of rallies and dharnas to protest against the injustice committed on us by the power holders. We also mobilised educated youths to counter the corrupt and established political leaderships in order to stop exploitation. When forest labour co-operative societies' annual meetings were going on we used to attend and ask for details of expenditure and other account-related matters. Most of the time presidents and secretaries were not in a position to give a satisfactory explanation or to convince members. This is how we exposed them and made people aware of what was going on. Youths of our organisation voiced the complaints of the poor to government officials and put pressure on them to solve these problems. GVM activities have had a profound impact on the Dangis. The solid ground prepared by GVM has been very helpful for other social movements in the Dangs. GVM has been working on broad democratic principles. Their main emphasis is on securing socio-economic justice through peaceful and democratic means. Many educated youths were conscientised through GVM activities and through participating in democratic struggles in Dangs.

From 1989 onwards, the movement took a more assertive turn when some forest guards who tried to confiscate some wood

were chased from Gira-Dabdar village by a group of women who were active in the GVM. They argued that they were the rightful owners of the forests and its timber. Four months later a much larger party was sent, reinforced with police, and some villagers were arrested. The movement however gathered pace, with Dangis entering reserved forest and cultivating the land. In 1991, the forest department decided to restore 'order'. Armed police raided certain 'troublesome' villages, and in one case a bhil woman was killed by firing. The leaders were arrested, activists beaten up, women molested, and property destroyed. By early 1992 the movement had effectively been smashed with the people's grievances unresolved [Hardiman 1996:125-27; Varghese 1993].

## II

### Community Solidarity in the Dangs

When I carried out fieldwork for my PhD in the Dangs in 1988-89 I found that the village society was extremely close-knit, with a strong emphasis on mutual solidarity and with an intolerance of individual dissidence. In many other parts of India such community solidarity had already broken down or was loosened, but I did not find this to be the case in the Dangs, possibly because of its relative isolation. This was seen in their village councils (panch) and in the way they observed festivals and worshipped their deities. Despite the tensions which existed between bhils and kuknas, all in a village participated in community affairs and ceremonies, in this way giving expression to a feeling of solidarity of the villagers as a corporate group against the outside world.

I found the panch to be one of the most important institutions for Dangis. In all matters of public interest, its decision was final and binding on everybody. According to a Dangi proverb 'The panch is god'. Generally, the 'patel' (headman), the 'karbhari' (who looked after village administration), one or two 'assamis' (rich persons) and one or two old persons, wise by age and experience, sat as the members of the panch. These persons were called upon to intervene and advise in settling interpersonal, intergroup and intervillage quarrels. Dangis had great faith in the panch, believing that its arbitration would set everything right. All persons were considered equal before the panch. I once had a chance at that time to attend a panch meeting at Chiktiya village. The matter concerned a married couple who had quarrelled to the point of separation. The

wife complained to the panch and asked for justice. In a three hour-long hearing, the views of both husband and wife were put forward in an open and democratic way. Members of the panch did not appear to have any bias towards one or the other. The judgment went in favour of the woman, and the husband obeyed it. It was clear that the panch was a powerful instrument for social control.

Strong community solidarities are apparent also in the way the people worship and celebrate festivals. The people, whether kokna, bhil or varli, share a common cosmology which incorporates local deities as well as Hindu gods and goddesses. The chief local deities are Dungar Dev (mountain god), Mavlima (goddess mother), Kansari Devi (grain goddess), Simliya Dev (god of the village boundary and hill), and Gam Dev (protector of the village).

Dungar Dev, the god of the mountain, is believed to reside on the top of eight hills in the Dangs. The god is said to grant relief against all troubles and miseries. A vow is made when some member of the family is sick or the agricultural yield is poor or there is dearth or famine. Coconuts, chicken and goats are offered to the god. Normally, the entire village contributes either in cash or kind. In other words villagers extend their help to the family which has made a vow. On a particular day 30 to 50 men of the village go to Dungar Dev and worship for eight days. The collection of cash or kind is used by this group for food and other rituals. In this way the villagers help families which are in trouble.

Mavlima means mother goddess. Her favours are solicited on all occasions in life and utmost care is taken that she is not displeased. Any unforeseen calamity or accident like untimely death, epidemic or failure of crops is first attributed to the wrath of this goddess. Vows are made when a disease is incurable or the women have difficulty during delivery. Once in a year, the whole village collectively worships and offers sacrifices to the goddess.

Kansari is worshipped at the time of all major agricultural operations, such as ploughing, sowing or harvesting, or when constructing a new house. In a simple ceremony, a handful of grain is placed before the image of the goddess as an offering and a chicken and coconuts are also offered. Each village has a Gam Dev and a Simaliya Dev. Gam Dev is believed to look after the people of village and protect them against natural calamities. This god, represented as a human form

carved out of a wooden block or stone, is enshrined under a tree outside the village. At least twice a year the god is worshipped with great rejoicing and dancing at the shrine. Chickens and coconuts are offered, and rice is collected from each house in the village, cooked at the shrine and then eaten with the chicken in a community feast. The feast represents an expression of community solidarity. Simaliya Dev is similarly worshipped by the entire village.

For Dangs, the main festivals are Holi, Akhatij, Tera, Pola, Panchavi, Pitara and Diwali. Most of these relate to the agricultural cycle. Holi is the most important. It is very different from the festival of the same name celebrated in non-advansi regions. Known also as Simga, i.e., the song of the forest, it is celebrated for five days. On the first day the entire village people gather together and they worship the goddess Holika, and a bonfire is lit ceremoniously. The villagers greet, embrace and wish each other well. The bonfire is kept burning for five days and the young men sleep at night near the fire. Dancing and singing are the main activities of the villagers during the five days. Almost the entire village participate in this festival.

Another important festival is that of Akhatij, which falls in summer. On this day Dangs down tools and do not undertake any economic activity. They normally go to a river and catch fish communally, and have a feast. In the week before Akhatij, they sow seeds of all kinds of grain – nagli, vari, rice, etc – in a basket, and keep them watered. Within these seven days, the seed germinates. Their growth is observed with interest. The quality of the growth is believed to indicate the richness of crops in the ensuing season. The basket is worshipped on Akhatij and ceremoniously thrown into a river. Dangs also worship the god of cyclone on this day.

The festival of Tera is celebrated during the monsoon, marking the first eating of the monsoon crops. All the villagers go out and search for tera leaves. These leaves are washed, boiled and some salt is added. Before this day, they are not allowed to eat any fresh green seasonal vegetation. Pola also comes in the monsoon. It is on this day that the new field crops are consumed for the first time in the season. Members of a family go to their fields, cut a few stalks of makai (maize) or nagli and cook them at home. The new produce is served to the cattle of the household also. Even if the new crop is ready to be cut in their field before that of others, no Dangi household would think of doing so

before this ceremony. Again this provides an expression of community solidarity.

The celebration of all these festivals and the community mass worship of deities has great social significance in the life of Dangs. These celebrations provide opportunities for mixing with each other in a joyful spirit in a way which enhances their life as a group. They create a sense of common purpose in a life of difficulty and hardship. (Information on Dangi religion and festivals has been drawn from *Gujarat State Gazetteers: Dangs District*, Gujarat Government Publications, Ahmedabad 1971, pp 198-200; and also from my personal discussions with a number of Dangi 'bhagats' (priests).)

The presence of Hindu deities in Dangi cosmology is seen very clearly in their 'kathas' or oral recitations, which are normally given by the bhagats (spirit mediums and traditional healers). I take my evidence in this respect from published transcriptions of kathas which have been collected by Dahyabhai Vadhu, a kukna bank official who has travelled extensively in the villages of the Dangs for this purpose. He and some other educated kukna youths have started a Kukna-language bimonthly called *Dhol*, which publishes material relating to kukna tradition. Dahyabhai has so far collected *Kanasari Katha*, *Dangi Ramayan*, *Thali Katha* (King Mansingh and Queen Savli's tale), *Dungar Dev Katha* and *Mavlima Katha*. One of the striking thing about these kathas is that many of the major characters are Hindu gods and goddess. Before starting any katha, the bhagat worships Mahadev (the Hindu god Shiva) and Parvati (Shiva's wife).

There is a common belief that Ram and Sita passed through the Dangs in their travels. According to the bhil raja of Gadhvi: "Before there were human beings, the Dangs was full of rakshasas (devils). When Ram and Sita passed through the Dangs they killed all rakshasas and gave birth to us. Ram had created us. Ram is our God." Even today when Dangs meet they use the greeting 'Ram-Ram'. It is notable also that almost all villages have an image of Hanuman, the disciple of Rama, and during festivals and religious ceremonies the people worship and give offerings to this deity.

According to the 1991 Census, 95 per cent of Dangs are 'Hindu'. This is despite the fact that their chief deities are not part of what is commonly regarded as the Hindu pantheon. The fact that their culture recognises some Hindu deities seemed to be the reason why they are so classed. In other respects there is little congruence

with the Hindu religion of the plains regions. They cannot really, for example, be said to practice the system of 'varna', or caste distinction based on considerations of purity and pollution. But again, the separation from the caste society of the plains is not absolute – kuknas believe themselves to be ritually 'purer' than bhils, and will not as a rule inter-dine or inter-marry with them, or even allow them to enter their houses (though cases can be cited in which this general rule has been broken in recent years).

### III Christianity in the Dangs

In the census of 1991, the Christian population was recorded as 7,500, or 5 per cent of the whole. The growth in the Christian population is a recent phenomenon. Although Christian missionaries had worked in the areas since 1904, they made very few converts, largely because the Dangi chiefs, kukna headmen, as well as Hindu forest officials had opposed their activities. The first missionaries were Americans of the Church of the Brethren Society. They focused on educational activities, founding several schools [Hardiman 1994:133]. In 1961, only 654 people, under 1 per cent of the population, was recorded as Christian. The major increase has taken place only in the last 20 years, and particularly in the past decade. Missionaries working in the Dangs estimate that there are now probably between 15,000 and 20,000 Christians. There are about 22 Christians organisations of different denominations now active there.

According to Father Raphael, a Jesuit based in Pimpri, Roman Catholic Jesuit missionaries came to the Dangs in the early 1970s after being invited by some kukna political leaders to establish schools in the area. They now run four primary and one secondary school and some village dispensaries which provide primary health care. The secondary school is based at Ahwa, with about 1,000 pupils who are mainly the children of government employees. Only about 30 per cent of them are Christians. There are about 1,200 pupils in the four primary schools. They are providing primary health care to Dangs. Proselytisation is not a priority for the Jesuits.

Reverend Pawar of the Church of North India (a reliable source) estimates that about 95 per cent of the Christians in the Dangs today are Protestant. In contrast to the Catholic missionaries, very few of the Protestants undertake developmental activities. They are mainly engaged in winning

converts to Christianity through emphasising the miraculous power of prayer. They teach the people that their problems can no longer be solved by their own deities and that they should turn to Jesus Christ. Govind Kokni of Kasadbari village told me in an interview that he had converted because "...when my father was sick, Christian missionary came to my home and prayed to god for my father and he was cured, so I started believing in Christianity". Some of the Protestant missionaries claim that the dumb, the deaf and the crippled can be cured through prayer. Public meetings have been held to exhibit those who, it is claimed, have been so cured. Some denominations rely mainly on miracles to attract converts. The pentecostals (known locally as the 'Haluliya' sect) has been particularly successful in this respect. In times of ill health, they even encourage their followers to trust to prayer rather than doctors. A case of this is provided for us by Tara Gamit, a sociologist who comes from the Dangs, and who is now based at Rajkot college. She states:

In one of the village of the Dangs a woman became seriously ill with jaundice. She and her family members were followers of the 'Haluliya' sect. Some of the villagers tried to take her to the dispensary but her family members and sect followers did not allow this. They said that god would help her. They gathered around her bed and started praying to god. They did it for four days. At last she died. They rationalised the death and said that god wanted her and hence he took her.

Govind Kokni of Kasadbari also told me:

...during the ceremonies of worship for Gam Dev and Dungar Dev, the Dangs drink liquor, sacrifice animals and worshipped stones. Such rituals and customs are not good. We refuse to participate in such ceremonies. We believe that Jesus Christ is the ultimate and only god for us. By praying to Christ we will go to heaven. Christ protects us from evils and illness. Non-Christians gods are mere stones and we have no respect for any of that.

This reveals that the converts have lost faith in the ability of the old deities to protect them at times of need. There is a desperate yearning for protection from a more effective cosmological force, and they have therefore turned to a deity which they feel is more efficacious in this day and age – Jesus Christ [Vitebsky 1998].

As a rule, Dangi Christians remain aloof from community festivals and religious ceremonies, and refuse to give any contribution for them. This is a cause of great indignation, as other Dangs see this as

both a denial of their responsibilities and an attack on community solidarity.

The non-Christians resent what they see as the attitude of arrogance and intolerance adopted by the converts. In the words of a former local RSS activist whom I interviewed:

Those who are Christians believe that they are free from any sin and curse and that a place is reserved for them in heaven after death. Because of this belief they consider themselves socially higher than non-Christians. There is a widespread belief amongst themselves that other religions, i.e. Hindu, are degenerate and bogus and their deities are mere stones and nothing.

Madhu Gaikwad, a kukna from Dangs and lecturer in sociology at South Gujarat University, Surat, says that the Christians feel that they have liberated themselves from the old beliefs and ways, which they now consider to be morally inferior and 'backward'. It is claimed also that the Christians are undermining society by dividing up families. Jivan Rathod, a BJP member of the Dangs district panchayat, and, ironically, himself a Christian, voiced such feelings to me in an interview: "There are families in the Dangs in which a son was converted in Christianity and the father was not. Similarly one brother was converted and the other was not. In such families there are occasions on which tensions develop over the performing of social rituals."

The converts on the other hand believe that they are discriminated against for turning to Christianity. In 1988, when I was carrying out my fieldwork in Basania, a village bordering the Dangs, I was told by Dhiru Kokni, secretary of Vyara Taluka Kristi Kalyan Samiti (Christian Welfare Committee), that:

...after we became Christians, non-Christians give us step-motherly treatment. In the traditional village panchayat our grievances have not been redressed because we are not following kukna rituals. They asked us to seek help from the Christian missionaries. Kuknas say that you Christians have created a divide in the social and cultural life of the village. Furthermore, they say that we adivasis (kukna) have our indigenous rituals, religious and customs which have been passed down from our ancestors, and whoever rejects them is not a real kukna.

There was, therefore, antagonism between Christians and non-Christians in the Dangs and adjoining tribal areas of Dangs long before the recent events. The violence, however, is new, and can be attributed to a more recent highly politicised 'Hindu backlash'.

#### IV Hindu Reaction

The wave of conversions to Christianity has alarmed those in Gujarat and elsewhere who believe that there is a close connection between Indian nationhood and culture and Hinduism. They resent what they see as a 'foreign' religion capturing the hearts and minds of adivasis. They have therefore sought to reverse this tendency with a strident counter-proselytisation of their own.

Sects which have sought to convert the adivasis to their own brands of Hinduism – normally of a Vaishnavite 'bhakti' (devotional) variety – have been active in the Dangs for many decades. Most prominent has been Moksha Marg. This sect was started in Ahmedabad in the early years of the 20th century, and began to proselytise amongst the adivasis of south Gujarat in the early 1950s. It emphasises moral self-reform, with followers renouncing meat, fish and alcoholic drinks. They aim to attain 'moksha' (emancipation) through bhakti (devotion to god). In the Dangs, most of the followers of this sect are kuknas. Other Hindu sects, such as Sat Keval, Swadhyay and Swaminarayan, have a similar emphasis on devotional worship, vegetarianism and teetotalism. It is important to note that, in contrast to Christians, followers of these Hindu sects continue to worship their traditional god and goddess and participate in community festivals and celebrations. The Swaminarayan sect has become active in the Dangs as a direct result of the conversions to Christianity, and very recently at that. The initiative in this respect was taken almost single-handedly by a 'sadhu' of this sect called Purshotam Prakashdas Swami (popularly known as P P Swami), who travelled around the district to study its problems. In an interview he told me:

The Christian missionaries have drawn their mark in the Dangs and we do not want to erase this mark, rather we would like to draw a bigger mark through our own developmental activities. Once our mark becomes bigger, that of the missionaries will automatically become smaller.

He also stated that:

The need of the hour is for Hindu organisations to change their style of mobilising people and adopt more of a 'Church' style. This means Hindu organisations must adopt the methods of Christian missionaries. Then and then only one can combat the issue of conversion

By this last remark, P P Swami meant that Hinduism needs to become a more

focused project by learning from Christianity. In India, the Swaminarayan organisation is exemplary in this respect. Originally merely one minor Gujarat-centred sect ('sampradaya'), it now projects itself as the global face of Hinduism, with grandiose 'Hindu temples' all over the world which are run by a monastic order of celibate sadhus who gain their legitimacy by providing for both the spiritual and socio-economic needs of the people. Developmental work is central to this approach.

P P Swami has founded a trust called 'Prayosha Pratisthan' to carry out such work in the Dangs. According to the literature of this body:

Dangs district in Gujarat has the highest number of tribals. Though this district is considered to be a Cherapunji [place of highest rainfall in India] of Gujarat, most of the villages of the Dangs have been facing an acute shortage of water. Black magic, superstitions, illiteracy and poverty are the key problems of the Dangs. Because of all these evils, Christian missionaries are easily converting Dangis to Christianity. Prayosha Pratisthan has been set up to stop these conversions. The main activities of the Pratisthan are 'anna', 'arogya', 'akshargyan' and 'acharan', i.e., providing food, better health care, literacy and inculcating good conduct.

Prayosha Pratisthan is mainly engaged in developmental activities among poor Dangis. So far the body has arranged eye and dental check-up camps, cricket tournaments, established 'bhajan mandali' (devotional song groups), youth clubs and 'mahila mandal' (women's associations). It runs classes for school children. It also intends to open non-formal schools for children whose parents migrate to the plains of Gujarat to cut sugarcane during the winter. It intends to set up drinking water stalls in the villages where drinking water is scarce during summer. It is also planning to organise a mass marriage ceremonies in the month of May, so as to minimise marriage expenses. It is hoped that some 125 couples will participate. Pratisthan will bear the total expenses and also give a clothes and utensils as wedding gifts. The ceremony will be performed according to Hindu rites. (On May 15 mass marriage took place at Ahwa and 120 Dangi couples got married.) Pratisthan has adopted a remote village called Don for an all-round development project. The chairman of the trust is veteran Gandhian Ghelubhai Nayak, whose name has been mentioned earlier in this article. At present P P Swami places most emphasis on developmental work, rather than Hindu

proselytisation as such, though the two go hand-in-hand.

Proselytisation is much more to the fore in the work of a 'sanyasi' -based at Waghai called Ashimanandji. Originally from Bihar, this man had worked in Mizoram, trying to convert tribal peoples from Christianity to Hinduism. He had little success in this, and came to the Dangs searching for a more favourable field for his activities. He spent a long time touring the villages of the district, building rapport with the locals. He appealed to them in an idiom they could appreciate. Finding that Hanuman is worshipped by every Dangi, he went from door-to-door handing out prints of the deity and copies of the popular book of prayers to Hanuman – the *Hanuman Chalisa*. The people were impressed, as so far no Hindu religious leader had visited their homes, and they gave him a warm welcome. As the general secretary of the BJP for Dangs district told me:

Ashimanadji moved extensively within the Dangs and studied its situation. He took a very innovative approach. He used to visit the poorest of all families, sit with them and eat whatever they ate. He questioned them about their difficulties and problems and cultivated good relations with them. This appealed to the Dangis very much. He also found that most of the Dangis are non-vegetarian and take a drink at the end of the day. He did not interfere with these habits. In fact he told the Dangis 'khao pio kuch bhi karo lekin Hindu raho' (eat, drink and do whatever you want, but remain Hindu). This is how he tried to spread the Hindu religion. Most important, Ashimanadaji kept up personal contact with each family.

With help from the VHP and Bajrang Dal, he established his base at Waghai, which is situated strategically on the chief road-border between the Dangs and the plains of south Gujarat. He operates an organisation called the Vanvasi Kalyan Parishad, which runs schools and hostels in Dangs. He has also constructed a temple on top of a hill near Subir, called the Sabari temple. He claimed that when Rama was passing through this forest he visited a bhil women called Sabari and blessed her. The name of the village Subir came from Sabari. Many Dangis have come to believe this too. The construction of the temple is still going on. I was told that about Rs 20 lakhs would be spent on this temple. The ruling BJP government of Gujarat has constructed a two kilometre road to reach this temple. Ashimanadaji believes that the Christian conversions are part of an international plan to divide India. His aim

is to eradicate Christianity in the Dangs completely.

### Politicisation of Religion

As mentioned above, the Dangs district panchayat was controlled by the kukna leaders of the Congress Party for 25 years without a break (1970-96). They had misused power for their personal gain and did not bother to redress the grievances of the people, such as the issues of landlessness, rising unemployment and labour migration. Dissidence had been crushed ruthlessly, even violently, and they used their money-power to prevent questions being asked by officials. With the emergence of a new generation of educated Dangi youths, their style of operations began to be resented increasingly, leading to a series of challenges.

One such challenge was by Soma Pawar of Nakatiya Hanuman village, popularly known as Somaji among his friends. He was an energetic, bold and clever youth. When he was studying in school he formed a student guidance club, which sought to encourage Dangi youths to pursue higher studies. Through this activity, he became popular amongst the students. He also raised his voice against the corrupt practices of the Congress leaders. One of his chief targets was Dhedu Pawar, chairman of the district panchayat education committee, and also from Nakatiya Hanuman. Realising that Somaji was a potential threat to him, he sought to block his advance. When Somaji was admitted to college to study for a diploma in engineering, the politician tried to persuade Somaji's father to refuse to allow him to continue his studies. He knew that if he qualified as an engineer he would be in a strong position to challenge him. Somaji's father refused to heed Dhedu's advice and supported Somaji in his further studies. After becoming an engineer Somaji started mobilising the people against the corrupt practices of Dhedu. Somaji contested the taluka panchayat election of 1986 and won. Dhedu could not tolerate this blow and decided to get rid of him. He and his supporters attacked Somaji's house and compelled his family to leave the village. During my PhD fieldwork I met Somaji at Tekpada near Kalibel in August 1988. He was sheltering there in a little hut with his wife and small son. Somaji told me in detail about the corrupt functioning of the forest labour co-operative societies and district panchayat. He also told me how he had been chased out of his own village. At that time he felt helpless and

frustrated but decided that he had to continue in his fight against corruption. I vividly remember that he told me: "I know that I will be killed sooner or later". Tragically, he was only too right. In September 1989, when returning from a visit to his village, he was waylaid by a group of people and murdered brutally.

His brother, Dasharath Pawar, who had just completed his higher secondary examination at the time of his brother's death, took up his case and demanded justice. He met a number of leaders but did not have any success. He even wrote to the governor of Gujarat asking for a CBI inquiry into the case, but nothing happened. In the meantime, he was selected as a supervisor in the government health department, but he rejected the offer and decided to fight back politically. He was elected general secretary of the Arts and Commerce Collage, Ahwa. During that time he came into contact with an RSS activist called Vinay Patrale, and came under the influence of RSS ideology. He then joined the BJP so as to be able to challenge the established Congress leadership. He is now a general secretary of the Dangs unit of the BJP. In an interview Dasharath Pawar told me:

In the Dangs the Congress leaders had cheated the people and not done anything for their welfare. When my brother started doing good things for the people he was killed. The Congress leaders had solid backing from the state and central government because at both places Congress was in power. The entire bureaucracy and police were under the control of the Congress leaders. We were helpless but we strongly felt that there had to be an alternative politics to challenge the established leadership. Since there was no possibility of any mass mobilisation or the creation of a viable alternative local party we decided to join the BJP. You can see now that Congress leaders have been removed from power. Since we have captured power in the last two years, we have been carrying out developmental activities in Dangs.

Another young man who played an important role in popularising the Hindu right in the Dangs was Ramesh Chaudhry of Don village (popularly known as Ramesh Don). Now 25 years of age, he studied up to matriculation. Ramesh had a very bitter experience when he was at school. In 1989 he contested the election for general secretary of his school at Ahwa. He won by a big margin. Despite this, he was denied the position by the principal, Santa Patel, on the grounds that he did not know 'proper' Gujarati. Instead she

appointed her own candidate. Ramesh knew about Dasharath Pawar and his dissident group, and he won their support for a strike by the pupils at the school. The matter became controversial, and in the end Ramesh was reinstated as general secretary. Ramesh became active in the RSS and later on became president of the Dangs unit of the BJP.

Many other youths joined the BJP because of the corruption of the local Congress Party. Even Christians joined the BJP for this reason. In the last district panchayat election there were six Christian candidates who were elected on BJP tickets. One of them, called Jivram Rathod, told me: "I was fully aware that the BJP has an anti-minority agenda, but in spite of that I supported the BJP because by hook or by crook we wanted to dislodge Congress from the Dangs district panchayat".

After joining the BJP they sought to win popular support by a number of means. One of their initiatives was to issue health kits to activists and launch a health campaign. However, this had little impact. In March 1997 the BJP held a brain-storm meeting at Valsad town, outside the Dangs, to discuss the issue of widening their support. The example of the sanyasi Ashimanandji was brought up, and how he had understood the feelings of the people and gained their sympathy through appeal to their cultural and religious sentiments. They felt that there was widespread disquiet in the Dangs over the issue of Christian conversion, and felt that they would do well to take up this issue. It was decided to hold a 'trishul' investiture ceremony at Ahwa. Prior to this 2,000 copies of a pamphlet were distributed by the Bajrang Dal, urging the people to attend. The ceremony was attended by 5,000 youths from different villages of the Dangs. They were told that their religion was under threat and that they should awaken the people as to this danger. Seven hundred trishuls were then distributed.

This has led to a situation of mounting tension in the Dangs. The Hindu right claims that the violence was started by the Christians, who destroyed a temple at Jamalapada village near Gadhvi in August 1997. In retaliation, the non-Christians disturbed a prayer meeting. A former RSS activist whom I met claimed to possess a photograph of the destroyed temple. According to the Hindu right, they were caught out by the hostility of the Christians, but then began to organise themselves to defend their faith.

Whatever the truth of this claim, the Hindu right was behind a wave of harassment of



Christians in the Dangs, beginning in late 1997. Besides the BJP, the RSS, BD, VHP and Hindu Jagran Manch (HJM) have all been involved in this anti-Christian activity. For example, in November 1997 a complaint was lodged with the police by a VHP activist of Gadhi village against the local Christians, which led to their being questioned in an aggressive manner by the police. Soon after the police patrol of Kudkas beat up a Christian evangelist as he was cycling home from a prayer meeting. On Christmas day 1997, the VHP organised a rally to stop conversion at Pipalwada village, which borders the Dangs, on the grounds that mass conversions regularly take place on that day and that they had to be stopped. The Christians asked the government to prohibit the rally, but despite this the rally went ahead, being attended by 5,000 adivasis. Next day, on December 26, some Christians at Dagadpada in the Dangs were harassed by a crowd while the police looked on, after which some Christians were arrested (*Communalism Combat*, October 1998, p 14). In all, some 20 cases of disturbances of some sort or other between Christians and non-Christians were reported from the Dangs in 1997.

Sporadic attacks on Christians continued in early 1998. In June, anti-Christian pamphlets were circulated throughout the Dangs by the BD, VHP and HJM. In one, signed by Ramesh Don on behalf of the HJM, it was alleged that adivasis were being bribed to convert. The missionaries (dubbed as 'devils') were said to be exploiting the people; all over the world, Christian missionaries have looted gullible people; they teach the adivasis to steal and lie in the name of religion. Hindus were called on to awake and fight the missionaries. On June 29, Ramesh Don and the HJM organised a huge rally at Ahwa to submit a memorandum to the collector of the district, protesting against the conversions. Slandrous speeches were made denigrating the Christians. In June and July there were a series of attacks on prayer halls and churches, with congregations being assaulted and the buildings set on fire (these were mainly 'kachcha' structures of bamboo and wood). In one case, a Christian was killed. Local officials and police officers frequently connived in these attacks (*Communalism Combat*, October 1998, pp 4, 10, 14; 1999:3-4).

After a lull during the monsoon season, the attacks began again in November 1998, with more arson, beatings and looting of Christians. This culminated in the violence around Christmas which was set off after the district collector gave permission

for a massive anti-Christian rally at Ahwa on Christmas day. This was in spite of repeated requests by Christians organisations and the Dakshin Gujarat Lok Adhikar Sangh (South Gujarat Human Rights Organisation) for permission to be refused. The Hindu organisations took out a procession during which anti-Christian slogans were shouted. At the meeting inflammatory speeches were made condemning the missionaries and Christianity. A number of Christians shops were ransacked and looted by activists of the Hindu organisations. In the following days 36 churches and prayer halls were destroyed in villages throughout the Dangs. Christians were beaten up and injured. Missionary-run schools were also damaged.

## VI Dangis' Comment

In March 1999 I visited the Dangs to talk to people there about the attacks on Christians. One of my first stops was at Chankhal village, where I met a grandfather, father and son of the bhil community who were working together preparing their land for cultivation. When I asked their reaction to the recent events, the son, who had matriculated, reacted sharply:

All of us Dangis are Hindus. Our main god is Hanuman. All Dangis must worship Hanuman. Christians are not worshipping Hanuman and not following the traditions of our elders. Today in the Dangs one finds that in the same family the father is a Hindu and the son is a Christian. When there is any traditional religious festival, the son does not participate and hence there is a conflict between father and son. Last year in our village we had a Dungar Dev ceremony. In this ceremony all of the villagers contributed in kind or cash and gave help. The Christians did not contribute. They said that our religion is different and we do not want to participate in Dungar Dev. Due to this the solidarity of the village has been broken. Even in very minor matters the Christians always take an opposing stance and hence hostility has developed.

The statement brings out very strongly that 'community' is not seen as a voluntary or individualistic affair. In the strident declaration that Dangis are Hindus, that they must worship Hanuman and so on, there is a strong assertion that members of the community have to conform to certain practices, the implication being that failure to do so will be met with coercion. The statement is also dyed with the saffron of hindutva consciousness, invoking a very modern belief that everyone who

worships Hanuman, etc, should be classed as 'Hindu', however tangential to mainstream Hindu religion the bulk of their cosmological practice may be. Although this young man's grandfather expressed similar views, there was a lack of stridency in his tone, and he added that he regretted what had happened in recent months, but felt that too much fuss was being made of it all.

Later, I talked to a local socialist activist who has been fighting for land rights for Dangis during the last decade. He was also unhappy about the way in which the Christians were detaching themselves from village society, and saw this as the reason for the antagonism. He narrated an instance which he himself had experienced:

I along with a Dangi Christian grass roots activist went to a village for a meeting. On that particular day the village people had organised a community meal after worshipping Gamdev. They invited both of us to participate in the meal. Surprisingly, the Christian activist refused the offer as he believes that worshipping Gamdev is against the Christian religion. Such cultural alienation has divided the Dangi community and created mutual hatred.

Although condemn the violence, the socialist felt that conversion was having a very negative effect in the Dangs as it was undermining one of the great strengths of the society, their sense of solidarity. Even though this has not always protected them adequately against exploitation by non-Dangis, it provides a continuing basis for mobilisation and struggle. By dividing the people, the Christians are, in his view undermining the ability of the Dangi people to fight for their rights.

In Ahwa, I met number of college students staying in the government hostel there. They repeated the theme that Christians are creating social rift. For example, one of them stated:

Take me as an example; in my family my uncle was converted to Christianity and father was not. When my grandfather died there was a quarrel in front of his dead body. My father was insisting on performing the Dangi death ceremony while my uncle was insisting on Christian death rituals. There were heated arguments between them. At last some elders intervened and said that as grandfather was not a Christian and he had followed Dangi culture till he died, the Dangi death ceremony should be performed. Though that settled the issue for the time being, there is still hostility between the two brothers.



One of the students, Rajesh of Chichli village, complained of the 'trickery' used by certain missionaries:

Christian missionaries go to remote villages in the Dangs where the tribals are absolutely ignorant and dupe them into converting. They place stone idols of Hindu gods and goddesses in a tub filled with water. When these idols sink, they tell the tribals 'how will your gods help you when they sink themselves?' They then offer their solution. They pull out an idol of Jesus Christ made of rubber and place it in the tub. When it floats on top of the water they say: 'See, see how Christ manages to stay afloat. He is the only god who can help you.'

When I asked Rajesh whether he had actually seen this happen he answered that he had not seen it with own eyes but had been told about it by fellow villagers. Another student interrupted, stating with disgust that:

Why are you questioning the validity of what Rajesh has told you? Just visit any of the Dangs village and you will find out what harm these missionaries have done to Dangs. We are not accusing all missionaries of such tricks because those at Pipri, Ahwa and Subir have done good work. Because of their schools we have been able to study. It is missionaries from Madras and Kerala who are doing these nasty things.

Here, a difference is being drawn between what are alleged to be opportunistic missionaries who dupe the people for sinister (possibly anti-national?) reasons and those such as the Jesuit fathers who have been around a number of years, who focus on educational and other developmental work, and who are sensitive to local culture.

The attitude of these young educated Dangis can be interpreted as being similar to that of the socialist activist, involving a belief that conversions are undermining the solidarity of an exploited people. But there is a troubling further possibility – that they have a vested interest as an emerging local elite in maintaining a cohesive community because it will form the basis for their own future power. Although this observation might be unfair to these particular students, it is based on a recognition that this is what has happened in the past – educated young Dangis who have challenged the old elites with success have then deployed the coercive apparatus of the 'community' against internal opponents. 'Community' can work both ways, on the one hand as a means for popular democratic empowerment, but on the other as a tool for authoritarian control by a local elite.

The theme of the supposed anti-nationalist agenda of the missionaries was brought up more explicitly by a Hindu sanyasi, Asanganadaji, whom I met at Pravasi Grih in Ahwa. He was on a tour of the Dangs to spread nationalistic Hindu religion and ideology. He was motivated by a fear that if conversions continue at the same rate as they have over the past decade, the Dangs will become another Mizoram, with the people demanding that the tract be allowed to separate from India and become a separate Christian country. He treated me cordially and gave an impression that he was prepared to listen to criticism. He asked me for my personal opinion on the issue of conversion. I told him:

I have respect for our Constitution, and according to the Indian Constitution individuals are free to preach and choose their religion. Since Hindus are in the majority it is our moral duty to regard the feelings of minorities and protect them as citizen of this country. One must think sympathetically towards minorities.

Reacting to my comment, Asanganadaji stated:

Hindu intellectuals have done the greatest harm to our Hindu religion. What you are saying is 'sadgun vikriti' (a perversion of virtue). Because of such vikriti (perversion), Muslims, Christians and other minority religions are flourishing in India and are threatening our own religion. Tolerance is good but beyond a point it is harmful. Due to such vikriti, intellectuals and the English-language electronic and print media have taken the side of minorities and have pampered them. Minorities religions have been encouraged to propagate their religions without any scrutiny. Now, it is an established fact that Christians and Muslims get financial support from foreign countries and the motive behind this financing is very clear. In the interest of the nation it is our duty as true Hindus to protect our nation and our great Hindu religion.

In this case, nothing is said about the Dangi community and local issues. The emphasis is on a different sort of solidarity, that of the supposed duty of all true Indian nationalists to propagate the Hindu religion. Those who follow other faiths are, in such a light, not really Indian, and must by definition be allied with non-Indian and anti-nationalist elements. Even those who stand up for the rights of minority religious groups become suspect – being open to accusations of being 'westernised' and in thrall to an alien culture associated with English-language newspapers and the modern media (ironically, the Hindu right has in fact proved far more adept in

its use of the modern media of television, film and audio-cassettes than its opponents). The real agenda in all of this is in fact a highly political one, that of building a majority constituency based on a 'Hindu' identity, which is identified in terms of a supposed threat to its existence from non-Hindu religious communities – Muslims and Christians – along with various so-called 'pseudo-secularists', such as deracinated Anglicised intellectuals, socialists and communists. As is clear from the experience over the past two years of BJP rule in Gujarat, once a government is formed with such an agenda that much-valued Hindu value of 'sarva dharma samabhav' (equal respect for all religions) is thrown violently out of the window. This is very clearly a manifesto for intolerance and extra-legal forms of repression.

I also met the Dangi BJP leader Dasharath Pawar, who took a leading role in organising the rally against Christians on Christmas day which led to an intensification of the violence. When I asked him about this, he became agitated and said:

It is our right to organise a rally. When Dangi culture is under threat how can we restrain ourselves? We know very well that on Christmas day there would be mass conversions. As a true Dangi it is our duty to stop such nonsense. Today Christians are not participating in village festivals. They consider that Hindu deities are mere stones and should be thrown out. Such kind of propaganda has been openly made in public meetings and through leaflets. In the last 15 to 20 years so many missionaries have come to Dangs from south India and have converted Dangis through allurements and miracles and have damaged the cultural fabric of the Dangs, but when Ashimanandji came there was a hue and cry about his entry into the Dangs. He is giving voice to the feelings of Dangis against Christians. He has just been visiting ordinary people, mingling with them as if he is one of them, and giving them prints of Hanuman and requesting them to worship our ancient god Hanuman. Do you think this is a crime? Our village life was peaceful and happy in spite of poverty, unemployment and economic inequality prior to the entry of the Christians missionaries into the Dangs. Due to conversions village social and cultural life has been disturbed. Christians are deliberately not participating in village festivals like Holi, Tera and Gamdev.

In this statement two assumptions are made which may be questioned. One is that Dangi religion is 'Hindu' in an unproblematic way. In fact, sects like the Moksh Marg have been operating in the area for decades trying to convert the

people of the area to what they see as 'correct' Hindu practice. Ashimanandaji follows in this tradition. Like the Christian missionaries, he is engaged in a campaign of conversion. It is argued that such 'Hindu' campaigns are less confrontational as the people are permitted to continue to observe their old social customs and worship alongside the new. This sort of argument has been exposed by the recent violence, which has been highly confrontational and divisive. The other assumption is that being a 'Dangi' involves being also a 'Hindu'. In such a view, converts to Christianity become 'outsiders', or in other words, 'non-Dangis'. Mischievous 'foreign' elements (the missionaries) are seen to be turning many gullible local people into 'foreigners' ('traitors?') within their own homeland. By rejecting their heritage, these Christians have, it is held, put themselves outside society and the law, and coercive extra-legal violence against them becomes justified.

We may also note how the original reason why people like Dasharath Pawar entered politics, namely, the corruption of the ruling Congress bosses and their lamentable failure to develop the Dangs economically, has not merely dropped into the background, but has been completely disavowed. We are now told that despite the 'backwardness' of the tract, the people were 'happy' before the entry of the Christian missionaries. The economic exploitation of the mass of the people by outsiders and local elites is no longer considered to be of any political importance. Such a stance indicates that the BJP politicians who now control the Dangs intend to ignore these problems while whipping up electoral support using anti-Christian paranoia and hatred. In effect, they are set merely to become the new elite, manipulating a coercive and undemocratic 'Dangi tradition' to prop up the new status quo.

That such a stance might ultimately prove counter-productive is indicated by a bhil of Chankal who I spoke to called Jataru Akhatiya. He stated:

The recent attacks on Christians were unfortunate. Such actions are against Dangi culture and ethics. We have been living harmoniously for the last century and we shall go on living harmoniously. The political parties have a vested interests in dividing us. We understood their game. The real questions for Dangis are those of poverty, unemployment and rights to use natural resources.

There is an important shift here from the commonly voiced argument that the Christians have been the foremost divisive element in the Dangs. In this case it is understood that the appeal for Hindu

solidarity is even more divisive, for what had previously been a matter of essentially non-violent altercations within village life, has now escalated into a bitter and vicious internecine strife. This conflict is understood, furthermore, as failing to address the issues of greatest importance to the mass of the Dangi people, such as lack of employment, land hunger, oppression by forest officials and labour migration. The politicians who are orchestrating the attacks on Christians are exposed as having no solutions to these problems.

## VII Conclusion

The issue of conversion is thus a complex one. At a local level, Christian missionaries have often been appreciated for providing good educational opportunities for adivasis in a situation in which government has failed to provide adequate facilities. Christianity is also providing many adivasis with a set of cosmological beliefs which they believe are appropriate to their present situation. The bhakti variety of Hindu practice can equally fulfil such a role, and in fact it probably has in a much larger number of cases, but as all forms of non-Christian and non-Islamic practice are recorded merely as 'Hindu' in the census report, we have no means for quantifying such a tendency. The desire of Christian converts to follow their own religious practices and disavow the community festivals and forms of worship of the village community as a whole is deeply resented. In part this is because this represents a threat to one of the great strengths of the life of the people – their solidarity in the face of outsiders. But it also challenges the vested interests of the existing village elites, who resent this as a challenge to their social power and control. Initially, conversion gave rise to much bickering and bad feeling, but until two years ago there was no violence in this respect.

The violence has been the result of two further developments. One relates to the challenge by young educated Dangis against the old political leaders who were allied with the Congress Party. Seeking wider allies in their struggle, they gravitated towards the BJP. The other relates to the statewide politics of Gujarat, in which the BJP has over the past decade become the most popular political party, winning sweeping victories in recent elections. The BJP has relied heavily on whipping up support through inculcating a belief that Hindu religion is under threat from foreign backed religious minority groups. It projects itself as the only party which stands up strongly for Indian na-

tional interests in this respect. To justify this stance, it is always on the lookout for various supposed 'threats from within'. When the BJP and its allies in the Sangh parivar learnt of the mass conversions to Christianity in the Dangs in recent years, they identified this as one such threat, and sent in their political holymen to investigate the causes and come up with solutions. The sadhus and sanyasis quickly made common cause with the young local BJP leaders, persuading them that they had to focus their attention on the issue of conversion rather than socio-economic problems. They introduced them to a rabidly communal style of politics, using hate-filled rhetoric against minority groups, in the manner of such rabble-rousers as Sadhvi Ritambhara and Uma Bharati. It was these young local politicians who then orchestrated the deplorable wave of violence against the Christians of the Dangs.

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# Elections and Macropolicy Signals

## Political Budget Cycle Hypothesis

Mala Lalvani

*With governments not lasting their full term, Indian politics is in a state of turmoil. For a developing economy like India where it is of utmost importance that limited resources be efficiently channelised, elections held at such frequent intervals impose a heavy cost. In addition to the large visible cost of campaign expenses and expenses incurred in its administration, there is a large hidden cost on account of the fact that politicians make every attempt to appease various lobbies around election years. The present study is an attempt to test political budget cycle hypothesis which tracks the behaviour of the incumbent around election years.*

ELECTIONS is the lifeline of every democracy. For a democracy as large as India the significance of elections can hardly be overemphasised. With elections and election analysis ranking high on popularity given the presentday political scenario, the time seems opportune for the relatively young sub-discipline of economics 'public choice' to show what it has to offer to an understanding of the behaviour of people in government around election time.

The public choice school has helped in transcending barriers between economics and politics. Economists today, both theoreticians and empirical practitioners, are making concerted efforts at taking into consideration the reality of presentday politics, for public choice has made the economist realise that even sound economic advice is bound to go unheeded by the policy-maker if it is not 'politically viable'. This interdisciplinary approach of public choice has succeeded considerably in bringing economics out of the realm of abstraction and closer to the reality of politics.

In the arena of elections, the public choice school makes the point that the presence of elections and electoral competition is indeed the mainstay of a democratic form of governance, but these very elections also serve as the *raison d'être* of many strategically motivated policy distortions that are indulged in by politicians. No theory in economics or politics is required to make one realise that people in power would wish to remain in power – but for that elections must be contested and won. While the voter can only make some guesses about how the parties in opposition might fare, they are in a position to make judgments about the incumbent party on the basis of the policy measures that are undertaken.

With policies serving as a signal to the voter regarding the intentions of the governing party it is only natural to expect that the policy measures which the incumbent party takes would be such that the voter is led to voting that party back into power. Also, it would not be unnatural to

expect that efforts at pursuing such policy measures, which are bound to win votes will be intensified with the approach of every election. These arguments, which seem common sense knowledge today, were given a formal treatment by William Nordhaus in 1975 who saw this kind of behaviour on the part of politicians as resulting in political business cycles although the term itself was coined by Kalecki in 1943. Kalecki predicted the emergence of cycles with alternating 'stop' and 'go' phases when capitalists opposed full employment stimulated by government spending, thus making the government withdraw only to re-emerge as a stimulating agent when unemployment rises above an 'acceptable' level. In current literature, political business cycles have gained wide popularity as 'political budget cycles' [Rogoff and Sibert 1988; Rogoff 1990]. One can adequately explain political cycles with the simple observation that people in government artificially create unusually favourable economic conditions before an election and that voters reward incumbent governments for doing so, even though the economy will take a turn for the worse immediately after elections.

While there has been a surge of papers examining the phenomenon in the developed countries, in the Indian context only two papers have made any attempt at examining its presence [Karnik 1990; Sen and Vaidya 1996].

The present study, in order to test for presence or otherwise of political budget cycles, at the first instance looks at mean growth rates for key macropolicy variables in pre-election, election and post-election years. Further, in this study we break away from the conventional restrictive technique of testing the political budget cycle hypothesis by looking for 'sharp perturbations in and around election years. The large volume of studies which have employed this technique have generally operationalised their models by introducing a single dummy variable for the election year or a dummy variable allowing

for some time period before or after elections. In this study, rather than look for any such sharp blips, we make an attempt at examining the behaviour pattern followed by macropolicy variables spanning the electoral terms. The technique adopted is somewhat similar to that suggested by Haynes and Stone (1989). Our study makes an attempt at adapting their technique to the Indian scenario.

Section I of the study reviews some of important contributions to the subject of political business/budget cycles and traces the cyclical pattern that political business cycle literature has itself followed. Section II deals with methodology and Section III examines the behaviour pattern for key budgetary variables and reports the empirical findings of our study. Section IV applies a similar methodology to some non-budgetary variables which could be subject to manipulation by the government in and around elections. Finally, Section V concludes:

### I Survey of Literature

Several different strands have been discerned in the literature on political business cycle (henceforth PBC). One approach originating from Nordhaus (1975) views it as rational for the incumbent politicians to generate PBC in order to strengthen re-election chances when voters are seen to be myopic. The central conclusion of the Nordhaus model in his own words is "The unemployment rate must be falling over the entire elected regime...immediately after an election the victor will raise unemployment to some relatively high level in order to combat inflation. As elections approach, the unemployment rate will be lowered..." [Nordhaus 1975:184].

A second strand has taken off from Hibbs (1977). It holds that in a class-based electoral system it might be rational for the political party to pursue its own ideology once in government.

A third approach to PBC integrated the preceding two alternatives. Government

FIGURE 1: DEFICITS ON REVENUE ACCOUNT

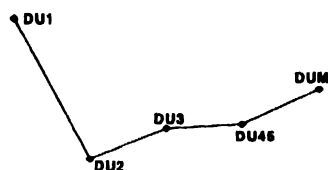


FIGURE 2: EXPENDITURE ON REVENUE ACCOUNT

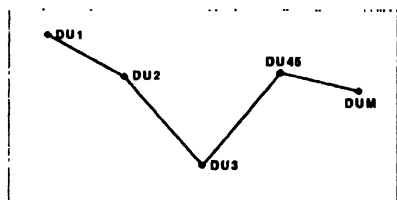


FIGURE 3: DEVELOPMENTAL EXPENDITURE ON REVENUE ACCOUNT

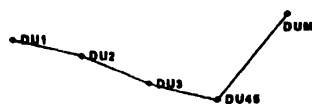


FIGURE 4: CENTRAL GOVERNMENT SUBSIDIES



is seen to be ideological but as soon as its re-election chances are threatened it resorts to measures which would increase its popularity [Frey and Schneider 1978; 1979; 1981].

Advocates of PBC hypothesis came in for some scathing criticism at the hands of the rational expectations school. These rational expectations theorists questioned the fundamental tenet of PBC literature, viz, myopic voters, and put forth the view that a rational electorate would 'learn' to penalise undesirable actions of politicians. Once the electorate was forward looking and informed about the macroeconomic structure, it could devise an optimal plan over the entire horizon, vote strategically by penalising politicians for any deliberate strategic deviation [MacRae 1984; Minford and Peel 1982; Chappell 1983; Ploeg 1984; Kirchgassner 1985; Lachler 1984; Michaels 1986].

Just when it was being felt that the PBC hypothesis had lost all its punch, the mid-1980s witnessed attempts at reconciling political theory of business cycle with rational expectations [Rogoff and Sibert 1988; Rogoff 1990]. In its new form, political business cycles altered to political budget cycles with the focus now shifting to policy instruments such as transfers, taxes or monetary policy. While the works of Rogoff and Sibert reconciled opportunistic political business cycles with rational voters, that of Alesina (1987) put forth a rational model for partisan parties. Some of the more recent studies, which have tried to empirically test this second generation PBC model, are Richards (1986); Davidson, Fratiani and von Hagen (1990); Alesina, Cohen and Roubini (1993); Blais and Nadeau (1992) and Suzuki (1994). Some have employed a time varying parameter (TVP) model.

In the present study we make an attempt at examining the political budget cycle hypothesis advocated by public choice

theorists and see if this explanation does go some way in enhancing our understanding of the fiscal process, or more precisely, understanding the increasing levels and the changing composition of government expenditures in the Indian context.

## II Methodology

Before proceeding to the details of our experiments we wish to point out the data for fiscal variables have been obtained from 'Finances of Central Government' published annually in the *RBI Bulletin*. Certain discrepancies were detected in the data due to definitional changes made at various time points. In order to restore comparability of data over the entire time period some data reconciliation was made. Thus, the final figures used in the study may differ from those published in the various issues of the *RBI Bulletins*. Details regarding these appear in Lalvani (1997). The variables under study all pertain to the central government.

One common feature of electoral models in most of the earlier studies is that they generally tested the hypothesis by estimating reduced form equations for macro-economic outcomes and macro-policy variables. These tests typically looked for very restricted four year patterns in outcomes and policy—sharp 'blips' in some arbitrary period near elections. In a 1989 study by Haynes and Stone, which appeared in *Review of Economics and Statistics* they pointed out that such dummy variable tests are especially non-informative in case of macropolicy variables. They therefore suggested a method where they specified 16 dummy variables (one for each quarter in the presidential electoral term) as the explanatory variables. With the intercept suppressed, the coefficients of each of the dummy variables would represent the mean values of each of the dependent variables for each quarter of the

electoral term. A plot of these coefficients would then represent the electoral pattern of the dependent variable. This methodology has a distinct advantage over its predecessors in that it does not impose arbitrary restrictions on our estimates of electoral patterns.

The data set for the present study spans the period 1950-51 to 1997-98. In connection with election years, it may be noted that it is customary to speak of elections in terms of the calendar year. However, as data for all our policy variables are available for fiscal years, we felt the necessity to slot each of the elections considered into the appropriate fiscal year. In case of any spillover of the duration of an election into the next financial year, it is the starting date of the election which has been considered for the appropriate slotting (as in the case of the 1956-57 election). The Table gives the calendar and the appropriate financial year for each of the elections in our sample.

From the Table it is seen that early elections were called in 1971 (i.e. 1970-71), 1980 (i.e. 1979-80), 1991 (i.e. 1991-92) and 1998 (1997-98), while elections were delayed in 1977. With five of the twelve elections in our sample period not being held on schedule we had to go about defining our dummy variables with utmost caution. Our dummy variables were defined in the following manner –

- DU1 : 1, one year after previous election and if it is not an election year; 0 otherwise;
- DU2 : 1, two years after previous election and if it is not an election year; 0 otherwise;
- DU3 : 1, three years after previous election and if it is not an election year; 0 otherwise;
- DU45 : 1, four or five years after previous election and if it is not an election year; 0, otherwise;
- DUM : 1 in election year; 0, otherwise, i.e. if it is not an election year.

TABLE: ELECTION YEAR AND FINANCIAL YEAR

Dates for Lok Sabha Elections	Financial Year Recorded as Election Year
Oct 25, 1951 – Feb 21, 1952	1951-52
Feb 24 – June 9, 1957	1956-57
Feb 16 – June 6, 1962	1961-62
Feb 15 – Feb 28, 1967	1966-67
March 1 – March 13, 1971	1970-71
March 16 – March 20, 1977	1976-77
Jan 3 – Jan 6, 1980	1979-80
Dec 24 – Dec 28, 1984	1984-85
Nov 22, 1989 – Nov 26, 1989	1989-90
June 12, 1991– June 15, 1991	1991-92
April 27 – May 30, 1996	1996-97
Feb 16, 1998 – April 26, 1998	1997-98

DU45, a dummy variable indicating a combination of fourth and fifth year after previous election was so defined because DU5 (i.e., five years after previous election and 0 otherwise and if it is not an election year) was mostly captured either by election dummy DUM or by the other dummies wherein elections had been preponed. DU5 was capturing the effect of only one delayed election, i.e., 1976-77). A combined dummy DU45 therefore seemed a better alternative.

For each of the macropolicy variables regressions of the following form were run using simple OLS technique.

$$Y_t = \alpha_0 Y_{t-1} + \alpha_1 DU1 + \alpha_2 DU2 + \alpha_3 DU3 + \alpha_4 DU45 + \alpha_5 DUM \quad \dots(1)$$

where,  $Y_t$  is the macropolicy variable of interest, and  $Y_{t-1}$  is the lagged policy variable, which captures the dynamic impact of policy variables. DU1....DU45 and DUM are the dummies as specified earlier.

It may be noted that equation (1) above is not evaluated as an explanatory equation, rather it is only the coefficients of the dummy variables that are the focus of our interest. The coefficients of each of the dummies are plotted separately for each variable in order to be able to track the behaviour of that variable over the electoral terms.

### III

#### Budgetary Variables

Our study takes up each macropolicy variable individually. Each of the variables considered is a proportion of GDP. GDP was simply used as a scaling factor. Each of the variables is regressed on DU1....DUM, coefficients are plotted and the behaviour pattern observed. From our results we are in a position to infer whether the incumbent politicians have behaved in an opportunistic manner in and around election years as regards that particular variable.

**Revenue Deficits:** Revenue deficits refer to the gap between expenditures and receipts on revenue account. It is thus representative of the excess of expenditures over receipts on revenue account. Current expenditures are equivalent to consumption and do not result in creation of assets. Revenue deficits as a proportion of GDP would be expected to be high in pre-election and election years and to fall in post-election years. The behaviour pattern of revenue deficits spanning the electoral term seems to vindicate the political budget cycle hypothesis.

Figure 1 plots the coefficients of the electoral dummies obtained from estimating equation (1) using the OLS technique. We find that revenue deficits show a fall

FIGURE 5: EXPENDITURES ON CAPITAL ACCOUNT

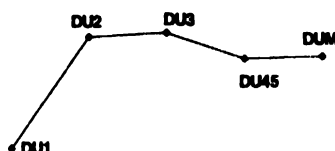


FIGURE 6: DEVELOPMENT EXPENDITURES ON CAPITAL ACCOUNT

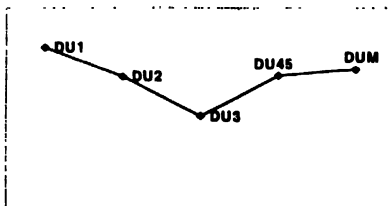


FIGURE 7: TAX REVENUE

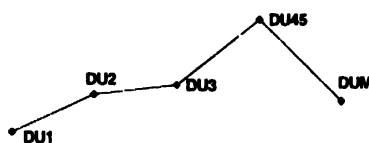


FIGURE 8: COMPLIANCE IN TAX REVENUE

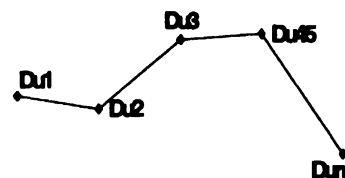


FIGURE 9: COMPLIANCE IN UNION EXCISE

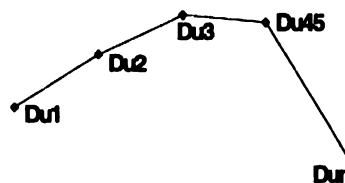
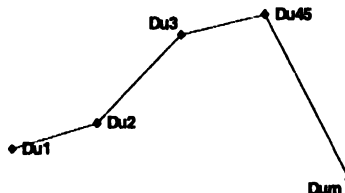


FIGURE 10: COMPLIANCE IN CORPORATION TAX



up to DU2. From then on it continues on an upward trend. A sharp increase is noticed in the election year itself, indicated by the variable DUM. The story that this figure tells is that for the first two years after elections have been won the incumbent party does things right by keeping a tight leash on expenditures on revenue account and collecting as much revenue as possible from tax and non-tax sources. However, having crossed this point the incumbent party, wherever possible, makes every attempt to re-allocate its resources in a manner that will help it increase its vote bank, with little or no consideration given to the long-term impact of these measures. Such populist policy measures can only be those which will result in increases in current expenditures and cuts in receipts thus causing the mismatch, given by revenue deficits, to mount just prior to and in the election years. The behaviour pattern of this variable seems to vindicate the PBC hypothesis of governments indulging in populist policies purely for electoral gain.

Revenue deficits, the computed measure of the gap between expenditures and receipts on revenue account does tell us that the mismatch worsens with approaching elections but does not make explicit whether it is expenditure increases or receipts cut that cause the revenue deficits to widen with approaching elections. To

know which of the two routes is followed by the incumbent party we need to analyse expenditures and receipts (on revenue account) separately.

**Expenditure on revenue account:** This category comprises expenditures incurred on goods and services for current consumption. These expenditures are easily targeted to specific groups and hence are readily made use of by the incumbent parties to enrich their vote bank. For evidence of opportunistic strategies being resorted to at election time one would expect to witness an increase in revenue expenditures in pre-election and election years and a decline in post-election years (Figure 2).

Revenue expenditure shows a steep fall for the first three years after elections and then begin to rise, as is to be expected if the incumbent party does indeed indulge in opportunistic election time manipulation of this expenditure category. However, the election year dummy DUM registers a decline compared to the year prior to the election year.

On the face of it this result seems to contradict the PBC hypothesis but with revenue expenditures comprising developmental and non-developmental expenditures, each differing with respect to visibility, we were almost certain that a clear picture of election time manipulations would emerge when the two categories

ries of revenue expenditures are separately examined.

**Development expenditures on revenue account:** Developmental expenditure on revenue account comprise expenditures on the following categories:

- (A) Social and community services: (1) Education, art, culture, social service and research; (2) Medical and family welfare and public health; (3) Labour and employment; (4) Broadcasting; (B) Economic services: (1) Agriculture and allied services; (2) Industries and minerals; (3) Foreign trade and export promotion; (4) Water and power development; (5) Energy; (6) Transport and communication; (7) Science, technology and environment (C) General services; (D) Grants to states for development purposes; and (E) Disbursements of union territories.

These expenditure categories are those that have a greater element of discretion involved and hence are more susceptible to manipulation in and around elections. Developmental expenditures on revenue account are crucial vote getters for the incumbent party as these expenditures are extremely visible and also its benefactors are easily identified. Figure 3 clearly shows that there is some election time manipulation as the graph shoots up in the election year.

These results make it amply clear that in election years governments have directed large amounts of the available resources towards developmental expenditures which are more visible and more likely lure the voters to cast their votes in favour of the incumbent party.

**Subsidy:** A powerful weapon in the armoury of the incumbent party, a component of expenditure on revenue account, which it can exploit to its advantage for enhancing its vote share, is 'subsidies'.

Figure 4, which traces the behaviour pattern of subsidies over the electoral term clearly vindicates the political budget cycle hypothesis. Subsidies as a proportion of GDP shows a fall only in the second year of the electoral term and from then on a continuous rise is recorded with a sharp increase in the election year.

**Expenditures on capital account:** The distinguishing feature of expenditures on capital account is that it is incurred at one point of time while its benefits are realised at different points of time in the ensuing years. In other words, immediate visibility of this expenditure category is not to be expected. Hence, from the politicians' point of view incurring capital expenses is not a very attractive proposition in pre-election and election years.

FIGURE 11: GROSS DOMESTIC DEBT

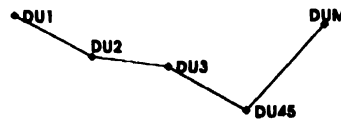


Figure 5 shows an upward trend for the first three years into the electoral term but from then on it shows a falling trend and is more or less stable in the run up to the election year. This behaviour pattern once again shows that election time considerations do come into play.

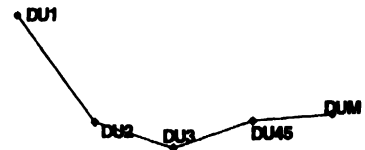
**Developmental expenditures on capital account:** This category of expenditures comprises capital expenditures under the same heads as were listed under developmental expenditures on revenue account and clubbed broadly as social services, economic services, general services and disbursements to union territories.

As was the case with expenditures on revenue account, developmental expenditures on capital account too are more susceptible to discretion and, therefore, more amenable to manipulation by policymakers who use it just before elections to enhance their popularity. Also, this expenditure category, like developmental expenditures on revenue account, is more 'visible' to the voter. For instance, the starting of the construction of a school or a hospital is bound to make the party in government look 'good'.

Figure 6 shows a high level of expenditure in the first year of the electoral term. It keeps falling till three years into the electoral term (till DU3), shows a sharp rise till DU45 and a further marginal increase in the election year itself.

**Tax revenue:** Receipts on revenue account comprise tax and non-tax revenue. Going by the political budget cycle hypothesis one would anticipate that tax revenue would fall in election years. The result obtained vindicates the PBC hypothesis (Figure 7). The one way that people in governments could possibly grant favours as far as tax revenues are concerned is by allowing sections of people to get away with tax evasion and not enforcing compliance. A direct check of compliance was obtained by computing the difference between accounts figures and the budget estimate. This difference was then regressed on the dummy variables and its behaviour pattern examined. Further, it was our hunch that maximum benefit could be got by allowing tax-payers to get away in case of union excise and corporation tax. Compliance for both these taxes was

FIGURE 12: RESERVE BANK CREDIT TO GOVERNMENT



also examined. Results obtained are shown in Figures 8, 9 and 10.

**Gross domestic debt:** The gross domestic debt of the central government comprises: (A) Internal debt – (i) market loans, (ii) market loans in course of repayment, (iii) special floating loans, (iv) treasury bills, (v) compensation another bonds, (vi) special securities issued to RBI (vii) special floating and other loans; (B) Other liabilities – (viii) small savings, (ix) provident fund, (x) reserve funds and deposits.

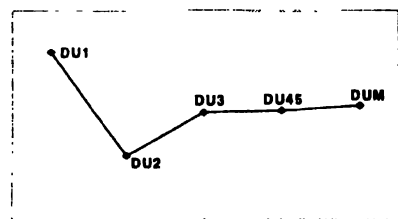
The ramifications of a mounting debt-GDP ratio in the Indian context have been discussed of at length in a large number of studies [some of the well known contributions in this context are Rangarajan et al 1989; Bhattacharya and Guha 1990; Bhattacharya 1992; Buiter and Patel 1994]. A high debt-GDP ratio implies large interest burden, which in view of the constraints on raising direct taxes and the limited scope for lowering current outlays may cause budgetary capital outlays to be squeezed. What is evident from this chain of undesirable repercussions of an expanding debt-GDP ratio is that its impact is visible to the voter only with a time lag. Hence, it is only natural for the incumbent party to resort to large scale debt financing around election years. The plot obtained is shown in Figure 11.

We find that a continuous downward trend is maintained right up to the pre-election years. It is only in the election year itself that the gross domestic debt is seen to increase. This seems to indicate that debt financing is resorted to in election years as the full impact of it would occur only with a lag.

**Net RBI credit to the government sector:** In addition to taxation and borrowings the third mode of financing of deficits that is available to the government is to borrow from the RBI. Net RBI credit to the government sector is the conventional measure of increase in money supply. In accordance with the PBC hypothesis expansion in net RBI credit, as a proportion of GDP, would be expected in election year as the inflationary impact is expected to become evident only with a lag. Figure 12 gives the plot obtained for this variable. We find that Reserve Bank credit



FIGURE 13. GROWTH RATE OF FOODGRAIN PRICES



as a proportion of GDP is very high at the beginning of the electoral term (i.e., DU1). A falling trend is seen till the third year into the electoral term. From then on an upward trend is maintained. The figure indicates to us that governments have resorted to monetisation of its deficits in election years. This mode of financing deficits around election time is bound to be very appealing to people in government since its adverse effects would become evident only with a lag, by which time the election process would have been completed.

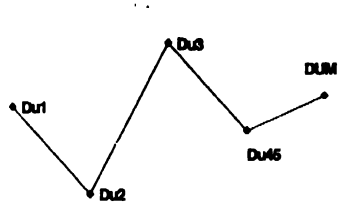
### III

#### Non-Budgetary Variables

Having found rather convincing evidence in support of the political budget cycle hypothesis as far as budgetary variables are concerned, we were curious to examine if a similar kind of pre-election time manipulation took place for some of the other variables which, we felt, were likely to stand the government in good stead around election time. These variables that we decided to examine included growth rate in foodgrain prices, growth rate of procurement prices in both paddy and wheat. We report below the expectations and the results obtained for each of these three variables.

**Foodgrain prices:** There is a popular viewpoint among a growing section of economists that inflation in India reflects inter-sectoral relative price adjustments. These 'structuralists' strongly believe that in the Indian context inflationary pressures are generated if agricultural production grows slower than the required rate. Agricultural prices are demand determined while industrial prices are cost determined. If agricultural growth falls short of the required growth, the necessary relative price shift in favour of agriculture can come about only via an increase in agricultural prices. Industrial prices rise with a lag since agricultural prices raise industrial costs directly, via increased raw material costs and indirectly, via reduced disposable incomes and, therefore, reduced demand for industrial products. Thus, in the long run, relative price adjustments are manifested in a rising price level. To check for evidence of these changes at election

FIGURE 14: GROWTH RATE IN PROCUREMENT PRICE OF PADDY

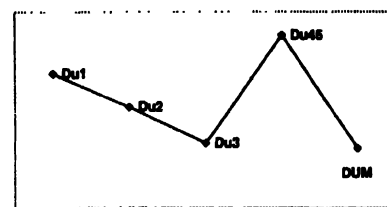


time we examined the prices of foodgrains. Considerable amount of controversy exists regarding the indicator which best represents the price for foodgrains that the farmers receive. While a large number of authors have made use of wholesale price indices (WPI), there are others who have argued that it is not the appropriate measure due to the fact that wholesale prices are simply an average of all 12 months, thus ignoring the pattern of market arrivals during different months. These studies suggest that the use of farm harvest prices serve as a better proxy for prices received by farmers because these harvest prices are an average of wholesale prices prevailing during peak marketing season [Tyagi 1988]. Vittal, however, contested this belief [Vittal 1986]. It was her contention that farmers do not sell their surplus at harvest. According to her, the farmers hoard the surplus produce, selling maximum in the lean season to benefit from high prices. Farm harvest prices therefore would misrepresent the prices received by large farmers.

For the purpose of the present study we preferred to conform to the traditional annual growth rate in the WPI for foodgrains. Our hypothesis with regard to foodgrain prices is that around election years foodgrain prices would not be permitted to show any substantial increase as it is likely to spark off an all round increase in prices which is undesirable with elections round the corner. Figure 13 plots the coefficients for the equation with foodgrain prices as the dependent variable.

Figure 13 shows that growth rate in foodgrain prices is extremely high in the first year of the electoral term. It falls sharply in the second year (i.e., DU2). The prices rise to some extent in the third year but from then onwards it continues to remain more or less stable till the election year. Sen and Vaidya (1996) who find that the election dummy is insignificant (in equations (3) and (4) of their study) with agricultural prices as their dependent variable suggest that expansionary demand side policies followed by the incumbent party not leading to an increase in agricultural prices, could be attributable to the fact that the "government has acted to neutralise the demand pull effects of in-

FIGURE 15: GROWTH RATE IN PROCUREMENT PRICE OF WHEAT



creased budget deficits by an appropriate commodity stabilisation policy (such as increased import of foodgrains or running down of buffer stocks). Since a large proportion of the Indian electorate are net buyers of food (including a section of farmers) and since food constitutes a large component of the average consumer's expenditures, it would be in the interest of the incumbent party facing an election to insulate the electorate from any increase in foodgrain prices" [Sen and Vaidya 1996:2026].

**Procurement prices for paddy and wheat:** While on the subject of foodgrain prices, we thought it would be interesting to look at the behaviour pattern of procurement prices via which, it is strongly felt, the Indian government has sought to appease the farm lobby. Balakrishnan (1991) speaks of the procurement prices being fixed at levels higher than those recommended by the Agricultural Price Commission. According to him, the pressures involved in their fixation varies from region to region and over time depending on political factors like clout of producers as a group and economic factors such as changes in the structure of prices. Mitra (1977) has been very forthright in pointing to the non-economic factors and the pivotal role that they play in the determination of procurement prices. According to him, an increase in the level of official procurement prices by a certain proportion has acted as a signal for a spurt in open market prices by a similar proportion. Mitra (1977) is of the opinion that each shift in the terms of trade in favour of farm products has contributed to the holding power of surplus farmers and traders enabling them to bid for still higher prices in the subsequent season. In the words of Mitra (1977:110-11), "The policy of liberal monetary advances made to this section of the farming community under new agricultural strategy has imparted an additional bullishness year after year to market prices for farm products, so that even larger-sized crop has not led to a decline in prices, but its opposite."

The procurement price is an administered price. The Agricultural Price Commission recommends the procurement price for a particular year, but its fixation



is a matter of government policy. It has generally been noted that the recommendations of the commission have been flouted and prices have been set at higher levels by the government for the two principal foodgrains in the Indian economy, viz, rice and wheat (due to a continuous series for prices of rice not being available most studies make use of the procurement prices for paddy). Figures 14 and 15 give the relevant plots.

We find that the growth rate in procurement prices for paddy dips in pre-election years but shows a rise in the election years itself. Contrary to this, the growth rate in procurement price of wheat in the pre-election year records an increase but falls in the election years. These results seem to indicate that in election years it is the rice growing community that our politicians aim at winning over more than the wheat farmers' lobby. This might, at the first instance seem a slightly discomfiting result, for it is well known that the terms of trade which have shifted in favour of wheat is primarily a reflection of official policies. Also well known is the fact that the upward adjustment in procurement prices for rice is less than for wheat [Mitra 1977]. However, our result would not appear to be completely misplaced when we consider the fact that paddy cultivation is geographically diversified considerably. Also, marginalisation of land holdings is significantly more in case of paddy cultivation than in case of wheat cultivation, thus involving larger number of people in paddy cultivation. The story that our results seem to tell is that while the government does attempt to appease the more powerful wheat lobby in pre-election years via its procurement price policy, the growth rate of which reaches its maximum one to two years prior to elections (DU45), in the election year itself it is the larger number of rice growers that seems to matter more. Such 'foresight' on the part of our politicians is indeed remarkable, for they seem to realise that although the economic power of rich wheat growers far exceeds that of the rice cultivators, ultimately each person has only one political vote. Our politicians seem to realise that the votes of the larger number of rice cultivators would prove to be more advantageous at election time, for it is numbers alone that can win elections.

#### IV Summing Up

The results of our exercise provide us with ample evidence to conclude that the broad picture which emerges is one of re-allocation of available resources in and around election time towards those expenditure categories which would help

capture votes. The somewhat lower RMSPE in case of the forecast errors obtained from the politico-economic model provides us with evidence that incorporating political variables does seem to provide us with additional insights when modelling economic variables.

We would, however, like to clarify that by no means is it the intent of our study to pronounce politicians as guilty of being opportunists. In fact, the very essence of public choice approach and the political budget cycle hypothesis, in particular, is to show that indulging in election time manipulation of policy instruments is an act of rationality on the part of the incumbents. The only message that we wish to convey via this study is that, given that such election time manipulations are rational for politicians it is up to the voter to see through these 'strategic but rational' moves of politicians.

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## A Tragedy of Betrayals

### Questions Beyond the LoC in Kashmir

K M Seethi

THE article by Bharat Karnad, 'Using LoC to India's Advantage' (*EPW*, July 10-16), makes disturbed reading. We are not too unfamiliar with the arguments he marshals in that provocative analysis, but the context is very important and the implications of the "activist policy" he suggests bode ill for peace and democratic initiatives in south Asia. Even as the Kargil operations were under way, we heard incessant calls for a crossing of LoC to inflict serious damage on Pakistan's capability and position. The Sangh parivar was not alone in making such demands for an across-LoC operation, including the use of nuclear weapons to teach Pakistan a lesson. The entire defence think-parivar, ex-army officers, and former diplomats also brought in similar arguments in favour of a 'territorial aggrandisement' which India was called upon to undertake in pursuit of the retreating intruders and militants. Karnad says that India and Pakistan "are left with only two alternatives: go to war and risk an attendant catastrophe now that the milieu is nuclearised, or engage in low-level but sustained military actions...aimed at continually enlarging the real estate in one's possession, and establishing newer lines of control" (p 1869).

This belligerent position, which he claims would "satisfy the punitive mood of the people and advance Indian interests in Kashmir", is certainly fraught with dangerous consequences. It is not only unrealistic and baneful in strategic/military terms, but devoid of any political wisdom and maturity. It once again underlines the fact that our defence think-tanks have become increasingly obsessed with militarism and are incapable of addressing the fundamental problems of our polity beyond the limits set by Chanakya sutras.

Ostensibly, Karnad proceeds on the assumption that Kashmir is just a property dispute between India and Pakistan, and that territorial aggrandisement could, at best, be an answer to Pakistan's 52-year long struggle to grab Kashmir militarily and otherwise. His argument that we should now provide a "negative incentive" to Pakistan "to settle along the desired line" (as "positive incentives" have failed), gives

an impression that all is well with India and the only bane of our existence has been Pakistan. This is a one-sided assessment of the problem, the real dimensions of which need to be placed in a broader psycho-historical setting of India's 'holier than thou' approach and Pakistan obsessions. One does not dispute the fact that the task of the military (though belated, as it were) was enormous, and it did succeed, in driving out the Pakistan-backed intruders and militants. But underneath this conflict, there is a fundamental question of Kashmir which hardly emerges in our daily national security discourses. Can we any longer leave aside this question for the sake of convenience?

If we analyse the conflict within a broader socio-historical background, we will certainly come across a spectre of uncomfortable realities. These realities persistently escape our attention due to a perceived reason/fear that it might threaten our national loyalty and put our patriotism to a hard test. This false consciousness again and again dampens our intellectual curiosity to know things from another angle of the question and our search for a political solution to the conflict. The defence think-tanks always look at such issues from strategic/military point of view devoid of any political insight. The question is certainly larger than national security and territorial integrity, larger than international diplomacy and cross-border terrorism. The Kargil conflict should necessarily awaken us from our deep slumber, from our self-imposed intellectual censorship which extended beyond 50 years.

Kargil and Kashmir are inseparably interlinked, and the ultimate and terminal points of this question should not be located along the LoC (or beyond the LoC, as Karnad suggests), or ended with securing a favourable international public opinion, as against Pakistan's sinister campaign across the world. The ultimate solution lies not in finding out the best possible military strategy, in the manner in which Karnad puts forth, but in developing a mature political option which will deliver good to the people of Kashmir who have been driven from pillar to post during the

last 52 years. Unless we are able to do this, we will have to face more Kargils, more intrusions, more cross-border tensions and, perhaps, the worst scenario of human rights violations and abuses in Kashmir. But this should not be interpreted to mean an appeal for demilitarisation in the face of Pakistani attacks and cross-border tensions. That is an entirely different question and should be addressed as such. However, we have absolutely no substitute for a mature democratic solution to the current conflict in Kashmir.

We have heard enough of the institutional/organisational lapses in taking adequate measures to prevent cross-border intrusions during the last 10 months. Poor Brig Surinder Singh, commander of the Kargil-based 121 Brigade, has been made a convenient scapegoat in this, whose forebodings, if taken in right earnest, would have saved many lives and crores of rupees. But underneath this outward lapse, though serious as they were, there is the basic lapse of the Indian state which has a history of more than half a century. This fundamental lapse has been sustained by all successive governments, and the media and political parties are equally responsible for these lapses. Every time the rhetoric of 'unity and integrity' and of combating militancy and communalism tended to dilute, if not divert, the basic democratic question in Kashmir. We have certainly come of age to transcend this sort of false consciousness and nationalist pretensions. However, this should not lead us to the conclusion that all is well across the LoC, in the state of Pakistan. It is a nation in perpetual struggle for identity as the people are increasingly alienated due to the political machinations of the oligarchic power structure of the Pakistani state. The successive regimes in Pakistan who lacked legitimacy and popular mandate tried to overcome and externalise their internal contradictions by appealing the masses to the 'unfulfilled mission' in Kashmir.

Sadly enough, the enmity of 'the other' or hostility with 'the other' has deeply entrenched itself in the blood of an average Indian and an average Pakistani. This built-in antagonism has been perpetuated for more than 50 years and, unfortunately, it gets legitimised with more Kargils and cross-border tensions. As the encounters between the two irreconcilable identities take place in a variety of forms, they conveniently forget that the terrain of this confrontation has long been inhabited by a population whose democratic aspirations

and secular credentials were never disputed but have been placed for scrutiny in recent times. We are not worried at all that the very survival of the Kashmiris gets caught in the irreconcilable rivalry between Indian and Pakistani state whose betrayals and involvements only alienated and marginalised them. The civil society living on both sides of the LoC is only a victim and passive spectator in this high tension drama, incapable of influencing the course of events.

As we proceed to look at the antecedents and implications of the Kargil conflict, we inevitably encounter four betrayals, each of which contributed in its own way to the accumulation of tensions and conflicts. The first and foremost betrayal came from imperialism itself. Britain, at the beginning, and the US subsequently played a decisive role in driving a wedge between India and Pakistan on the Kashmir question. It is precisely for this reason that we must be extremely cautious when they reassure their mediatory/honest broker role in the current conflict. If at all Pakistan scored any victory on the Kashmir question during the first decade of independence, as many would have us believe, it was with the open support and assistance of these imperialist powers. No wonder, when the two giants of the imperialist camp traded arguments against India in the UN and elsewhere, India felt isolated and alienated. Nehru was forced to say, after the bitter experience in the UN, that the world body was controlled by the 'Anglo-American racket'.

Many thought that imperialism would, at last, withdraw from the subcontinent with the emergence of India as a major power in the post-Shimla period. But imperialism reappeared in different forms, including one of patronising fundamentalism and militancy in the region. The most decisive period came when General Zia ruled Pakistan. He was the most trusted policeman of the US in the region, particularly after the fall of the Shah of Iran and the Soviet intervention in Afghanistan. Pakistan became not only a frontline state in America's south Asian strategy but a safe haven for all tribo-religious militant outfits. The mujahideens stationed across the Pak-Afghan border had received all material and moral support from both the US imperialism and the authoritarian regime of Pakistan. Though imperialism had apparently lost interest in Afghanistan in the post-Soviet withdrawal period, it continued to support the Islamic fundamentalist groups, culminating in the installation of a Taliban regime in Kabul. Thus, the hands of both Pakistan and the

US were quite certain and critical in perpetuating militancy and fundamentalism in the region. Even the Islamic militants in Kashmir had received considerable support from the US and Britain at a certain stage. It is in this background of long years of imperialist betrayal and involvement that we must place Pakistan's aggressive posture and the US role in the current crisis. We must also look at the sincerity of the proclaimed US opposition to Islamic fundamentalism and militancy with greater caution, particularly in the post-Kosovo global scenario. The Nawaz Sharif-Clinton joint statement is certainly deceptive. We may think it is advantageous to India, but the implications are not palpable enough.

Secondly, Pakistan betrayed the democratic secular aspirations of the

Kashmiris by taking over a part of J and K way back in 1947-48 and imposed authoritarian political and military structures all these years. The cultural unity and communal harmony across the LoC have been considerably disrupted with frequent interference and militarisation of the Azad Kashmir. Over the years, it became a safe haven of all militant activities, facilitating cross-border intrusions and terrorist activities. As Pakistan gained considerable leverage in the late 1980s with more militant organisations looming large in the valley, the Kashmiris began to face a real dilemma. They were virtually caught between the militants and the Indian and Pakistani army, which took a heavy toll over the last 15 years. Ironically, Pakistan's championing of the cause of the freedom of Kashmir betrayed itself because of its

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own anti-democratic and anti-people policies and programmes not only within Azad Kashmir but in the entire state of Pakistan. Pakistan's involvement and frequent interferences only thwarted the democratic secular aspirations of the Kashmiri society. The Kargil conflict further underlined the fact that the people living on both sides of LoC cannot enjoy a peaceful and orderly life because of this continued cross-border intrusions and Indian and Pakistani military responses.

The third betrayal came from none other than India itself which has a longer history, perhaps extending to partition days. This has three distinct phases. In the first phase after accession, India's Kashmir policy did not exhibit any consistency, coverage and commitment, expected of a mature political leadership. Nehru lost courage when he failed to clear up the Pakistan-backed invaders in 1947-48 for the sake of transient goals and ill-timed international commitments. The commitment of Nehru turned out to be a great liability and subsequently a misadventure of Indian diplomacy. India really fumbled in the UN not only on Kashmir's accession with India, but on the accession of other princely states like Junagad and Hyderabad. The commitment on plebiscite was even more disastrous and the promise of a 'reference' to the people was not kept beyond 1954 because of the 'altered conditions' and geo-political realities. Meanwhile, the second phase of India's betrayal started almost parallel to this. The promise of autonomy to sustain the political sanctity of the state did not bear any fruit because of the internal tensions between New Delhi and Srinagar. Consequently, Article 370 of the Indian Constitution remained a dead letter after 1954, and whatever was offered to the people in the early phase was taken away without any consideration and political honesty. This was done through a series of constitutional amendments and presidential orders. Even though 'autonomy' became defunct in Kashmir, a belief was deliberately borne upon us that the problem of Kashmir emanated from this special privilege enjoyed by them. Even today many people attribute the cause of current militancy to the original 'sin' of granting autonomy to the people. Hence, the demand for abrogation of Article 370 without knowing, if not deliberately concealing, the fact that Article 370 has virtually become irrelevant since 1954.

This has been accompanied by a long spell of political manipulations carried on by the Indian National Congress (INC) and the National Conference (NC).

Elections in J and K were a mere farce, and almost all general elections saw extensive rigging and institutional corruption. That way, both the INC and the NC were responsible for alienating the people from the mainstream. The situation worsened when the state was completely neglected by the centre and the economy was ruined by successive governments in Srinagar and New Delhi. Unemployment increased phenomenally, industrial backwardness reached its peak, and agriculture showed no significant improvement. The objective situation in J and K was such that the people lost all faith in the Indian state. Popular discontent began to surface for the first time in the late 1980s against this background of economic backwardness, institutional corruption and people's alienation. The militant organisations who never had any mass backing in J and K found this to be a golden opportunity to make inroads into the society. Pakistan capitalised this situation and began to interpret this as a renewed case for self-determination and unleashed its sinister campaign.

The third phase of the Kashmir question started at this stage when India began deploying army and paramilitary forces in the state. The Indian military operation in Kashmir since 1989-90 amounted to widespread human rights violations marked by instances of repression and torture on an extensive scale. The encounters between the militants and the army took a heavy toll over the years and there were innumerable cases of arbitrary killings and torture by both the militants and the Indian army. Thousands of pandits were also forced to flee the valley and attempts were made to communalise the society. The very identity of the Kashmiris has been deliberately divided between Hindus and Muslims who at no point in history ever displayed any religious sectarianism in their social living. The Kashmiri alienation certainly weakened India, but strengthened Pakistan's hands.

The fourth betrayal is by the Islamic militants who drew sustenance from various regional and international sources. A major blow on the secular fabric of Kashmiri society came when they officially championed the cause of their brand of Islam in Kashmir with Pakistan's connivance and imperialist support. Cross-border terrorism and militancy grew when popular discontent in the valley ran high. Islamic militants' appropriation of the cause of the Kashmiris virtually alienated the latter, leading to further militarisation and repression by the Indian state. Thus

the plight of Kashmiris became more pathetic over the years. Their secular credentials have been destroyed, and cultural roots and identity distorted with the frequent interferences and manipulation by India and Pakistan, on the one side, and imperialism and Islamic militancy, on the other.

How do we account for this political tragedy when we are increasingly obsessed with national security issues? Are we supposed to stand united in liquidating these people? Should we show restraint when they are subjected to repression and systematic killing? Reports say that more than 40,000 people have been killed (official figures are much less) during the last 10 years in the mutual encounters between militants and the Indian army. Are we supposed to enlarge the scope of mutual extermination by militarising the entire region, as Karnad suggests? The civil society will have to address this question most seriously.

To add insult to injury, both India and Pakistan braced themselves for a nuclear showdown last year with disastrous consequences for peace and security in the subcontinent. The nuclear hawks in both countries argued that the nuclear weapons capability would restrain the two countries and that there would be mutual respect and recognition of each others' power and potentials. In fact, the Kargil conflict has easily demolished this myth of deterrence. Interestingly, when the Kargil operations were over, the very same nuclear hawks seized the argument that the nuclear weapons have greatly restrained the two countries from escalating into a major war. But they conveniently forget the fact that there was no war between 1972 and 1998, and the nuclear tests have greatly enhanced Pakistan's self-confidence in undertaking a cross-border operation in Kashmir in spite of Vajpayee's Lahore trip and the joint declaration that followed. Though it failed to achieve anything in Kargil, Pakistan was able to tell the world once again its own version of the Kashmir struggle.

The one and only option to end this human tragedy and get over the continuing dilemma is democratisation of the Kashmir society on both sides of the LoC. The most urgent task is to win over the people, not militarily, as Karnad would suggest, but through a series of mature political engagements. This certainly requires statesmanship, political honesty and courage. The alternatives to this will be frustrating and disastrous: we will have to face more Kargils, more intrusions, more mutual killings and a tragedy of more betrayals.

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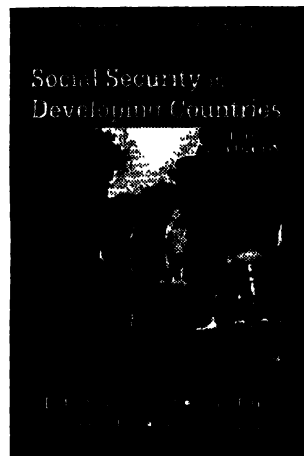
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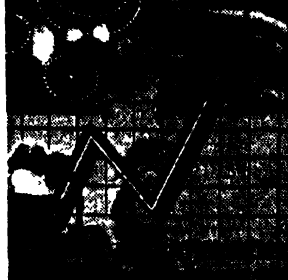
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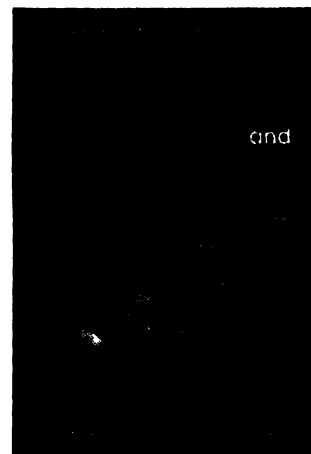
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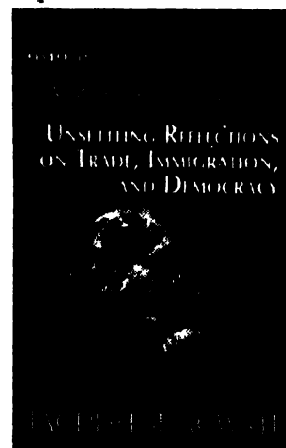
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## OXFAM HIV/AIDS INTERVENTION PROGRAMME IN INDIA

# Oxfam



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**Oxfam**, a relief and development agency, would like to recruit a team of three personnel to facilitate local, State, National and international improvements in the ways in which HIV/AIDS services and prevention are developed and coordinated based on learnings and existing work of NGOs and other institutions in India. The UK **National Lottery Charities Board** has kindly agreed to support this 5 year programme.

Applications are sought for the following three posts:

**(1) Programme Manager** – The candidate would ideally have a degree in MBBS or Public Health/MD in community health/MA in development with experiences in health sector forum, policy research/health policy analysis. S/he will provide overall leadership to the team and management of this work at the local, State and National level. The post requires a minimum of 6-8 years of development experience, preferably with NGOs, in developing and coordinating community health initiatives in India, ideally working in the field of HIV/AIDS; demonstrated impact in the field of policy analysis and development; good analytical and strategic planning skills and understanding of development issues; commitment to social justice; team management experience; familiarity with finance; ability to commission and manage research and evaluation; ability to provide training and facilitate and strengthen NGOs, CBOs and other existing civil society organisations; good administrative and communication skills; sensitivity to the inequalities facing women and vulnerable groups in society.

**(2) Programme Officer** – The candidate should have a degree or diploma in public health/community nursing/nutrition /development studies with 3-5 years experience of working with NGOs in coordinating health projects in rural/urban areas preferably working in the field of HIV/AIDS; public health research, policy research/health policy analysis; demonstrated analytical, conceptual and strategic planning skills; the ability to facilitate interaction between different development practitioners at various levels; demonstrated ability to work as part of a team and aptitude for project management skills – including communication, organisation, training, planning, budgeting and scheduling; ability to interact and build rapport with NGOs, donors and government personnel; demonstrate sensitivity and commitment to address gender and equity issues.

**(3) Project Officer (Finance)** – The candidate should be able to manage and undertake the overall administration of the team in relation to Finance and Accounts for the HIV/AIDS national programme office in line with **Oxfam's** requirements in India. The candidate will be expected to have a degree in accountancy with or at least four years of accounts management experience. The candidate should possess financial/analytical skills; ability to design, implement and refine office management systems; procedural and legal knowledge; training skills; high level of interpersonal skills; demonstrated sensitivity to address gender and equity issues.

The first two posts will require extensive travel. All candidates should possess excellent verbal and written communication skills in English and one other major language in India and computer skills. Women candidates are especially encouraged to apply. The team will be based in Calcutta. **Oxfam** offers 5 year contracts for all posts with reasonable salary and other benefits to attract competent professionals. **Only shortlisted candidates will be contacted for interviews to be held in Calcutta.**

Candidates should submit a detailed covering letter explaining fully from their experience how they meet all the criteria listed above not later than 15<sup>th</sup> October, 1999. **Applications should be sent to Oxfam (India) Trust, B-3 Geetanjali Enclave, 1<sup>st</sup> floor, New Delhi – 110 017.**

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## Dangerous Deficiencies

The dependence of Finance Commissions on sophisticated mathematical and statistical methods to arrive at their recommendations has led to the participatory process of revenue-sharing being devalued. Worse, it has brought in its wake obscurity, bordering on opacity, of the rationale of the commissions' recommendations. A critical review of the work of past commissions. **2725**

## How Green Karnataka

Years of neglect and apathy by the government and its agencies have resulted in the overall degradation and underdevelopment of natural resources in Karnataka. While popular movements can prompt knee-jerk reactions, systematic planning is required to protect, conserve and develop the environment. A status report on the environment in Karnataka. **2735**

## Theme Decline

Nirad Chaudhuri's great theme threading through all his work was decline – decline and fall of empire, of social systems and of western civilisation under the hooves of his 'three horsemen', individualism, nationalism and democracy. **2710**

## Electoral Dyspepsia

The extremely poor turn-out of voters in Kashmir vividly underlines the fact that elections in the state are not serving as an effective means of articulating the political, social and economic aspirations of the people. **2703**

While it may be too much to expect peaceful polls in Bihar, the current polarisation of political forces may well turn out to be significant, with indications of a probable further redistribution of power and pelf in favour of the backward castes and the dalits. **2704**

## To What End?

The recent merger of two French banks is just one episode in the ongoing rapid concentration and transnationalisation of capital which can only have disastrous effects. **2713**

## No Telling Apart

The convergence of interests of the country's two major parties is an unending affair. It is only those, specially belonging to the Left, anxious to stress a sharp ideological cleavage in the behaviour pattern of the two, who are having a trying time. **2694**

## Unfriendly Change

The increasing acreage under cash crops in the Hindukush Himalayas is not only leading to food scarcity and resource depletion, but decreasing agricultural productivity. **2717**

## Of Banks and Bills

Efforts are called for, parallel to those taken by the Reserve Bank to deepen the money and government securities markets, to promote the market for bank-accepted bills as a major money market instrument to facilitate the financing of asset-creating activities. **2696**

## Crime Country

It is not surprising that economic crimes have increased manifold in Russia since the process of liberalisation began. Embezzlement, murder, drug-trafficking and arms smuggling are commonplace today. How concerned is the government about this and what is being done? **2715**

## Games Rulers Played

In the early decades of this century the princely states of India were much less isolated from the changes taking place in British India than is commonly supposed. Study of the Khilafat movement in Hyderabad documents another interesting aspect of the changing relationships between the native rulers and the British. **2745**

## Tenancy Contracts

The implications of the interlocking of tenancy contracts with other markets have been explained differently by neoclassical and Marxist economists. An exploration into the best approach to explain the findings of a study in a sample of villages in Orissa. **2752**

## Economic Reform Strategy

INDIA has made notable progress since 1991 on the path towards macro-economic and structural reform. Nevertheless, major economic policy challenges lie ahead to attain durable progress in social improvements and poverty reduction. It is quite warranted that the overall role of an over-extended and fiscally insolvent government in the economy is to be reduced with orientation towards effective attention to its role in poverty reduction. Raja J Chelliah's implicit suggestion ('Economic Reform Strategy for the Next Decade', September 4) that it is necessary to formulate special policies designed to protect poor self-employed persons, even though there would be some loss in efficiency, deserves appropriate attention from the policy-makers. Chelliah further points out that for sustainable higher growth that in the coming decade, the decline in the ratio of expenditure on human development to total government expenditure should be reversed. NGOs and in fact the entire middle class should constantly apply pressure on the governments to do what is good for the people in the long run. I would like to raise the point here that as the middle class is currently very involved with the ongoing reform process, local social workers who can effectively lobby with the local political agents for the adoption of a reform agenda, which would safeguard the interest of the poor, need to be encouraged much more by the society as a whole. Micro initiatives in this direction would result in desirable macro-movement.

It may not be out of context to state that while policy prescriptions help to create a conducive environment for growth, the realisation of growth depends on the operational efficiency of the various economic agents. Industrial sickness, low capacity utilisation, delay in public sector project implementation, etc, are killing industrial initiatives, as is well evidenced by the gap between proposals for and realisation of industrial investment. The ongoing restructuring in the corporate sector, however, will yield operational efficiency in the long run. More attention should be devoted by the corporate sector, duly supported by conducive public policy,

to improve operational efficiency which ultimately helps generate growth and employment. In this regard, state policy-making bodies need to be more economic agent friendly in order to accelerate the implementation of policy changes.

T K CHAKRABARTY

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## Hidden Costs of Debt

THIS has reference to the article 'Andhra Pradesh: The Man and the Times' by K Balagopal (June 26). Normally, in such articles, language hides logic and rhetoric hides reason. This one is an exception to a large extent (it could have been shorter in length, though) and is indeed a very balanced account of the times.

One aspect of the times, as far as India is concerned, is the total lack of concern for the mounting external debt. The nation's external debt is close to \$ 100 billion. None seems to care about the burden such a debt imposes on the present and future citizenry. Strange as it may sound to the informed few, politicians seem to be happy that they are able to

borrow from the World Bank!

Borrowing costs are not limited to interest costs. First, there is the dependency syndrome, which leads to the development of constituencies at the various levels of government to keep the borrowing momentum in full swing, actively supported by the multilateral development agencies. Second, there is an element of uncertainty in regard to whether the loans will be available when most needed, with the uncertainty increasing in the event of any demonstration of national self-reliance in areas unacceptable to the stockholders of the lending agencies. Third, neither the civil servants negotiating the loans nor their political bosses have a direct responsibility for loan repayment, with the result that there is bound to be a relatively high degree of laxity in ensuring the best and most productive use of the borrowed funds. Fourth, there is hardly any evidence to indicate that countries with heavy indebtedness really can ever develop to such an extent that they will be free from such indebtedness.

BHANOJI RAJ

Singapore

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## Sour Sugar

**S**UGAR import from Pakistan has become one of the liveliest issues in the Lok Sabha elections. Of course, the sugar industry has been opposing import of sugar, which was put on the OGL and freed from licensing requirements in 1994, from any source on the ground that domestic production is sufficient to meet requirements. This may be true of the 1998-99 sugar season ending this month, but it is a fact that in the 1997-98 season, which is when imports gathered momentum, production was 12-15 per cent short of consumption. In response to the industry's lobbying the BJP-led government has progressively stepped up the import duty on sugar to the present level of 27.5 per cent, though industry is now demanding that it be raised to a minimum of 50 per cent. Despite the increase in sugar production to 15.4 mn tonnes in the season which is just ending and the industry's claim that the 1999-2000 season will see a further rise to 16 mn tonnes, leaving some margin over estimated consumption, there seems to be general agreement that imports have helped to keep the free market price of sugar a fifth below what it might have been. The sugar industry will claim that it is government policy which is to blame for this and there is an element of truth in this. The policy of sequestering 40 per cent of production in the form of a 'levy' is clearly serving no larger public purpose even as it is contributing to higher open market prices by withholding supplies from the market while also giving rise to a largely purposeless budgetary burden of a subsidy on 'levy' sugar.

There is a case undoubtedly for a review of the government's sugar policy, much more than for any second thoughts on the policy with regard to sugar import. But it is not these issues which have caught the fancy of political parties in the election. What has is the question of import of sugar from Pakistan, more specifically, that such import had continued, allegedly even on government account, despite the Kargil conflict. The allegation about government import of sugar has been easily disposed of with the disclosure that the relatively small import worth some Rs 10.5 crore by the government-owned Projects and Equipment Corporation had ceased by February this year. However, the linking of sugar import from Pakistan and the Kargil conflict by political parties as an important election campaign issue does raise some interesting larger questions. One of these relates to the evidently irresistible temptation of parties and their leaders to stoke hostility to Pakistan as a means of mobilising electoral support. What the election propaganda of the opponents of the BJP-led alliance is suggesting is that it was somehow unpatriotic and anti-national to have continued import of sugar from Pakistan – and by implication any sort of economic exchange and trade

with that country – in the context of the Kargil conflict. The facts are that India was never in a state of war with Pakistan and the fighting in Kargil was itself a limited affair both geographically and in terms of its duration. Yet the politicians' knee-jerk response, for which they apparently expect to win popular applause, is to put at stake the whole gamut of political and economic relations between the two countries, tenuous and stilted as they are. Is it any wonder then, given this proclivity of politicians, which is shared in equal measure by their counterparts in Pakistan, to use sabre-rattling directed across the border as a trusted method of shoring up their domestic political fortunes, that the two countries have failed over half a century to even ensure that ordinary visitors from the one to the other are treated with a modicum of decency and humanity, not to mention infuse their political and economic relations with a measure of simple good sense and rationality?

Another issue raised by the high-tension campaign about sugar import from Pakistan is the attitude reflected in it to trade and economic relations among countries sought to be propagated by our over-zealous guardians of 'national interest'. According to them, the BJP-led government was guilty of 'helping' Pakistan by allowing sugar to be imported from there even as that country was engaged in hostile military operations in the Kargil region. Notwithstanding as much the accumulated wisdom of economic science as the everyday experience of common people, politicians continue to suffer from a mental block in acknowledging the contribution of imports to national well-being by making available new, better or cheaper goods and ways of doing things. In the relatively simple case of our sugar imports, from Pakistan and elsewhere, we have been in fact helping only ourselves to keep the price in the domestic market of an essential item of mass consumption significantly lower than it would otherwise have been. But no matter, every move in the direction of making imports cheaper and more readily available has to be forcibly extracted, like a sore tooth.

A final lesson of the angry exchanges going on over the allegedly less than patriotic sugar imports is how smooth, imperceptible almost, is the interchange of ideological caps among our parties and politicians. It is the champions of secularism and votaries of good-neighbourliness who we now find pillorying the BJP and its prime minister for being soft towards Pakistan and who are now hell-bent on ensuring that the Indian external affairs minister does not engage in talks of any sort with his Pakistani counterpart when they are together at the SAARC foreign ministers' meeting in New York towards the end of this month. If ideology is rapidly being rendered a less than respectable entity, does one need to look very hard where the blame lies?

## Shifting Loyalties

THE shift in the Muslim vote away from the Samajwadi Party (SP) towards the Congress, leading to a revival of the Congress in the state, has been the most discussed aspect of the Lok Sabha elections in UP. Yet the impact of this expected shift in the minority vote in undermining the poll prospects of the Congress's main adversary, the Bharatiya Janata Party (BJP), for whom UP continues to be a crucial state from the standpoint of its return to power at the centre, remains uncertain.

The Muslim vote, which plays a determining role in some 22 Lok Sabha constituencies of UP, is in all probability going to get split between the SP, the Congress and the Bahujan Samaj Party (BSP) to varying degrees. The BJP which has hardly any support among the Muslims is not directly affected by this development. In fact what the poll scene in UP shows is that the war for the Muslim vote has hotbed up among the three non-BJP contestants, with the BSP, to the chagrin of the Congress, making an equally strong bid for the Muslim vote. Though largely seen as a party of the dalits, the BSP too has cultivated a Muslim constituency in UP as part of its 'bahujan' strategy since the 1980s and, gauging the mood of Muslim voters, has put up maximum number of Muslim candidates among all the parties in the state in the present elections. The BSP hopes to swing the poll outcome in its favour through a dalit-Muslim combine in quite a few constituencies where the Muslims and the dalits each constitute some 20 per cent of the population. On the other hand, the Congress is banking heavily on the return of the Muslims to its fold for its rejuvenation in the state. But in the absence of a significant shift in upper caste and dalit votes in its favour, the Congress's gain in terms of votes may fail to be converted into seats won.

Nevertheless the drift of the Muslims away from the SP has unsettled that party's calculations to such an extent that even party chief Mulayam Singh Yadav is unsure of retaining his Sambhal seat, where there is a large presence of Muslims, and is therefore contesting also from Kannauj with a predominantly non-Muslim electorate. With the BJP refusing the Farrukhabad Lok Sabha ticket to Kalyan Singh's protegee Sachchidananda Sakshi Maharaj, belonging to the lodh community, the SP is engaged in building a tenuous

yadav-lodh alliance with Sakshi Maharaj's help which, given the 3 per cent population of the lodhs in the state, may not help much to reinforce the SP's weakened yadav-Muslim axis. In the end the four-cornered contests may to an extent bail out the BJP which is otherwise severely undermined by factional infighting in the context of voting patterns largely determined by caste and community loyalties.

### PETROLEUM PRICES

## Putting Off the Day of Reckoning

THE oil pool account is in deficit once again, to the tune of Rs 5,000 crore or more, going by news reports. This is a sign of multiple malaise – in the oil economy, in fiscal management and in the commitment of the political class to sustaining reform. It was irresponsible of the Vajpayee government not to have raised retail petroleum product prices after international oil prices began their upward march in February this year. Now, the country will have to wait till the third week of October, at least, for a new government at the centre to muster the political courage to raise product prices to cover the cost price as well as the deficit in the pool account.

Till September 1997, when the United Front government mustered the courage to begin dismantling the administered pricing mechanism (APM) for petroleum products, these prices were caught up in a web of cross-subsidies and normative pricing that killed efficiency in the oil economy and raised the economy's energy costs. Refined products were sold at retail prices fixed by the government. Oil refineries were to be paid normative prices that were meant to cover the cost of production, transportation and storage, including a 12 per cent rate of return on capital. The difference between the sale receipts and the normative revenues of the oil companies, if positive, accumulated in the oil pool account, and, if negative, flowed out of the pool account to the oil companies. If the pool account did not have funds, it went into deficit and owed the oil companies to the extent of the deficit. The pool account was obliged to pay the oil companies interest on these dues. Since a deficit could not be sustained indefinitely, the government would raise retail prices to a level that would wipe out accumulated dues including interest charges. Often, political timidity would prevent the government from raising retail prices and the pool account deficit would balloon. This happened in the final months of the

Narasimha Rao government and the United Front government inherited a huge pool account deficit. Oil prices remained high in 1996 and 1997 and the UF government estimated that the pool account had run up a deficit of Rs 18,000 crore when it decided to implement long-standing recommendations to dismantle the APM.

Getting politics out of the pricing of imported energy was not the only benefit of dismantling the APM. Under the APM, the refineries had no incentive to cut costs and had every incentive to boost costs. Insufficient port capacity to handle imports resulted in killer demurrage payments but these turned no hair at the Indian oil majors because these costs were a pass through. The APM discriminated against depreciated, older refineries and encouraged newer refineries to pad costs. Regulated marketing at fixed prices meant that refineries had no incentive to improve quality either. Gross price differentials between similar distillates led to large-scale adulteration of fuels, contributing to greater engine wear and tear, pollution and low fuel efficiency. In a situation where refineries compete to sell products, they would cut costs, offer the best possible price and quality. But for that to happen, the APM had to be dismantled. The APM could not be dismantled so long as the oil pool account owed the oil companies money – the government could not spare budgetary resources to pay off the oil companies' dues before setting them free to compete amongst themselves on price and quality.

An inefficient oil economy is not the only consequence of the APM and attendant oil pool account deficits. There is a macro-economic problem as well, similar to that of a widening fiscal deficit. In combination with a revenue account deficit, a gross fiscal deficit signifies that the government is cornering credit that should go to finance production and utilising it to finance consumption. When the government and the private sector compete for loanable resources, interest rates go up. When the government thus appropriates a larger share of total savings than the private sector is willing to surrender to it, inflation and worsening of the current account deficit result. This destabilising effect of government borrowings stems from not just the gross fiscal deficit of the centre or the combined deficit of the centre and the states, but from the gross public sector borrowing. This measure includes, apart from the combined deficit of the centre and the states, borrowings by public sector undertakings and off-budget borrowings such as the oil pool account deficit.

When the oil companies do not get their dues from the pool account, they borrow from the market, diverting a large chunk of credit to finance an irrational subsidy, exactly as the fiscal deficit does. Any way you looked at it, the APM had to be dismantled.

The UF government set off the APM dismantlement, with a bit of financial engineering. It bought over the oil companies' dues from the oil pool account. Henceforth the refineries would receive import parity prices for the products they sold. But retail prices would still reflect the government's intention to subsidise certain classes of consumers and the government budget would bear the subsidy burden, raising the needed resources from oil taxes. Where did the government get the money to buy up the oil companies' dues from the pool account? It issued special oil bonds. Who subscribed to the bonds? The oil companies themselves. The bonds would be redeemed from future inflows into the pool account, as the new, higher retail prices raked in a surplus. Retail prices would be adjusted every month, to preclude any possibility of a fresh deficit building up and to maintain a positive inflow into the pool account till the oil bonds could be redeemed in full. Once the oil bonds are redeemed, there is no further need for administered prices and full market pricing could be resorted to.

Differential pricing of petro-products could be retained through differential taxation of the products, but this would affect consumption patterns without depriving the oil companies of an incentive to cut costs. Now, this piece of financial engineering left the gross public sector borrowing requirement unchanged, but the oil companies now had an incentive to cut refining costs; their sale price would be fixed at import parity, and if they could increase the refining margin, they could boost profits. However, full-fledged competition and cost cutting in all segments of transportation, storage, refining and marketing awaits the final redemption of the oil bonds and freeing of petro prices from administrative control.

However, after December 1997 oil prices began a steady decline that continued till February 1999 when, at \$10 a barrel for crude, they were, in real terms, below the pre-1973 oil shock levels. This was a bonanza, since the government did not reduce retail prices anywhere near in proportion to the fall in international prices. Funds flowed into the oil pool account and the government has redeemed all save Rs 400 crore of the original Rs 13,000 crore worth of oil bonds issued. (The estimated

deficit of Rs 18,000 crore reduced to Rs 13,000 crore because of the fall in crude prices). This made it possible for the government to advance the date of freeing oil prices from administrative control.

But the government's luck did not hold for long, and since February this year oil prices have more than doubled till date. It was crucial to raise domestic retail prices to ensure that they did not fall below costs, for the APM dismantling process to proceed apace. But political chicken-hearts in the government reneged on the policy commitment. Retail petro product prices are below import parity and the pool account is accumulating fresh dues to the oil companies. To undo the damage, future hikes in petro prices will have to be that much steeper than what is needed to attain parity. This shows the BJP's commitment to reform in a poor light, especially when compared to the less bombastic United Front government's willingness to push through politically unpalatable decisions in the larger interest of the economy.

## POLITICS

### The Caste Card

*A correspondent writes:*

EVERY time elections are held in India, caste divisions, superstitious beliefs and all the regressive trends that keep the country backward are reintroduced and reinforced by the leaders of different political parties. While the traditional religious animosities that divide our society are somewhat kept at bay during elections because of the ban on religion-based campaigns by the Election Commission, no such check is to be noticed in places where castes are equally matched and contests are held purely on caste lines.

What is further revealing is that while the national political parties may not be identified with particular castes at the all-India or even the state level, their candidates play the caste-card in their constituencies by appealing to their respective caste sentiments. In the election campaign, the political differences between the contesting parties which are represented by their nominees are glossed over, and caste loyalty is made the sole criterion for electing the candidate. As a result, we find candidates of the same party appealing to one caste in a certain constituency, and a different one in another. In the national capital, for instance, during the present election, in one part of the city a BJP candidate (a former chief minister of Delhi) was trying to rally all the followers of his

jat caste asking them to forget their political differences and vote for him as a jat candidate since he alone would be able to further their interests as a caste. In another constituency at the same time his party comrade was found appealing to members of the rajput caste to vote for him to enable him to represent them and address grievances that may be specific only to the rajputs. Even the national leaders of these parties, when visiting the constituencies of their candidates, take care to appeal to caste sentiments. Thus, during the last assembly elections in Rajasthan Congress leaders wooed the jats by promising them reservations in jobs. This time, during his election visit to Rajasthan, prime minister Vajpayee also promised reservations for jats in a bid to win over this influential vote-bank. The phenomenon is not peculiar to the north. In Bellary in Karnataka, both the Congress and the BJP have worked hard on the divisions between the vokkaliga and the lingayat castes in order to garner votes for their respective candidates, Sonia Gandhi and Sushma Swaraj.

While the age-old caste divisions in society tend to get ossified by such appeals to caste loyalties during election campaigns, traditional superstitious beliefs are revived through other means by candidates. Astrologers are wooed by leaders of almost all the parties. The candidates wait for the right auspicious hour to file nomination papers. 'Yagnas' are held to propitiate the gods to help them win the elections. Visits to religious shrines and local godmen to seek their blessings are a must for candidates during campaigns in their constituencies. Some even play on the superstitious beliefs of the electorate to win their votes. According to a newspaper report, in one constituency, a BJP candidate had been propagating against the Congress and its leader Sonia Gandhi by exploiting a belief current among the tribals there that a widow is a bad omen for both the family and the country.

Such acts may not fall under the axe of the hyper-active Election Commission, but they do legitimise irrational beliefs and practices that are the bane of our society, and are in contravention of the fundamental duty, as laid down by our Constitution, to "develop the scientific temper, humanism and the spirit of inquiry and reform". Should not the Election Commission intervene to stop campaigns that appeal to sentiments of casteist chauvinism or superstitious beliefs, which are as divisive and retrograde as campaigns based on religious appeal that are banned by the commission?

# CURRENT STATISTICS

EPW Research Foundation

FII investment followed by net disinvestment to book profits (and in response to rise in short-term US interest rates) have begun to dominate share price behaviour. With gross FII purchases of Rs 4,311 crore and net purchases of Rs 1,504 crore in July, the Sensex shot up from 4145 in early July to 4603 towards the end of the month. With lower gross purchases of Rs 2,714 crore (and net sale of Rs 122 crore) the index has gyrated and once even dipped to a low of 4488 in August. The index has again receded from a peak of 4906 to 4641 following FIIs' profit-taking in September.

## Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82 = 100)	Weights	Sept 4, 1999	Over Month	Over 12 Months		Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96
				Latest	Previous	1999-2000	1998-99				
All Commodities	100.00	363.3	1.4	1.9	8.3	2.6	5.7	5.0	5.3	6.9	5.0
Primary Articles	32.30	396.0	3.0	2.1	15.1	4.2	11.5	9.3	5.5	7.0	5.4
Food Articles	17.39	469.3	3.3	3.2	17.8	6.9	15.7	11.7	4.0	9.6	9.8
Non-Food Articles	10.08	377.1	2.3	-1.2	13.1	-1.5	7.0	7.5	8.5	3.5	-1.9
Fuel, Power, Light and Lubricants	10.66	401.8	1.2	5.8	2.5	5.9	-1.1	-1.2	11.4	16.9	3.7
Manufactured Products	57.04	337.6	0.4	1.0	5.5	0.9	3.7	3.8	4.0	4.9	5.0
Food Products	10.14	348.0	2.0	-3.1	10.6	1.8	10.2	4.9	5.5	14.1	-0.7
Food Index (computed)	27.53	417.7	1.7	1.4	14.5	3.6	11.8	9.5	4.5	11.1	6.3
All Commodities (weekly average basis) (April 3-Sept 4, 1999)	100.00	357.4	0.2	4.8	5.8	2.8	7.3	6.9	4.8	6.4	7.8

Cost of Living Indices	Latest Month	Over Month	Over 12 Months		Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96	1994-95
			Latest	Previous	1999-2000	1998-99					
Industrial Workers (1982=100)	420.0 <sup>a</sup>	0.2	5.3	12.4	1.4	5.0	8.9	8.3	10.0	8.9	9.7
Urban Non-Man Emp (1984-85=100)	350.0 <sup>7</sup>	1.2	4.2	13.1	2.9	7.7	9.0	7.2	10.2	8.2	9.9
Agri Lab (1986-87=100) (Link factor 5.89)	304.0 <sup>7</sup>	1.0	5.2	10.7	2.7	6.3	8.8	3.8	10.5	7.2	11.1

Money and Banking (Rs crore)	August 27, 1999	Over Month	Over Year	Fiscal Year So Far		1998-99	1997-98	1996-97
				1999-2000	1998-99			
Money Supply (M <sub>1</sub> )	1027484 <sup>a</sup>	10468(1.0)	149047(17.0)	55280(5.7)	57105(7.0)	150872(18.4)	119484(17.0)	97841(16.2)
Currency with Public	176673	69 neg	26840(17.9)	7291(4.3)	4255(2.9)	23804(16.4)	13491(10.2)	13829(11.7)
Deposit with Banks	846280 <sup>a</sup>	10706(1.3)	122371(16.9)	47279(5.9)	51696(7.7)	126788(18.9)	105647(18.6)	84162(17.5)
Net Bank Credit to Govt	419643	926(0.2)	54758(15.0)	32491(8.4)	34287(10.4)	56554(17.1)	41979(14.5)	30840(12.0)
Bank Credit to Comm Sector	497212	2704(0.5)	63712(14.7)	6848(1.4)	190 neg	57054(13.2)	57003(15.1)	31659(9.2)
Net Foreign Exchange Assets	169986	-1298(-0.8)	26145(18.2)	5624(3.4)	5747(4.2)	26268(19.0)	32597(30.9)	23356(28.4)
Reserve Money (Sept 3)	263686	1613(0.6)	31501(13.6)	4315(1.7)	5783(2.6)	32969(14.6)	26417(13.2)	5527(2.8)
Net RBI Credit to Centre \$	151352	470(0.3)	8576(6.0)	5935(4.1)	9160(6.9)	11801(8.8)	12914(10.7)	1934(1.6)
RBI Credit to Bks/Comm Sector	27333	-1550(-5.4)	8980(48.9)	1846(7.2)	3072(20.1)	10206(66.8)	2028(15.3)	-1557(-54.0)
Scheduled Commercial Banks (Aug 27)								
Deposits	750892 <sup>a</sup>	6929(0.9)	105026(16.3)	36867(5.2)	47381(7.9)	115540(19.3)	92886(18.4)	71780(16.5)
Advances	374582	1338(0.4)	50985(15.8)	5745(1.6)	-481(-0.1)	44759(13.8)	45677(16.4)	24387(9.6)
Non-Food Advances	352894	1709(0.5)	45994(15.0)	873(0.2)	-4694(-1.5)	40427(13.0)	40790(15.1)	26580(10.9)
Investments (for SLR purposes)	287272	4262(1.5)	41622(16.9)	32677(12.8)	26945(12.3)	35890(16.4)	28192(14.8)	25731(15.6)
Commercial Investments and bills rediscounted with FIs	53973	983(1.9)	14373(36.3)	5315(10.9)	7587(23.7)	16645(52.0)	12472(63.1)	4168(27.1)

<sup>a</sup> Includes Rs 17,945 crore on account of proceeds from RIBs since August 28, 1998, excluding them the year-on-year and the 1998-99 fiscal year growth of money supply would be 14.9 per cent and 15.6 per cent, respectively. Likewise, bank deposits without RIBs grew by 13.5 per cent and 15.5 per cent, respectively. \$ after closure of government accounts

Index Numbers of Industrial Production (1993-94=100)	Weights	June 1999	Fiscal Year So Far		Full Fiscal Year Averages			
			1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96
General Index	100.00	144.6	145.4(5.6)	137.7(4.5)	142.8(3.8)	137.6(6.6)	129.0(5.5)	122.3(12.8)
Mining and Quarrying	10.47	115.2	115.7(-0.6)	116.4(-0.3)	120.3(-1.7)	122.4(5.9)	115.6(-2.0)	117.9(9.6)
Manufacturing	79.36	149.0	149.5(6.5)	140.4(4.2)	146.3(4.1)	140.6(6.7)	131.8(6.7)	123.5(13.8)
Electricity	10.17	140.6	143.6(4.1)	138.0(10.2)	138.4(6.5)	130.0(6.6)	121.9(3.9)	117.3(8.1)

Capital Market	Sept 17, 1999	Month Ago	Year Ago	1999-2000 So Far		1998-99		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1998-99	1997-98	1996-97
BSE Sensitive Index (1978-79=100)	4618(48.0)	4621	3121(-20.5)	3245	4906	2783	4281	3740(-3.9)	3893(15.8)	3361(-0.2)
BSE-100 (1983-84=100)	2107(52.4)	2072	1383(-19.1)	1409	2198	1242	1890	1651(-2.7)	1697(15.9)	1464(-5.5)
BSE-200 (1989-90=100)	488(52.9)	477	319(-16.7)	322	504	289	429	380(0.8)	377(14.9)	328(-5.0)
S and P CNX-50 (Nov 3, 1995=1000)	1360(49.4)	1323	910(-19.8)	931	1423	812	1213	1078(-3.5)	1117(15.4)	968
Skandia GDR Index (Jan 2, 1995=1000)	870(33.6)	864	651	581	980	515	1015	653(-30.5)	940(1.1)	930(-4.4)

Foreign Trade	July 1999	Fiscal Year So Far		Full Fiscal Year		1998-99	1997-98	1996-97	1995-96
		1999-2000	1998-99	1998-99	1997-98				
Exports: Rs crore	13209	47467(8.5)	13767(6.4)	141604(8.8)	130101(9.5)			118817(11.7)	106353(28.6)
US \$ mn	3052	11042(4.0)	10614(-7.7)	33613(-3.9)	34976(4.5)			33470(5.3)	31797(20.8)
Imports: Rs crore	15485	60488(5.4)	57388(18.0)	176099(14.2)	154176(11.0)			138920(13.2)	122678(36.3)
US \$ mn	3577	14072(1.0)	13932(2.6)	41802(0.9)	41449(5.9)			39132(6.7)	36678(28.0)
Non-POL US \$ mn	2849	11313(-6.6)	12108(18.6)	35928(10.3)	32526(11.9)			29096(-0.2)	29152(28.3)
Balance of Trade: Rs crore	-2276	-13021	-13622	-34495	-24076			-20102	-16325
US \$ mn	-526	-3030	-3318	-8188	-6472			-5663	-4881

Foreign Exchange Reserves (excluding gold)	Sept 10, 1999	Sept 11, 1998	March 31, 1999	Variation Over		1998-99	1997-98	1996-97	1995-96	1994-95
				Month Ago	Year Ago					
Rs crore	132045	110953	125446	-959	21092	6599	8442	22935	22137	21649
US \$ mn	30327	26107	29530	-214	4220	797	131	3554	3607	5243

Notes: (i) Superscript numeral denotes month to which figure relates, e.g. superscript 6 stands for June; (ii) Figures in brackets are percentage variations over the specified or over the comparable period of the previous year. neg negligible



# Index of Industrial Production (Base 1993-94=100)

Major Groups	Weight (Per Cent)	Quarterly Variation						1998-99 1997-98 1996-97 1995-96			
		Apr 99 Jun 99	Jan 99 Mar 99	Oct 98 Dec 98	Jul 98 Sep 98	Apr 98 Jun 98	Jan 98 Mar 98				
General index	100.000	145.4 (5.6)	153.8 (4.7)	143.4 (3.2)	137.5 (3.5)	137.7 (4.4)	146.8 (6.3)	143.1 (4.0)	137.6 (6.6)	129.0 (5.5)	122.3 (12.7)
Mining and quarrying	10.473	115.7 (-0.6)	127.9 (-4.6)	122.7 (-1.4)	114.0 (-0.5)	116.4 (-0.3)	134.0 (7.0)	120.3 (-1.8)	122.4 (5.9)	115.6 (-1.9)	117.9 (9.5)
Manufacturing	79.358	149.5 (6.5)	158.3 (5.7)	147.1 (3.5)	141.1 (3.9)	140.4 (4.3)	149.7 (5.9)	146.7 (4.4)	140.6 (5.7)	131.8 (6.7)	123.5 (13.8)
Electricity	10.169	143.6 (4.1)	145.6 (5.6)	135.6 (5.4)	134.3 (4.6)	138.0 (10.2)	137.8 (8.6)	138.4 (6.4)	130.0 (6.7)	121.9 (3.9)	117.3 (8.1)
Use-based Classification											
Basic goods	35.512	135.1 (2.8)	141.1 (0.3)	134.4 (0.7)	130.3 (1.4)	131.4 (3.5)	140.6 (6.0)	134.3 (1.5)	132.4 (6.5)	124.3 (3.0)	120.6 (10.7)
Capital goods	9.687	143.4 (10.3)	160.6 (16.1)	143.0 (12.1)	137.3 (12.8)	130.0 (9.4)	138.3 (1.7)	142.7 (12.7)	126.6 (5.3)	120.2 (9.3)	110.0 (4.1)
Intermediate goods	26.439	163.7 (9.1)	159.4 (7.9)	157.0 (4.4)	154.2 (5.9)	150.0 (5.4)	147.7 (5.5)	155.1 (5.9)	146.5 (8.1)	135.5 (8.1)	125.4 (19.1)
Consumer goods	28.362	141.8 (3.8)	162.2 (3.5)	142.0 (2.3)	131.2 (0.6)	136.7 (3.1)	156.7 (8.6)	143.0 (2.4)	139.6 (5.7)	132.1 (5.2)	125.6 (12.4)
Consumer durables	5.115	179.3 (15.0)	194.1 (7.0)	177.3 (7.3)	163.0 (1.1)	155.9 (2.7)	181.5 (10.7)	172.6 (4.7)	164.9 (7.8)	153.0 (4.6)	146.2 (25.8)
Consumer non-durables	23.237	133.6 (0.9)	155.2 (2.6)	134.3 (0.9)	124.2 (0.5)	132.4 (3.1)	151.2 (8.0)	136.5 (1.8)	134.1 (5.1)	127.5 (5.3)	121.1 (9.3)
Manufacturing Industries: Two-Digit Level (NIC-87)											
20-21 Food products	9.083	122.5 (-1.6)	177.9 (1.7)	134.9 (6.8)	101.0 (-0.4)	124.5 (-7.0)	174.9 (3.4)	134.6 (0.3)	134.1 (-0.1)	134.2 (3.4)	129.8 (6.8)
22 Beverages, tobacco and related products	2.382	190.9 (10.3)	186.9 (9.6)	174.6 (8.4)	179.8 (14.9)	173.1 (20.1)	170.6 (25.2)	178.6 (13.0)	158.1 (19.3)	132.4 (13.5)	116.7 (13.3)
23 Cotton textiles	5.518	119.6 (3.5)	117.7 (-0.6)	115.1 (-9.7)	115.1 (-11.3)	115.6 (-8.8)	118.5 (-6.6)	115.9 (-7.7)	125.6 (2.3)	122.7 (12.0)	109.5 (10.6)
24 Wool, silk and man-made fibre textiles (except cotton)	2.258	195.9 (17.1)	188.2 (12.1)	173.9 (-7.8)	177.8 (0.8)	167.3 (8.4)	167.9 (9.8)	176.8 (2.9)	171.8 (18.4)	145.1 (10.5)	131.3 (14.7)
25 Jute and other vegetable fibre textiles	0.590	95.0 (-8.7)	100.2 (-13.5)	113.3 (-4.7)	108.2 (-4.9)	104.1 (-1.4)	115.9 (4.8)	106.5 (-6.2)	113.5 (15.8)	98.0 (-4.3)	102.4 (5.8)
26 Textile products (incl. wearing apparel)	2.537	157.8 (1.0)	152.4 (-2.5)	153.8 (-7.3)	149.8 (-8.2)	156.3 (4.5)	156.2 (8.0)	153.1 (-3.5)	158.7 (8.5)	146.3 (9.5)	133.7 (35.7)
27 Wood and wood products; furniture and fixtures	2.701	110.2 (-17.1)	112.9 (-14.5)	117.0 (-0.8)	121.8 (-0.2)	132.8 (-6.3)	132.1 (-1.0)	121.1 (-5.7)	128.5 (-2.6)	131.9 (7.0)	123.2 (24.0)
28 Paper and paper products and printing and publishing and allied industries	2.652	181.4 (16.7)	177.9 (15.4)	180.7 (18.7)	165.5 (16.8)	155.4 (13.2)	154.1 (11.6)	169.9 (16.1)	146.4 (6.9)	136.9 (9.1)	125.5 (15.6)
29 Leather, and leather and fur products	1.139	116.8 (2.4)	123.1 (11.7)	123.5 (11.0)	118.8 (5.4)	114.1 (4.4)	110.2 (0.6)	119.9 (8.1)	110.8 (2.2)	108.4 (9.4)	99.1 (14.2)
30 Basic Chemicals and chemical products (except products of petroleum and coal)	14.002	159.2 (9.5)	156.0 (7.5)	149.4 (4.3)	148.5 (2.8)	145.4 (12.7)	145.2 (14.4)	149.8 (6.7)	140.5 (14.4)	122.8 (4.7)	117.2 (11.3)
31 Rubber, plastic, petroleum and coal products	5.728	146.6 (13.1)	146.0 (12.9)	139.5 (10.7)	139.5 (15.2)	129.7 (6.3)	129.3 (8.7)	138.7 (11.3)	124.6 (5.2)	118.4 (2.0)	116.1 (7.8)
32 Non-metallic mineral products	4.397	194.9 (19.6)	192.0 (14.7)	184.3 (7.1)	159.6 (5.5)	163.0 (5.2)	167.4 (10.1)	174.7 (8.2)	161.4 (13.8)	141.9 (7.7)	131.7 (21.9)
33 Basic metal and alloys industries	7.453	134.2 (-1.8)	142.6 (-4.1)	138.4 (-5.1)	140.3 (-0.9)	136.6 (-0.3)	148.7 (0.8)	139.5 (-2.7)	143.3 (2.4)	139.8 (6.7)	131.0 (15.8)
34 Metal products and parts except machinery and equipment	2.810	132.4 (-3.5)	146.1 (5.9)	143.2 (18.1)	141.2 (30.4)	137.2 (21.1)	137.9 (21.1)	141.9 (18.1)	120.2 (8.2)	111.0 (10.3)	100.6 (-3.8)
35-36 Machinery and equipment other than transport equipment	9.565	167.4 (25.7)	176.3 (11.5)	155.0 (0.6)	141.6 (-3.5)	133.1 (-1.0)	158.1 (2.1)	151.5 (2.1)	148.3 (4.7)	141.7 (5.2)	134.7 (19.5)
37 Transport equipment and parts	3.984	170.4 (-1.5)	179.6 (8.6)	171.8 (15.5)	186.6 (20.9)	173.1 (19.1)	165.4 (-0.6)	177.8 (15.9)	153.5 (2.3)	149.9 (12.9)	132.8 (17.4)
38 Other manufacturing industries	2.559	97.4 (-25.6)	126.6 (0.4)	121.4 (5.1)	134.9 (15.2)	130.9 (6.4)	126.1 (-3.8)	128.5 (6.7)	120.4 (-2.7)	123.8 (5.2)	117.7 (13.2)
Manufacturing (Total)	79.358	149.5 (6.5)	158.3 (5.7)	147.1 (3.5)	141.1 (3.9)	140.4 (4.3)	149.7 (5.9)	146.7 (4.4)	140.6 (6.7)	131.8 (6.7)	123.5 (13.8)

Note: Figures within brackets are percentage variation over the corresponding period of the previous year.

Source: Central Statistical Organisation.

## ITC

## Up the Value Chain

**CIGARETTE** major ITC fared well in 1998-99, notching up a 24.5 per cent increase in its operating profit on 11.9 per cent higher net sales. Despite sharp increases in interest charges (up 43.1 per cent), depreciation (higher by 19.2 per cent) and tax provision (up 18.5 per cent), the company's bottomline improved by 18.5 per cent over the previous year. With earnings per share rising from Rs 33.5 to Rs 35.5, the company decided to raise the dividend from 45 per cent last year to 55 per cent.

ITC pioneered cigarette manufacturing in the country and has maintained its leadership position in the industry since 1910. While cigarettes contribute 86 per cent of the company's turnover, ITC is also engaged in the businesses of unmanufactured tobacco, agri-products, paper and hotels.

Despite an increase in its bottomline, there was a drop in volume sales of cigarettes from 68.13 billion sticks in the previous year to 67.75 billion sticks. The drop in volumes is particularly due to the depressed demand for cigarettes at the price sensitive end, namely, the micro segment, as a result of high excise duty increases at 11 per cent and 10 per cent in the preceding two union budgets. Despite the general decline in exports of agri and aqua products from the country following tough global trading conditions in the wake of economic adversity in East Asia, Japan, Russia and parts of Latin America, ITC has managed to increase its exports by 20 per cent during the year under review.

Following its fallout with the Chitalias of the US, ITC has made a provision of Rs 60 crore to a contingency reserve towards a possible outcome of the negotiations with the Judicial Managers of ITC Global Holdings, purely as a measure of goodwill towards the international banking and investor community and in the interests of its own future business prospects.

Meanwhile in the first quarter of the current year, ITC has recorded a 14 per cent increase in its net profit at Rs 193.6 crore over the corresponding period last year. However, gross income dropped marginally by 1.3 per cent over the same period. The rise in excise duty over the last few years and the recent ban on sale

of tobacco products on railway platforms has further eroded sales. The difficult conditions in the international arena have finally taken their toll of the company's foreign exchange earnings. While export of leaf tobacco dropped by 50 per cent, agri exports declined by 10 per cent. The high rates of taxes on premium cigarettes has led to a flourishing trade in smuggled cigarettes. Reportedly, this leads to an unaccounted outflow of foreign exchange upward of Rs 500 crore. To tackle this problem, ITC claims that it is ready to contribute (on an experimental basis) to the cost of strengthening enforcement measures. If the seized contraband cigarettes are destroyed, this could create disincentives for the illegal retail trade.

The company's stock presently quotes at around Rs 1,016 on the bourses, discounting its 1998-99 earnings by a comfortable 40 times. ITC's strategy of improving its cigarette product-mix and moving up the value chain has paid off. Profits are expected to continue their upward trend despite a drop in volume sales in the current year as well.

## DEEPAK FERTILISERS

## Uncertain Policies

**Deepak Fertilisers and Petrochemicals** is engaged in the manufacture of coated ammonium nitrate prills (ANP), ammonium nitrate (AN), methanol, DNA, CNA and ammonia. While ANP brings in 34 per cent of the company's total turnover, di-ammonium phosphate (DAP) which is a trade commodity for the company brings in another 28 per cent. The company maintains a market leadership position in ANP which is its premium product. Methanol brings in another 15 per cent of total revenue, while AN accounts for 10 per cent of turnover.

During the year under review, the company crossed several milestones in terms of capacity utilisation. While capacity utilisation for AN and LDAN touched 167 per cent (1997-98: 161 per cent), that for ammonia touched 113 per cent (1997-98: 108 per cent). Consequently, the company's ammonia and methanol plants recorded the highest ever production in the year under review. This despite the restricted supply of natural gas. Apparently, the use of naphtha as an alternative fuel has helped to maximise production of both ammonia and methanol.

However, 1998-99 proved to be a damper

as far as operating margins were concerned. On the financial front, the company saw a mixed performance with net sales rising by 25.9 per cent even as operating profit declined by 0.8 per cent over the previous year. A lower increase in interest and depreciation provision helped the company post a 6.3 per cent rise in its bottomline.

Uncertain government policies and delayed decisions on the ad hoc concession for phosphatic fertilisers are taking their toll of phosphatic fertiliser manufacturing companies. Deepak Fertilisers was no exception. In fact, the quantum of ad hoc concession was not made known till December 1998 and government policy changed four times during 12 months, creating uncertainty in the area of production, planning and sales. The only silverlining in the whole scenario seemed to be the partial granting of recognition of subsidy for nitrogen content in complex fertilisers, for which the company had been making representations for the last seven years.

The mismatch in demand and supply of methanol on the global scene led to depressed market conditions, mostly on account of the south-east Asian crisis. This resulted in a fall in global prices, leading to a direct impact on price realisation for the company's methanol. Consequently, though sale of methanol in volume terms increased from 88,805 tonnes to 1,08,003 tonnes, sale in volume terms declined drastically by 10.4 per cent to Rs 78.6 crore.

The recession in the chemical industry also affected domestic demand for nitric acid. However, the company continued to be a major supplier in this segment.

The vulnerable position of the industry vis-a-vis government policies has also dampened investor interest in industry scrips on the bourses. Consequently, Deepak Fertilisers' stock, which quotes at around Rs 32, has a discounting of a mere 4.4 times on the Bombay Stock Exchange.

## CENTURY TEXTILES

## Turnaround Strategy

**B K Birla group** flagship Century Textiles has witnessed falling margins and huge losses in the last couple of years. While the company posted a net loss of Rs 85.2 crore in 1997-98, the following year saw the loss increase to Rs 93 crore. The ongoing recession and a 68-day strike by

Financial Indicators	ITC		Century Textiles		Deepak Fertilisers	
	March 1999	March 1998	March 1999	March 1998	March 1999	March 1998
<b>Income/appropriations</b>						
1 Net sales	351538	314081	192505	194255	50992	40513
2 Value of production	351492	316428	192723	193389	51633	40901
3 Other income	15354	13444	7589	7311	1178	905
4 Total income	366846	329872	200312	200700	52811	41806
5 Raw materials/stores and spares consumed	133399	124945	71255	70677	14219	13250
6 Other manufacturing expenses	32429	26359	47223	48319	15773	7648
7 Remuneration to employees	20306	20584	24581	22536	2480	2108
8 Other expenses	55772	57643	31157	32373	6188	4540
9 Operating profit	124940	100341	26096	26795	14151	14260
10 Interest	20127	14067	21551	21967	3817	3675
11 Gross profit	104032	87733	5612	6063	8293	7875
12 Depreciation	10229	8585	14882	14557	2221	2137
13 Profit before tax	93803	79148	-9300	-8515	6064	5732
14 Tax provision	31461	26528	Nil	Nil	628	617
15 Profit after tax	62342	52620	9300	8518	5436	5115
16 Dividends	14983	12148	2151	476	1658	1234
17 Retained profit	47359	40472	-11451	-8994	3778	3882
<b>Liabilities/assets</b>						
18 Paid up capital	24541	24541	19304	19304	7470	7470
19 Reserves and surplus	198879	151672	77716	89399	21972	18213
20 Long-term loans	108175	122168	124569	127133	16909	22743
21 Short term loans	17047	7736	43375	39797	Nil	69
22 Of which bank borrowings	17047	7736	42925	38797	Nil	69
23 Gross fixed assets	171831	143863	296944	290058	53378	52358
24 Accumulated depreciation	48485	39086	108424	96548	20811	18614
25 Inventories	91605	91174	36260	40790	7122	7060
26 Total assets/liabilities	476028	433600	291370	304426	61685	58588
<b>Miscellaneous items</b>						
27 Excise duty	406379	369394	23739	25307	Nil	Nil
28 Gross value added	134906	114647	51221	49072	11939	10331
29 Total foreign exchange income	64955	116373	38462	44553	299	430
30 Total foreign exchange outgo	48260	36691	16627	15241	21734	13385
<b>Key financial and performance ratios</b>						
31 Turnover ratio (sales to total assets) (%)	73.85	72.44	66.07	63.81	82.67	69.15
32 Sales to total net assets (%)	100.83	102.60	72.65	70.40	110.01	83.54
33 Gross value added to gross fixed assets (%)	78.51	79.69	17.25	16.92	22.37	19.73
34 Return on investment (gross profit to total assets) (%)	21.85	20.23	1.93	1.99	13.44	13.44
35 Gross profit to sales (gross margin) (%)	29.59	27.93	2.92	3.12	16.26	19.44
36 Operating profit to sales (%)	35.54	31.95	13.56	13.79	27.75	35.20
37 Profit before tax to sales (%)	26.68	25.20	-4.83	-4.38	11.89	14.15
38 Tax provision to profit before tax (%)	33.54	33.52	0.00	0.00	10.36	10.76
39 Profit after tax to net worth (return on equity) (%)	27.90	29.86	-9.59	-7.84	18.46	19.92
40 Dividend (%)	55.00	45.00	6.00	10.00	20.00	15.00
41 Earning per share (Rs)	25.40	21.44	-11.21	9.67	7.28	6.85
42 Book value per share (Rs)	88.32	69.02	90.37	102.66	39.41	34.38
43 P/E ratio	39.99	NA	-7.94	NA	4.40	2.19
44 Debt-equity ratio (adjusted for revaluation) (%)	49.91	72.13	132.41	120.77	57.43	88.55
45 Short-term bank borrowings to inventories (%)	18.61	8.48	118.38	95.11	0.00	0.98
46 Sundry creditors to sundry debtors (%)	616.79	857.67	78.83	79.74	35.68	47.88
47 Total remuneration to employees to value added (%)	15.05	17.95	47.99	45.92	20.77	20.40
48 Total remuneration to employees to value of production (%)	5.78	6.51	12.75	11.65	4.80	5.15
49 Gross fixed assets formation (%)	19.44	12.91	2.37	4.61	1.95	0.55
50 Growth in inventories (%)	0.47	24.94	-11.11	-1.30	0.88	20.66

NA: means not available.

some workers at the pulp and paper divisions has taken a toll of the company's performance. Cotton prices increased by 16 per cent and affected the textile unit's operations adversely. Production of rayon yarn declined from 14,387 tonnes to 13,985 tonnes in the year under review.

The adverse financial circumstances and the pressing need for cost reduction and further improvements in operational efficiency has forced the company to appoint Andersen Consulting to script a turnaround strategy for some of its divisions. Andersen Consulting, which is expected to submit its findings soon, has been appointed for undertaking strategic performance improvement projects for the textiles and rayon and the Manikgarh cement divisions of the company. Production of cement too declined by 17.6 per cent from 41.1 lakh tonnes in the previous year to 33.8 lakh tonnes.

As part of a restructuring plan, Century Textiles is likely to phase out its shipping division according to reports. Apparently, the company plans to sell off its ships in phases over the next three to four years. It has already sold off two bulk carriers in the year under review and currently has a fleet of six ships aggregating a dead-weight 2,01,117 tonnes, consisting of four bulk carriers and two oil tankers. The reasoning behind this decision is that this is not a core area for the company since the shipping division contributes merely 4 per cent of the total turnover. While cement accounts for 40 per cent of the company's sales, textiles bring in 26 per cent and rayon and paper/pulp 19 per cent and 11 per cent, respectively. Although a senior Century Shipping executive denied that the shipping division was to be closed down, it would make sense for the company to get out of the business now when its ships are only 12 years old; they have a life span of 20 years and the second hand market for ships has been on an uprend. Moreover, the shipping industry is currently in the grip of a global recession and is witnessing a fall in freight rates. This downturn is expected to continue for the next five years.

The company's stock presently quotes at around Rs 89 on the bourses.

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ITC

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### Uncertain Policies

Deepak Fertilisers and Petrochemicals is engaged in the manufacture of coated ammonium nitrate prills (ANP), ammonium nitrate (AN), methanol, DAP, CNA and ammonia. While ANP brings in 34 per cent of the company's total turnover, di-ammonium phosphate (DAP) which is a trade commodity for the company brings in another 28 per cent. The company maintains a market leadership position in ANP which is its premium product. Methanol brings in another 15 per cent of total revenue, while AN accounts for 10 per cent of turnover.

During the year under review, the company crossed several milestones in terms of capacity utilisation. While capacity utilisation for AN and LDAN touched 167 per cent (1997-98: 161 per cent), that for ammonia touched 113 per cent (1997-98: 108 per cent). Consequently, the company's ammonia and methanol plants recorded the highest ever production in the year under review. This despite the restricted supply of natural gas. Apparently, the use of naphtha as an alternative fuel has helped to maximise production of both ammonia and methanol.

However, 1998-99 proved to be a damper

as far as operating margins were concerned. On the financial front, the company saw a mixed performance with net sales rising by 25.9 per cent even as operating profit declined by 0.8 per cent over the previous year. A lower increase in interest and depreciation provision helped the company post a 6.3 per cent rise in its bottomline.

Uncertain government policies and delayed decisions on the ad hoc concession for phosphatic fertilisers are taking their toll of phosphatic fertiliser manufacturing companies. Deepak Fertilisers was no exception. In fact, the quantum of ad hoc concession was not made known till December 1998 and government policy changed four times during 12 months, creating uncertainty in the area of production, planning and sales. The only silverlining in the whole scenario seemed to be the partial granting of recognition of subsidy for nitrogen content in complex fertilisers, for which the company had been making representations for the last seven years.

The mismatch in demand and supply of methanol on the global scene led to depressed market conditions, mostly on account of the south-east Asian crisis. This resulted in a fall in global prices, leading to a direct impact on price realisation for the company's methanol. Consequently, though sale of methanol in volume terms increased from 88,805 tonnes to 1,08,003 tonnes, sale in volume terms declined drastically by 10.4 per cent to Rs 78.6 crore.

The recession in the chemical industry also affected domestic demand for nitric acid. However, the company continued to be a major supplier in this segment.

The vulnerable position of the industry vis-a-vis government policies has also dampened investor interest in industry scrips on the bourses. Consequently, Deepak Fertilisers' stock, which quotes at around Rs 32, has a discounting of a mere 4.4 times on the Bombay Stock Exchange.

## CENTURY TEXTILES

### Turnaround Strategy

B K Birla group flagship Century Textiles has witnessed falling margins and huge losses in the last couple of years. While the company posted a net loss of Rs 85.2 crore in 1997-98, the following year saw the loss increase to Rs 93 crore. The ongoing recession and a 68-day strike by

# The Week's Companies

(Rs lakh)

Financial Indicators	ITC		Century Textiles		Deepak Fertilisers	
	March 1999	March 1998	March 1999	March 1998	March 1999	March 1998
<b>Income/appropriations</b>						
1 Net sales	351538	314081	192505	194255	50992	40513
2 Value of production	351492	316428	192723	193389	51633	40901
3 Other Income	15354	13444	7589	7311	1178	905
4 Total income	366846	329872	200312	200700	52811	41806
5 Raw materials/stores and spares consumed	133399	124945	71255	70677	14219	13250
6 Other manufacturing expenses	32429	26359	47223	48319	15773	7648
7 Remuneration to employees	20306	20584	24581	22536	2480	2108
8 Other expenses	55772	57643	31157	32373	6188	4540
9 Operating profit	124940	100341	26096	26795	14151	14260
10 Interest	20127	14067	21551	21967	3817	3675
11 Gross profit	104032	87733	5612	6063	8293	7875
12 Depreciation	10229	8585	14882	14557	2221	2137
13 Profit before tax	93803	79148	-9300	8515	6064	5732
14 Tax provision	31461	26528	Nil	Nil	628	617
15 Profit after tax	62342	52620	9300	8518	5436	5115
16 Dividends	14983	12148	2151	476	1658	1233
17 Retained profit	47359	40472	11451	8994	3778	3882
<b>Liabilities/assets</b>						
18 Paid up capital	24541	24541	19304	19304	7470	7470
19 Reserves and surplus	198879	151672	77716	89399	21972	18213
20 Long term loans	108175	122168	124569	127413	16909	22743
21 Short-term loans	17047	7736	43375	39797	Nil	69
22 Of which bank borrowings	17047	7736	42925	38797	Nil	69
23 Gross fixed assets	171831	143863	296944	290058	53378	52358
24 Accumulated depreciation	48485	39086	108424	96548	20811	18614
25 Inventories	91605	91174	36260	40790	7122	7060
26 Total assets/liabilities	176028	433600	291370	304426	61685	58588
<b>Miscellaneous items</b>						
27 Excise duty	406379	369394	23739	25307	Nil	Nil
28 Gross value added	134906	114647	51221	49072	11939	10331
29 Total foreign exchange income	64955	116373	38462	34553	299	430
30 Total foreign exchange outgo	48260	36691	16627	15241	21734	13385
<b>Key financial and performance ratios</b>						
31 Turnover ratio (sales to total assets) (%)	73.85	72.44	66.07	63.81	82.67	69.15
32 Sales to total net assets (%)	100.83	102.60	72.65	70.40	110.01	83.54
33 Gross value added to gross fixed assets (%)	78.51	79.69	17.25	16.92	22.37	19.73
34 Return on investment (gross profit to total assets) (%)	21.85	20.23	1.93	1.99	13.44	13.44
35 Gross profit to sales (gross margin) (%)	29.59	27.93	2.92	3.12	16.26	19.44
36 Operating profit to sales (%)	35.54	31.95	13.56	13.79	27.75	35.20
37 Profit before tax to sales (%)	26.68	25.20	-4.83	4.38	11.89	14.15
38 Tax provision to profit before tax (%)	33.54	33.52	0.00	0.00	10.36	10.76
39 Profit after tax to net worth (return on equity) (%)	27.90	29.86	-9.59	-7.84	18.46	19.92
40 Dividend (%)	55.00	45.00	6.00	10.00	20.00	15.00
41 Earning per share (Rs)	25.40	21.44	-11.21	-9.67	7.28	6.85
42 Book value per share (Rs)	88.32	69.02	90.37	102.66	39.41	34.38
43 P/E ratio	39.99	NA	-7.94	NA	4.40	2.19
44 Debt-equity ratio (adjusted for revaluation) (%)	49.91	72.13	132.41	120.77	57.43	88.55
45 Short-term bank borrowings to inventories (%)	18.61	8.48	118.38	95.11	0.00	0.98
46 Sundry creditors to sundry debtors (%)	616.79	857.67	78.83	79.74	35.68	47.88
47 Total remuneration to employees to value added (%)	15.05	17.95	47.99	45.92	20.77	20.40
48 Total remuneration to employees to value of production (%)	5.78	6.51	12.75	11.65	4.80	5.15
49 Gross fixed assets formation (%)	19.44	12.91	2.37	4.61	1.95	0.55
50 Growth in inventories (%)	0.47	24.94	-11.11	-1.30	0.88	20.66

NA: means not available.

some workers at the pulp and paper divisions has taken a toll of the company's performance. Cotton prices increased by 16 per cent and affected the textile unit's operations adversely. Production of rayon yarn declined from 14,387 tonnes to 13,985 tonnes in the year under review.

The adverse financial circumstances and the pressing need for cost reduction and further improvements in operational efficiency has forced the company to appoint Andersen Consulting to script a turnaround strategy for some of its divisions. Andersen Consulting, which is expected to submit its findings soon, has been appointed for undertaking strategic performance improvement projects for the textiles and rayon and the Manikgarh cement divisions of the company. Production of cement too declined by 17.6 per cent from 41.1 lakh tonnes in the previous year to 33.8 lakh tonnes.

As part of a restructuring plan, Century Textiles is likely to phase out its shipping division according to reports. Apparently, the company plans to sell off its ships in phases over the next three to four years. It has already sold off two bulk carriers in the year under review and currently has a fleet of six ships aggregating a dead-weight 2,01,117 tonnes, consisting of four bulk carriers and two oil tankers. The reasoning behind this decision is that this is not a core area for the company since the shipping division contributes merely 4 per cent of the total turnover. While cement accounts for 40 per cent of the company's sales, textiles bring in 26 per cent and rayon and paper/pulp 19 per cent and 11 per cent, respectively. Although a senior Century Shipping executive denied that the shipping division was to be closed down, it would make sense for the company to get out of the business now when its ships are only 12 years old; they have a life span of 20 years and the second hand market for ships has been on an uptrend. Moreover, the shipping industry is currently in the grip of a global recession and is witnessing a fall in freight rates. This downturn is expected to continue for the next five years.

The company's stock presently quotes at around Rs 89 on the bourses.

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# Calcutta Diary

*Between the Congress and the BJP there is really not much of a variation in the theme. Scarcely anything distinguishes, in terms of class lineage, leaders of the one lot from those of the other. The convergence of interests between the two parties is an unending affair. They share identical views on economic policy. It is all very gentlemanly. It is only those anxious to stress a sharp ideological cleavage between the two principal political parties who are having a trying time.*

THE non-sectarian regime of the Congress Party was a benign watcher when the Babri Masjid was brought down. This allegation, some will say, is by now a cliché. That does not however detract from its relevance. Between the Congress and the Bharatiya Janata Party there is really not much of a variation in the theme, at least going by the *dramatis personae* of the two parties. The leaders of both parties by and large come from the same social stratum and often even belong to the same household. Mahatma Gandhi's own granddaughter chooses to opt for the BJP, the party symbiotically linked to the outfit that spawned the likes of Nathuram Godse. Madhav Rao Scindia was, once upon a time, in the BJP, he is currently a key functionary of the 10 Janpath Party. His ailing mother however continues to be the RSS-lining party's Queen Bee; and, irrespective of the whereabouts of the son, her two daughters, one of whom is already a union minister, are aiming for the Lok Sabha on the party's ticket. Or what about Rangarajan Kumaramangalam, offspring of one of Indira Gandhi's closest confidants, who himself was a Congress minister till the other day and has since taken a walk? Govind Ballabh Pant's son and daughter-in-law too have taken the same route. Arun Nehru happens to be amongst the very few who still bear the famous family surname. He too is no longer satisfied with his role as a non-official adviser of the Hindu revivalists; he has decided to join them formally. Switches have taken place, and are taking place, in the other direction as well. The gentleman, who won the Rae Bareilly seat on behalf of the BJP on the two previous occasions, is now determined to find salvation in the Congress ranks. Examples of this kind of reverse movement can be easily multiplied. The conclusion is glaringly obvious. Never mind the different labels they attach to themselves at a particular moment, these politicians playing the switching and re-

switching game belong to the same narrow class or coterie. Merely because they change their political label, their attitude to life and living does not alter. And the less said of ideology, the better. Stray images flashed across the newspapers and the Doordarshan screen assail the memory, images of Indira Gandhi, incumbent prime minister, hopping from temple to temple and seeking blessings from the most bigoted, sectarian-minded Hindu religious leaders. That she also simultaneously, frequented *dargahs* and synagogues only compounds the confusion. Secularism should not mean treating all religious denominations alike, but keeping distance from each and all.

The rigmarole of the claim that of the two major parties, one dons the rabidly sectarian apparel while the other one does not, fails to cut much ice. Consider the overall composition of the two parties; scarcely anything distinguishes, in terms of class lineage, leaders of the one lot from those of the other. It is only outsiders who propose to either support or oppose these parties on ideological grounds who face difficulties. The possibility cannot therefore be ruled out that once the polls are over, the secular-sectarian divide would come to a dead-end, and furious negotiations would be on to give shape to terms and conditions for supporting a stable regime in which both groups will have equitable representation. The theory of footlooseness can in fact be generalised. Nothing is any longer odd under the perennially grey Indian sky. A formidable secretary-general of a so-called socialist party is the least bothered about his ideological pretensions: he has a private identity, which he greatly cherishes, as a loyal servitor of one of the country's leading industrial tycoons. And the leading lights of the parties claiming to represent the backward classes share a common concern to take care of their personal interests first.

The festival of hurling allegations of corruption against one another is tapering off for the same objective reason. The lady at 10 Janpath is certainly not unduly worried over the BJP threat to import from Switzerland the final bunch of papers relating to the Bofors bribes. The threat is altogether vacuous. For by now it is well known that, as per the verdict of the highest Swiss court, the bribe money, of which a portion has reportedly gone into the coffers of the gentleman of Verona – or is it Torino? – has been co-shared with the four famous NRI brethren settled in London. These brothers are, again as everybody knows, as close to the present prime minister as the travelling salesman from Torino is to 10 Janpath.

In fact, the convergence of interests between the two major parties is an unending affair. An official committee has gone to great lengths to unravel the mystery of the huge capital erosion suffered a few years ago by the Unit Trust of India. Its report has thrown quite a few hints regarding the authorship of the shenanigans. But, given the present concatenation of the country's superstructural politics, investigations of this nature are unlikely to go very far. Information was solicited on the floor of parliament on the identity of the parties which had benefited from huge private placements by institutions such as the UTI and the ICICI between such and such years. These placements were one principal reason for the UTI's coming to grief in that phase. The response to the parliamentary questions was uniformly fuzzy, the authorities falling back on the plea of the supposed inviolability of the statutory provision for protecting the secrecy of the relationship between banking institutions and their clients. The free market cannot be prevented from indulging in gossip though. At least three-fifths, if not more, of those private placements, stock market cognoscenti are prepared to swear, had gone to a particular family business concern entrenched in Mumbai and Gujarat. The two leading political parties in the country have a common stake in protecting this business house; both parties – and some others too – are flush with funds contributed by it.

Both major parties share identical views on economic policy issues, because their leaders come from the same social background. The return of colonialism, the thinning out of government investment and privatisation of existing public sector units at a furious pace define the emerging milieu. The plot, as they say, will thicken. The trickiest problems India, along with other developing economies, will face in

the next decades will involve issues of trade and trade-related foreign investment. The two principal parties in the country are committed by word and deed to go along, jointly as well as severally, with the diktat of the WTO in these matters. After all, it was the commerce minister of a Congress government who signed the Marrakesh Treaty in 1994. The BJP, because it was then in the opposition, made quite a show of declaring itself against the provisions of the Treaty. But all is well that ends well. After it entered the government in 1998, a dramatic transformation took place in the BJP's stance. The amendment to the Indian Patents Act in order to make it conform to the Articles of Agreement of the WTO was a one hundred per cent joint operation on the part of the two national parties. It was a Congress MP, with a formidable legal reputation, who explained the amendments. The BJP minister for industrial development, who had formally moved the amendments, stood up to confess that he had nothing to add to the explanations provided by the Congress luminary.

Meanwhile, though, the ministry of finance has gone off in its own manner. It did not worry the least whether the amending statute had been given the imprimatur of approval by parliament. Over the decades, it has been shifting its loyalty to the international financial and trading institutions which articulate the views of the superpower. According to an article enshrined in the WTO manual, developing countries have the prerogative to maintain for an indefinite period, for balance of payments reasons, quantitative restrictions on agricultural imports. It is only when the IMF is satisfied that the country's balance of payments position has improved significantly and it so informs the WTO, that the WTO is expected to issue a directive to the country concerned to withdraw the restrictions. By convention, the IMF, before transmitting its view to the WTO, seeks the opinion of the ministry of finance of the country concerned. India's ministry of finance is more loyal than the royals themselves; it had, on its own, informed the Fund sometime ago that the country's balance of payments position was excellent so that the WTO could be advised to direct the government of India to let go of the quantitative restrictions on farm inputs. Not a squeak of protest has been heard in the matter from the major political parties, including those who constitute the formidable farmers' lobby.

Colonialism is *passe*, so is fundamentalism. Talk of the last-ditch battle between sectarianism and secularism being

fought on Indian soil would seem to be greatly overdrawn. It is all very gentlemanly. Where the situation so warrants, the sectarians will quote approvingly the sweet reasonableness of an Atal Behari Vajpayee muffling the war drums of the VHP-RSS rabble. Similarly, in due season, the Congress Party will not flinch from exhibiting film clips of a devoutly demure Indira Gandhi and her bare-bodied elder son, both lying prostrate and receiving benediction from semi-clad Hindu *sadhus*.

It is only those specially belonging to the Left, anxious to stress a sharp ideological cleavage in the behaviour pattern of the two principal political parties, who are having a trying time. Since the facts do not match, they have begun to cross over to democratic decentralism. The Central Committee resolution on electoral strategy is being interpreted differently by different state units to suit their local compulsions. Apart from the Sharad Pawar coup which took them unawares, what additionally worries sections of the Left is the prospect of a substantial segment

of MPs elected on the Congress ticket breaking away from the party to join even the BJP and share the loaves and fishes of office. Some of these post-modern converts to the communal-sectarian cause are unlikely to experience any qualms of conscience. Where opportunity fails, opportunism could beckon, and why be excessively moralistic about it? True, some of the elements the BJP has gathered under its umbrella are pretty poor examples of the human species; they might well turn out to be the greatest menace to national integrity. It is nonetheless the other sensation that brims over: haven't we given a bloody nose to the Pakistanis? Those denigrating the scale of our victory at Kargil are *prima facie* agents of the Inter-Services Intelligence, lock them up, and rough them up too. There appears to be little awareness that the joint secular-sectarian enthusiasm to discover ISI agents in every bush could provoke a major confrontation with Bangladesh. Hopefully the superpower will then, once more, bail us out.

The colonial order is back with a bang.

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## Need for Promotion of a Bills Market

*The Reserve Bank has taken a series of measures to deepen the money and government securities markets and to facilitate equilibrating demand for and supply of short-term funds at fine rates of interest. Parallel efforts are called for to promote the market for bank-accepted bills as a major money market instrument to promote financing of asset-creating activities by banks.*

### I One-Sided Effort

IN its avowed objective of applying indirect instruments of monetary control as distinguished from direct instruments, the Reserve Bank of India (RBI) has taken a series of steps to promote and develop further the money and government securities markets. During the last five to six years, the substance of credit and monetary policy pronouncements has been overwhelmingly related to these steps: freeing of money market rates of interest; introduction of varied treasury bill instruments with market-determined yield rates and auction system in floatation of government paper; promotion of the primary dealers and satellite dealers system for retail marketing of government securities; permission granted to FIs to invest in government securities; setting up of gilt funds; and introduction of RBI repo along with the gradual expansion of the eligible participants and instruments in inter-bank repo (treasury bills, government securities, PSU bonds and private corporate debt securities held in dematerialised form in a depository and undertaken by banks and some non-bank entities). After the last April policy announcement which gave added focus on the reforms in the money and government

securities markets, many significant steps have been added in this respect: auction of government securities on price basis instead of yield basis facilitating consolidation of already outstanding loans; announcement of a definitive calendar of treasury bill issues to provide for greater certainty in the timing and size of primary issues; and above all, permission granted to banks, PDs, and FIs to undertake forward rate agreements and interest rate swaps as products of their own as well as for market-making purposes so as to facilitate hedging of interest rate risks and ensuring orderly development of the derivatives market.

And now in August two major further steps have been taken by the RBI, also in pursuance of the last credit policy. First, specified non-bank entities, which were earlier permitted to only lend money in the call money through reverse repos to banks and PDs, have now been permitted also to borrow through repos on par with banks and PDs. The new list contains 52 non-bank entities (primary dealers, dedicated gilt funds, mutual funds, insurance companies and some FIs) and 117 notified central government securities apart from all treasury bills. Secondly, a sub-group of the standing Technical Advisory Committee on Money and Government Securities Markets of the RBI,

constituted specifically to prepare a technical paper covering all aspects of repos, has submitted its report with far-reaching recommendations.

Some of the recommendations of the above sub-group included replacement of Public Debt Act, 1944, by the proposed Government Securities Act, withdrawal of the government notification of 1965 which had prohibited repos, introduction of over-the-counter and tripartite repos (with a Clearing Corporation as a triparty agent), allowing day-light overdraft facility for the current account holders of the RBI permitting rollover of repos, and certain other recommendations relating to evolving good market practices. As stated above, the Reserve Bank has already announced the eligibility of 52 non-bank entities and over 150 dated securities for the repo market. It has also clarified that there is no restriction on the duration of repos. It is actively considering the creation of a well-capitalised Clearing Corporation to act as the third party in a repo deal. The Clearing Corporation would help reduce the counter-party risks in repo deals. The most important recommendation of the sub-group, however, is to empower the RBI with adequate regulatory powers under Section 29A of the Securities Contract Regulation Act. While the RBI seems to be attempting to get over the fear of the securities scam of 1992, bringing about legal changes may take a long time. Besides, issues such as whether repo is a sell-buy operation or a lending-borrowing operation and stamp duty in the case of repos in PSU bonds need sorting out and these too may take quite a while. It is necessary that while these changes progress at a snail's pace, the RBI should strengthen its own infrastructure to facilitate an expanding secondary market of government securities and to be able

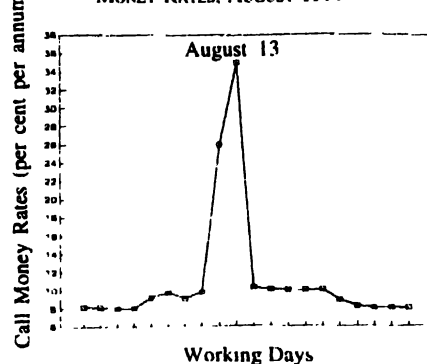
TABLE I. ESTIMATED FLOW OF LIQUIDITY INTO THE FINANCIAL SYSTEM DURING AUGUST 1999

(Rupees crore)

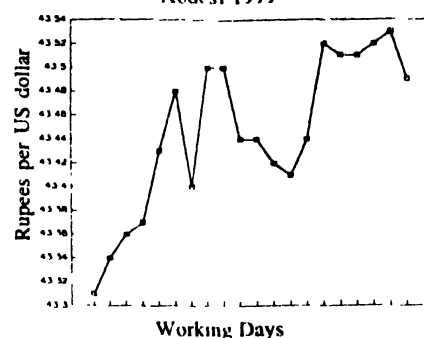
Week Ended	27			20			13			6		
	Inflow	Outflow	Net	Inflow	Outflow	Net	Inflow	Outflow	Net	Inflow	Outflow	Net
Auctions and Redemptions												
14-day T bills	300	585	-685	300	225	75	300	300	0	300	300	0
91-day T bills	520	47	473	40	5	35	77	135	-58	200	100	100
182-day T bills	-	-	0	-	100	-100	-	-	0	-	100	-100
364-day T bills	0	500	-500	-	-	0	400	500	-100	-	-	0
Government securities	-	-	0	-	-	0	-	-	0	-	3000	-3000
Coupon Payments	615	-	615	303	-	303	168	-	168	644	-	644
Net Foreign Assets (Variation)	-	861	-861	620	-	620	-	1251	-1251	438	-	438
Total	1435	2393	-958	1263	330	933	945	2186	-1241	1582	3500	-1918
Memo Items												
Open Market Operations (RBI)	0	2144	-2144	0	3	-3	0	502	-502	0	2189	-2189

Note. A negative sign implies net outflow; - means nil

GRAPH A: DAILY TOP-END QUOTATIONS OF CALL MONEY RATES, AUGUST 1999



GRAPH B: SPOT QUOTATIONS FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET, AUGUST 1999



to effectively monitor this market to avoid a repeat of 1992 experience.

#### EFFORT TO PROMOTE BILLS CULTURE MISSING

With the implementation of the above measures, the money and government securities markets would no doubt receive significant impetus and attain depth; the process of equilibrating between demand and supply of short-term funds at fine rates of interest would be ensured. Such a process is also a necessary condition for transmitting monetary policy impulses, but it is not a sufficient condition for attaining the other and more crucial objective of ensuring appropriate flow of bank credit into the productive sectors of the economy.

In this respect, while traditional systems of bank credit regulation and delivery such as the credit monitory arrangement (CMA) and the fixation of maximum permissible bank finance (MPBF) had been rightly given up by April 1997, no attempt has

been made to introduce newer instruments in support of improved bank credit delivery consistent with the reform process. The danger in promoting traditional money market instruments to the exclusion of instruments having direct link with credit delivery is the concentration of banks' activities in excessive treasury and money market operations to the neglect of their commercial credit business. The unduly low levels of incremental credit-deposit ratios of banks in recent years, ranging from 30 to 45 per cent, bear testimony to this aspect of the banks' behaviour.

Such a danger can be prevented only by encouraging conventional cash credit delivery and also the circulation of newer securitised credit instruments which have direct link with bank credit. Such instruments are well known. They take the form of securitisation of bank credit, promotion of bankers' acceptances and, above all, creation and nurturing of a genuine bills market. Availability of such instruments in the financial markets will have many beneficial effects, the most

important of which will be the promotion of improved flow of bank credit as well as its better distribution. In many developed and developing country markets, the instrument of bank-accepted bills has been not only a major financing medium but also a major money market instrument to promote asset-creating activities among banks and thus directly contribute to real economic activity. The subject of encouraging bill finance is not new to this country, but for want of a determined effort the idea fell by the wayside, particularly after the initiation of financial sector reforms.

It is true that along with repo facilities, the system of bills discounting and rediscounting facilities had come into disrepute in the financial scam of 1992 and hence fresh instructions were issued in July 1992 to banks to ensure various norms and discipline in providing bill finance including avoidance of financing large borrowers outside the consortium arrangement, discounting accommodation bills, and deploying portfolio management funds for discounting bills, and generally restricting bill finance to the working capital needs based on credit norms. A thorough study of these outdated instructions may throw up newer methods of promoting bill culture in the liberalised environment. An aggressive rediscount mechanism by the RBI, in addition to those by apex institutions like the IDBI, SIDBI and NABARD (who face funds constraints), could form an important component of the bills promotion effort.

It is clear that in the current liberalised environment wherein guidelines on societal goals in bank credit dispensation are executed more in the breach and wherein even the RBI machinery does not care to monitor their implementation vigorously as it does implementation of its regulations on the promotion of the money market, pious official instructions on better credit delivery serve no purpose; they have to be carried forward with concrete market instruments. The following is a good example in this respect. Recently, in the context of ensuring prompt settlement of dues to SSI units as also for

TABLE 2: DAILY QUOTATIONS OF HIGHS AND LOWS OF CALL RATES IN PER CENT PER ANNUM: SIMPLE STATISTICAL CHARACTERISTICS

	All Four Weeks of the Month					August 1999 Week Ended					All Five Weeks of the Month					July 1999 Week Ended				
	27*	20	13*	6	2	30*	23	16*	9	2*	30*	23	16*	9	2*	30*	23	16*	9	2*
Simple Mean	9.9	8.1	10.0	13.4	8.2	8.2	8.0	8.2	8.6	8.3	8.0	8.2	8.6	8.3	8.0	8.0	8.2	8.6	8.3	8.0
Standard Deviation	5.0	0.4	0.1	9.3	0.4	0.4	0.1	0.3	0.4	0.2	0.1	0.3	0.4	0.2	0.1	0.1	0.3	0.4	0.2	0.1
Coefficient of Variation (percentages)	50.1	4.4	1.0	69.7	4.7	4.4	1.1	3.8	4.5	2.1	1.8	3.8	4.5	2.1	1.8	1.8	3.8	4.5	2.1	1.8

\* Data for reporting Fridays (RF) are omitted.

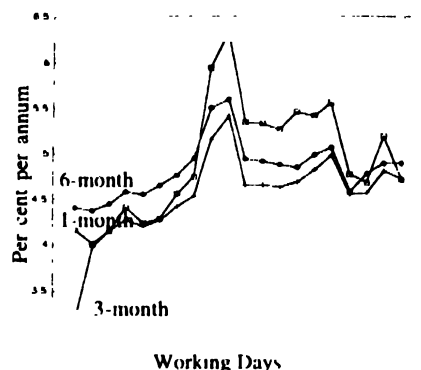
TABLE 3: CALL MONEY RATES

(Per cent per annum)

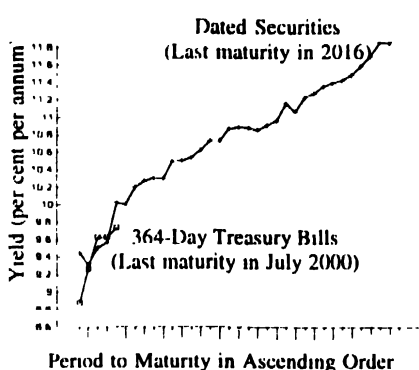
Items	August 1999					July 1999				
	27	20	13(RF)	6	30(RF)	23	16(RF)	9	2(RF)	
Weekly range	7.00-10.05 (0.50-30.00)	9.60-12.50 (5.00-30.00)	8.25-35.00 (5.00-7.30)	7.75-9.25 (6.00-7.75)	7.90-8.15 (1.00-7.50)	7.90-9.50 (5.00-7.50)	8.00-9.25 (0.50-6.75)	8.00-8.90 (5.50-9.00)	7.35-8.40 (5.00-9.00)	
Weekend (Friday)	7.50-8.00 (0.50-6.00)	9.90-10.05 (9.50-45.00)	8.00-35.00 (5.50-6.25)	8.25-9.25 (6.00-6.40)	7.75-8.10 (1.00-4.50)	8.00-8.25 (5.75-6.50)	7.50-9.25 (0.50-5.00)	8.20-8.40 (6.25-6.90)	7.60-8.20 (5.00-7.00)	
DFHI lending rates (range)	na (9.20-10.00)	9.90-13.50 (1.00-12.00)	8.50-35.00 (5.50-7.50)	8.00-9.25 (6.15-8.00)	7.75-8.25 (2.10-7.50)	8.00-9.50 na	8.20-9.70 (6.90-2.75)	8.25-9.20 na	7.90-8.40 (9.00-1.00)	

Figures in parentheses represent weekly range during similar period last year.

GRAPH C: ANNUALISED DAILY 1-MONTH, 3-MONTH AND 6-MONTH FORWARD PREMIA IN PERCENTAGE FOR THE US DOLLAR BY THE DOMESTIC INTER-BANK MARKET FOR AUGUST 1999



GRAPH D: YIELD CURVES FOR 364-DAY TREASURY BILLS AND DATED SECURITIES: DAY OF MAXIMUM TRANSACTIONS (AUGUST 6) DURING THE FIRST HALF OF AUGUST 1999



encouraging 'bills culture', banks were advised to ensure that, with effect from January 1, 1998, not less than 25 per cent of the total inland credit purchases of the borrowers were to be paid through bills drawn on them by concerned sellers. Banks were also advised to monitor the compliance with this requirement through a suitable information system and charge penal interest rate in cases of non-compliance. In July 1998, banks were further advised to ascertain periodically from their medium/large industrial borrowers, the extent of their dues to SSI suppliers and the action proposed to be taken by them to clear the overdues, if any. In case there were still overdues towards SSI suppliers, banks were advised not to hesitate to take it as a negative factor while fixing the rate of interest on the borrowings of such corporate bodies. All of these

seemed to remain on paper for want of attractive marketable instruments for banks to invest in. For instance, the size of inland bills purchased and discounted by the scheduled commercial banks have stayed put at Rs 14,428 crore at the end of March 1998 and Rs 14,295 crore at the end of August 1999; as a percentage of bank credit, these inland bills have receded from 4.4 per cent to 3.8 per cent during the period. Also, a substantial part of these bills pertain to food procurement credit and are not genuine commercial bills.

Thus, even as attempts are made to widen and deepen money market activities, it is necessary that the RBI bestows some attention on studying the importance of trade credit in the non-financial corporate world and on promoting various methods and instruments to encourage the use of bankers' acceptances and discounting/

rediscounting of genuine commercial bills by banks and financial institutions. It is said that in the context of the initiative taken by some of the big-size corporates to securitise their receivables, the IDBI has planned to enter the securitisation market in a big way with a corpus of Rs 2,000 crore. There are also mortgage-based securities issued by such institutions as the National Housing Bank. There is the known impetus to securitise receivables of State Electricity Boards and such other cash-starved organisations. The RBI itself was to formulate guidelines on the securitisation question. While such efforts may take care of the bulk needs of specific projects, the needs of myriad borrowers, particularly those of medium- and small-scale enterprises, will remain untouched in a bureaucratic system that has imbibed nothing of 'societal' goals, but given the effort their needs also can be brought into the mainstream market through collective instruments like bank-accepted bills.

## II

### Call and Forex Markets

The overnight money market witnessed considerable firmness during the month. With the abundance of liquidity including the cushion available through the refinance route, the market players, especially the primary dealers and foreign banks, had got used to arbitraging between the call money and government securities markets. As a result, government securities had been witnessing an unprecedented rally throughout July and early August.

TABLE 4 AUCTIONS OF 14-DAY TREASURY BILLS

(Amount in rupees crore)

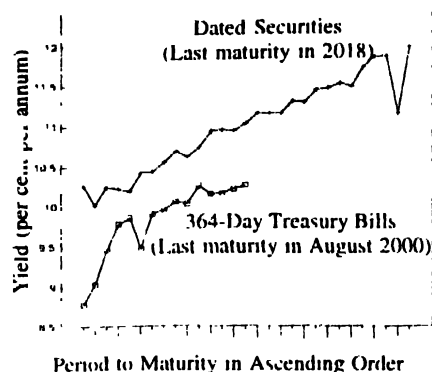
Date of Auction	Notified Amount	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut off Price (Rupees)	Cut-off Yield Rate (Per Cent)	Amount Outstanding on the Date of Issue
		No	Face Value (Amount)	No	Face Value (Amount)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)*	(8)	(9)	(10)
<b>1998</b>									
August 7	500.00	8	980.00	2	500.00	0.00	99.77	5.99	1400.00
		(1)	(400.00)	(1)	(400.00)	(0.00)	[99.77]	[5.99]	
August 14	500.00	7	525.00	6	475.00	25.00	99.74	6.78	1400.00
		( )	(0.00)	(-)	(0.00)	(0.00)	[99.75]	[6.52]	
August 21	500.00	2	30.00	0	0.00	500.00	99.69	8.09	1400.00
		(1)	(400.00)	(1)	(400.00)	(0.00)	[99.69]	[8.09]	
August 28	500.00	2	50.00	1	25.00	475.00	99.69	8.09	1400.00
		( )	(0.00)	(-)	(0.00)	(0.00)	[99.69]	[8.09]	
<b>1999</b>									
August 6	100.00	16	158.00	15	100.00	0.00	99.67	8.61	600.00
		(1)	(200.00)	(1)	(200.00)		[99.68]	[8.35]	
August 13	100.00	13	130.00	1	25.00	75.00	99.67	8.61	600.00
		(1)	(200.00)	(1)	(200.00)		[99.67]	[8.61]	
August 20	100.00	13	125.50	3	35.00	65.00	99.66	8.87	1350.00
		(2)	(950.00)	(2)	(950.00)		[99.66]	[8.87]	
August 27	100.00	13	286.50	1	100.00	0.00	99.69	8.09	1350.00
		(1)	(200.00)	(1)	(200.00)		[99.69]	[8.09]	

Figures in parentheses in cols 3 to 6 represent numbers and amounts of non-competitive bids which are not included in the total.

Figures in the square brackets under cols 8 and 9 represent weighted average price and respective yield.

\* Bracketed figures in col 7, if any, relate to devolvement on primary dealers, exclusive of RBI. - No bid

**GRAPH E: YIELD CURVES FOR 364-DAY TREASURY BILLS AND DATED SECURITIES: DAY OF MAXIMUM TRANSACTIONS (AUGUST 25) DURING THE SECOND HALF OF AUGUST 1999**



Simultaneously, as the busy season was approaching, the RBI became again aggressive not only on the primary issues of government securities but also on its open market operations window. The RBI was also forced to intervene in the foreign exchange market to curb the rupee rate becoming volatile. All of these combined to produce a net outflow of funds from the market (Table 1) and the market was caught by surprise.

As a result, call rates flared up and went up to as much as 35 per cent in the second fortnight of August (Graph A). Many banks expecting a cut in the interest rates and CRR had taken a position in government securities even at the cost of leaving their CRR compliance uncovered in the first week of the reporting fortnight (ending August 13). When some large banks refrained from lending in the call at the beginning of the reporting fortnight, panic

set in and banks showed willingness to borrow even at 35 per cent (Table 3). At this rate, however, the amounts borrowed were not very large as indicated by the weighted average rate of around 17 per cent at a time even when call rates were quoted at 35 per cent; the volatility in the rates was also sharp as reflected in the coefficient of variation (Table 2). The RBI's assurance of providing additional liquidity, some inflow of funds in the third week and caution on the part of banks in promptly providing for CRR obligations, brought down the call rate to a range of about 9.60-12.50 per cent and 7.50-8.90 per cent in the last two weeks of August, respectively.

On the external front, the rupee showed signs of weakening. On dollar demand from corporates, oil companies and repayment of government debt, the rupee, which started at a stable level of Rs 43.32 to a dollar, steadily slipped to Rs 43.55 to a dollar (RBI middle rate) (Graph B). The RBI at this juncture reminded the

market by issuing a statement on August 23 that arrangements were made by the Reserve Bank of India to meet fully or partially the foreign exchange requirements for import of crude oil by the Indian Oil Corporation, that Reserve Bank would similarly meet the government debt service payments directly as necessary, and that in case there is a temporary demand-supply gap, the Reserve Bank would be prepared to intervene directly or sell dollars through SBI in order to augment supply in the market, as considered necessary. The market movements, however, were not on account of speculation but on genuine demand and as such cooled down on the RBI bridging the temporary gap between demand and supply. The rupee in fact firmed up and returned to stability at 43.32 on August 30.

The firmness of the overnight call rates, however, was not reflected in forward premium rates as the firmness was due to temporary shortages and the annualised premia continued to be stable (Graph C).

**TABLE 6: AUCTIONS OF 182-DAY TREASURY BILLS**  
(Amount in rupees crore)

Date of Auction	Notified Amount	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount*)	Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)	Amount Outstanding on the Date of Issue
		No	Face Value (Amount)	No	Face Value (Amount)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1999									
August 4	100.00	40	717.00	4	100.00	0.00	95.55	9.31	600.00
		(-)	(-)	(-)	(-)		[95.56]	[9.29]	
August 17	100.00	18	169.00	11	100.00	0.00	95.29	9.89	700.00
		(-)	(-)	(-)	(-)		[95.37]	[9.71]	

Figures in parentheses in cols 3 to 6 represent numbers and amounts of non-competitive bids which are not included in the total. Figures in the square brackets under cols 8 and 9 represent weighted average price and respective yield.

**TABLE 5: AUCTIONS OF 91-DAY TREASURY BILLS**  
(Amount in rupees crore)

Date of Auction	Notified Amount	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount) (7)*	Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)	Amount Outstanding on the Date of Issue		
		No	Face Value (Amount)	No	Face Value (Amount)				Total	With RBI	Outside RBI
(1)	(2)	(3)	(4)	(5)	(6)	(7)*	(8)	(9)	(10)	(11)	(12)
1998											
August 7	200.00	12	680.00	5	200.00	0.00	98.16	7.50	4752.00	190.70	3561.30
		(2)	(280.00)	(2)	(280.00)	(0.00)	[98.18]	[7.42]			
August 14	400.00	5	240.00	5	240.00	160.00	98.10	7.75	4027.00	306.70	3720.30
		(1)	(100.00)	(1)	(100.00)	(0.00)	[98.10]	[7.75]			
August 21	500.00	3	45.00	0	0.00	500.00	98.04	8.00	4527.00	761.70	3765.30
		(3)	(225.00)	(3)	(225.00)	(0.00)	[98.04]	[8.00]			
August 28	500.00	0	0.00	0	0.00	500.00	98.04	8.00	5142.00	1215.70	3926.30
		(2)	(240.00)	(2)	(240.00)	(0.00)	[98.04]	[8.00]			
1999											
August 6	100.00	16	158.50	9	100.00	0.00	97.78	9.08	3385.35	308.20	3077.15
		(1)	(35.00)	(1)	(35.00)						
August 13	100.00	18	136.50	1	5.00	95.00	97.80	9.00	3360.35	318.20	3042.15
		(-)	(-)	(-)	(-)						
August 20	100.00	15	143.50	4	47.00	53.00	97.69	9.46	2860.35	291.20	2569.15
		(-)	(-)	(-)	(-)						
August 27	100.00	15	152.50	9	100.00	0.00	97.69	9.46	2760.35	271.70	2488.65
		(1)	(200.00)	(1)	(200.00)						

Figures in parentheses in cols 3 to 6 represent numbers and amounts of non-competitive bids which are not included in the total. Figures in the square brackets under cols 8 and 9 represent weighted average price and respective yield.

\* Bracketed figures in col 7, if any, relate to devolvement on primary dealers, exclusive of RBI - nil

### III Primary Market

#### Dated Securities

The first auction of dated securities during August was held on August 5 when the government announced the price auction of the reissued stock of 11.99 per cent 2009 paper for a notified amount of Rs 3,000 crore. The auction met with an overwhelming response. The RBI received 236 bids for an amount of Rs 7,253.05 crore, and accepted 79 bids for the notified amount. The cut-off price was Rs 102.90 with an implied yield of 11.48 per cent. The cut-off yield was somewhat higher than the market expectations, for the average of bids had worked out to Rs 102.99, that is, higher than the cut-off price.

The above security was re-issued on August 27 again in a price-based auction. This time the cut-off price was Rs 102.25 (implied yield 11.59 per cent). Of the 121 bids received for Rs 3,119 crore, the RBI accepted 105 bids for the notified amount of Rs 2,500 crore.

Thus, by the end of August the government had raised Rs 59,630 crore out of the gross market borrowings of Rs 84,104 crore; private placements and devolvments on the RBI had amounted to Rs 24,547 crore, while the RBI had sold Rs 23,556 crore through its open market operations.

Between the above two issues, two states, namely, Andhra Pradesh (Rs 400 crore) and Tamil Nadu (Rs 200 crore), entered the market to raise an aggregate sum of Rs 600 crore on August 19. Since last year, state governments have been permitted to raise through the auction route between 5-35 per cent of their allotted market borrowings. In January, Punjab government had raised Rs 60 crore through this route. The latest auctions received good response. In the case of AP, as against the notified amount of Rs 400 crore, 97 bids for an aggregate amount of Rs 1,126.05 crore were received. Forty-two bids up to the yield of 11.77 per cent per annum for an aggregate face value of Rs 400 crore were accepted, of which 34 bids received full allotment and 8 bids received partial allotment. For TN, as against the notified amount of Rs 200 crore, 73 bids for an aggregate amount of Rs 779.05 crore were received. Twenty bids up to the yield of 11.74 per cent per annum for an aggregate face value of Rs 200 crore were accepted, of which 14 bids received full allotment and 6 bids received partial allotment. The next tranche of the state loans for Rs 3,250 crore at coupon yield of 11.85 per cent was announced on August 31; the sale of

10-year loan was to be conducted on September 8. In April this year, the RBI had raised Rs 6,990 crore on behalf of the states through a similar 10-year loan at a coupon rate of 12.15 per cent.

#### Treasury Bills

The interest in treasury bills continued to be subdued. The number of bids received in the auctions indicated that the interest was largely restricted to primary dealers who were compelled to put in their bids in fulfilment of their bidding commitments. The yield on 14-day TBs was kept constant at 8.61 per cent in the initial two weeks of the month although the RBI had to take devolvement of Rs 75 crore in the second auction. In the last auction of the month it was reduced to 8.09 per cent as the response was more than double the notified amount of Rs 100 crore (Table 4). The 91-day bill auction too devolved on the RBI for Rs 95 crore in the second week. The RBI reduced the yield on this paper from 9.08 per cent to 9.00 per cent (Table 5). The yield, however, jumped significantly to 9.46 per cent in the auctions held in the third and fourth weeks of the month. Similarly, the yields on 182-day and 364-day bills were also increased from 9.31 per cent to 9.89 per cent and from 10.25 per cent to 10.28 per cent, respectively (Tables 6 and 7).

#### Bonds Market

There was a flurry of activities in the primary bonds market during August in an attempt to raise money before the busy season for bank advances sets in October-November. Banks are the largest investors in the private placement of the bonds market. There has been a general decline in yield rates in all types of issues.

The month of August also saw the dominance of state-level government undertakings (nine issues for Rs 1,730 crore) followed by the Central PSUs (4 issues of Rs 1,370 crore). There were the IDBI and ICICI (Rs 475 crore), three banks, including a foreign bank (Rs 870 crore), National Housing Bank (Rs 150 crore), and five private corporates (Rs 700 crore).

#### Other Instruments

Activity in commercial paper (CP) market increased considerably in the recent period as corporates have begun to bargain for bank funds at lower rates of interest. According to the data released by the RBI, there was a sudden jump in the quantum of CPs issued from Rs 754 crore in the fortnight ended July 15 to Rs 2,384 crore, Rs 1,507 crore and Rs 1,535 crore as of July 31, August 15 and August 31, respectively. The rates of interest also were lower by 25 basis points from 9.30 per cent to

TABLE 7 AUCTIONS OF 364-DAY TREASURY BILLS  
(Amount in rupees crore)

Date of Auction	Notified Amount	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)	Amount Outstanding on the Date of Issue
(1)	(2)	No	Face Value (Amount)	No	Face Value (Amount)	(7)	(8)	(9)	(10)
1998									
August 12	400.00	7	488.15	7	400.00	0.00 (0.00)	91.73 [91.74]	9.02 [9.00]	7677.80
August 25	400.00	1	500.00	0	0.00	400.00 (0.00)	91.73 [91.73]	9.02 [9.02]	7677.80
1999									
August 11	500.00	47	982.50	16	500.00	0.00 (0.00)	90.70 [90.72]	10.25 [10.23]	13700.00
August 25	500.00	46	948.50	22	500.00	0.00 (0.00)	90.68 [90.70]	10.28 [10.25]	13800.00

Figures in the square brackets represent weighted average price and the respective yield. Figures in brackets represent devolvement on Primary Dealers (PDs).

TABLE 8 AUCTIONS OF FIXED-YIELD REPOS BY RBI  
(Amount in rupees crore)

Date of Auction	Number of Days	Bids Tendered		Bids Accepted		Fixed Cut-off Yield Rate (Per Cent)	Estimated Amount Outstanding
(1)	(2)	No	Face Value (Amount)	No	Face Value (Amount)	(7)	(8)
31-Jul	4	1	12	1	12	6	12
01-Aug							12
02-Aug	3	1	33	1	33	6	45
Aug 3 to 23 or (22 auctions)	4		No application was received			6	45
Total		2	45	2	45		

APPENDIX TABLE: SECONDARY MARKET OPERATIONS IN GOVERNMENT PAPER: RBI'S SGL DATA

(Amount in rupees crore)

Descriptions	Week Ending August 1999: Yield to Maturity on Actual Trading												Total for the Month of August 1999		
	27			20			13			6			AMT	YTM	CY
	AMT	YTM	CY	AMT	YTM	CY	AMT	YTM	CY	AMT	YTM	CY			
<b>1 Treasury Bills</b>															
A 14-Day Bills	26.50	8.99		9.41	8.88		122.26	8.75		152.00	8.04		310.17	8.43	
B 91-Day Bills	111.48	8.87		137.61	8.87		75.05	8.87		180.53	8.68		504.67	8.80	
C 182-Day Bills	26.15	9.71		35.40	9.79		21.25	9.43		34.50	9.41		117.30	9.59	
D 364-Day Bills	1200.81	10.00		529.74	9.99		339.57	9.95		1414.47	9.94		3484.59	9.97	
<b>2 GOI Dated Securities</b>															
A Converted (Per Cent: Year)															
13.25, 2000	20.00	10.21	13.00	10.56	10.52	13.02	25.00	10.46	13.01	-	-	-	55.56	10.38	13.01
11.75, 2001	55.00	10.47	11.49	35.00	10.43	11.48	115.50	10.42	11.48	232.00	10.47	11.49	437.50	10.45	11.48
12.50, 2004	551.03	10.95	11.85	775.03	10.96	11.86	1036.00	11.01	11.88	-	-	-	2362.06	10.98	11.86
Sub-total	626.03	10.88	11.86	820.59	10.93	11.86	1176.50	10.94	11.86	232.00	10.47	11.49	2855.12	10.89	11.83
B Regular (Per Cent: Year)															
13.00, 1999	90.00	10.33	12.97	-	-	-	-	-	-	290.00	9.58	12.94	380.00	9.76	12.95
13.40, 1999	2.00	9.58	13.24	6.70	9.97	13.25	24.50	9.71	13.23	115.00	9.81	13.23	148.20	9.80	13.23
11.40, 2000	222.00	10.28	11.27	340.25	10.26	11.27	316.00	10.32	11.28	385.00	10.14	11.25	1263.25	10.24	11.27
11.64, 2000	75.00	10.24	11.50	15.00	10.18	11.49	30.00	10.22	11.50	107.00	10.16	11.49	227.00	10.20	11.49
12.14, 2000	-	-	-	-	-	-	20.50	10.08	11.96	102.00	10.04	11.95	122.50	10.05	11.95
12.60, 2000	-	-	-	0.10	10.30	12.48	30.00	10.14	12.46	15.00	10.11	12.45	45.10	10.13	12.46
13.85, 2000	25.00	10.52	13.32	-	-	-	5.00	10.25	13.25	14.70	10.32	13.26	44.70	10.42	13.29
10.85, 2001	10.00	10.42	10.77	47.02	10.42	10.77	45.00	10.34	10.76	246.00	10.42	10.77	348.02	10.41	10.77
11.47, 2001	15.00	10.56	11.27	-	-	-	-	-	-	5.00	10.47	11.25	20.00	10.54	11.26
11.55, 2001	90.00	10.45	11.35	145.01	10.42	11.34	155.00	10.38	11.33	230.00	10.38	11.33	620.01	10.40	11.33
12.08, 2001	10.00	10.48	11.78	10.00	10.46	11.77	-	-	-	10.00	10.34	11.74	30.00	10.43	11.76
13.55, 2001	-	-	-	10.00	10.54	12.80	-	-	-	10.00	10.77	12.84	20.00	10.65	12.82
13.75, 2001	-	-	-	-	-	-	-	-	-	15.00	10.65	13.10	15.00	10.65	13.10
11.00, 2002	20.00	10.57	10.90	11.00	10.59	10.90	-	-	-	70.00	10.63	10.91	101.00	10.62	10.91
11.10, 2002	40.00	10.71	10.98	-	-	-	-	-	-	-	-	-	40.00	10.71	10.98
11.15, 2002	95.00	10.62	11.00	215.00	10.61	11.00	400.00	10.64	11.01	190.00	10.64	11.01	900.00	10.63	11.01
11.55, 2002 I	0.52	10.65	11.28	30.50	10.62	11.27	-	-	-	45.00	10.62	11.27	76.02	10.62	11.27
11.68, 2002	100.00	10.63	11.39	55.00	10.60	11.37	70.00	10.59	11.37	45.00	10.53	11.35	270.00	10.60	11.37
12.69, 2002	-	-	-	20.00	10.64	12.12	50.00	10.66	12.12	90.87	10.76	12.14	160.87	10.71	12.13
13.82, 2002	-	-	-	-	-	-	10.00	10.70	12.79	5.00	11.01	12.89	15.00	10.80	12.82
11.10, 2003	225.00	10.72	10.98	175.00	10.72	10.98	150.00	10.74	10.99	81.50	10.84	11.02	631.50	10.74	10.99
11.75, 2003	10.00	10.73	11.39	20.00	10.74	11.40	-	-	-	10.00	10.84	11.43	40.00	10.76	11.40
11.78, 2003	-	-	-	25.00	10.76	11.41	-	-	-	69.00	10.84	11.44	94.00	10.82	11.43
11.83, 2003	25.00	10.75	11.45	-	-	-	40.00	10.72	11.43	25.00	10.78	11.45	90.00	10.74	11.44
11.50, 2004	225.00	10.95	11.28	195.00	10.95	11.28	275.00	10.96	11.28	285.00	10.94	11.28	980.00	10.95	11.28
11.95, 2004	35.00	10.97	11.53	20.00	10.97	11.53	35.00	10.96	11.52	125.00	11.05	11.56	215.00	11.01	11.55
11.98, 2004	160.00	10.97	11.54	190.00	10.96	11.53	215.00	10.97	11.54	834.00	11.00	11.55	1399.00	10.99	11.54
12.50, 2004	-	-	-	-	-	-	-	-	-	1036.11	11.00	11.87	1036.11	11.00	11.87
12.59, 2004	0.50	10.92	11.87	25.00	11.02	11.91	25.00	10.95	11.88	200.00	11.08	11.93	250.50	11.06	11.92
8.25, 2005	15.00	11.13	9.44	15.00	11.13	9.44	-	-	-	-	-	-	30.00	11.13	9.44
11.19, 2005	100.25	11.05	11.13	160.75	11.07	11.13	116.25	11.01	11.10	83.10	11.19	11.19	460.35	11.07	11.13
11.25, 2005	15.00	11.07	11.17	5.00	11.08	11.17	5.00	11.12	11.19	5.00	11.20	11.23	30.00	11.10	11.18
14.00, 2005	10.00	11.12	12.50	22.30	11.29	12.58	0.77	11.14	12.51	0.08	11.34	12.60	33.15	11.24	12.56
14.00, 2005 INSTA	5.38	11.19	12.49	40.00	11.27	12.53	-	-	-	50.00	11.15	12.46	95.38	11.20	12.49
11.68, 2006	45.00	11.17	11.42	35.00	11.17	11.42	15.00	11.13	11.39	30.00	11.20	11.43	125.00	11.17	11.42
11.75, 2006	110.00	11.17	11.45	55.00	11.17	11.45	40.00	11.14	11.43	75.00	11.18	11.45	280.00	11.17	11.45
13.85, 2006 INSTA	-	-	-	-	-	-	-	-	-	22.50	11.24	12.34	22.50	11.24	12.34
11.50, 2007	53.30	11.32	11.40	65.00	11.33	11.40	-	-	-	0.10	11.40	11.44	118.40	11.33	11.40
11.90, 2007	369.89	11.32	11.56	320.00	11.32	11.56	575.00	11.34	11.57	771.00	11.37	11.59	2035.89	11.34	11.58
13.05, 2007	25.06	11.39	12.05	55.02	11.39	12.05	68.53	11.43	12.07	105.00	11.43	12.07	253.61	11.42	12.06
13.65, 2007	1.49	11.31	12.23	-	-	-	-	-	-	10.00	11.45	12.31	11.49	11.43	12.30
12.00, 2008	85.01	11.44	11.65	60.00	11.45	11.66	86.00	11.51	11.69	65.00	11.48	11.67	296.01	11.47	11.67
12.25, 2008	117.72	11.46	11.74	80.00	11.49	11.75	80.50	11.49	11.76	291.50	11.52	11.78	569.72	11.50	11.76
11.50, 2009	5.25	11.49	11.50	5.40	11.47	11.49	20.00	11.46	11.48	32.00	11.51	11.51	62.65	11.49	11.50
11.99, 2009	534.90	11.54	11.69	884.94	11.53	11.68	1536.77	11.51	11.67	1696.77	11.55	11.70	4653.38	11.53	11.69
11.50, 2010	90.86	11.49	11.50	30.00	11.53	11.55	5.00	11.54	11.53	5.00	11.69	11.64	130.86	11.51	11.52
12.29, 2010	19.31	11.63	11.82	100.00	11.62	11.82	55.00	11.64	11.83	177.35	11.69	11.87	351.66	11.66	11.84
12.32, 2011	487.00	11.74	11.90	627.25	11.73	11.89	405.00	11.75	11.90	2335.25	11.79	11.93	3854.50	11.77	11.91
12.40, 2013	477.65	11.87	11.97	75.00	11.87	11.97	397.23	11.85	11.96	1994.84	11.93	12.02	2944.72	11.91	12.00
12.30, 2016	113.50	11.91	11.99	91.25	11.97	12.02	90.33	11.92	11.97	1083.35	12.08	12.11	1378.44	12.05	12.09
12.60, 2018	33.55	12.02	12.09	36.07	12.02	12.08	121.46	12.01	12.08	148.20	12.15	12.20	339.38	12.07	12.13
Sub-total	4192.95	11.24	11.61	4321.78	11.20	11.56	5530.34	11.23	11.59	13660.97	11.37	11.81	27706.05	11.30	11.70
C Zero Coupon Bonds (A+B+C)	107.94	10.11	7.62	111.25	10.10	7.35	207.37	9.78	7.55	474.50	9.75	7.64	901.06	9.84	7.58
D RBI's Open Market Operation (A+B+C+D)	4926.92	11.17	11.56	5253.62	11.13	11.51	6914.21	11.14	11.51	14367.47	11.31	11.67	31462.23	11.22	11.59
3 REPO	1827.45	10.93	11.49	-	-	-	501.21	11.84	11.95	1976.81	11.76	11.91	4305.47	11.42	11.73
4 State Govt Securities	6754.37	11.10	11.54	5265.62	11.13	11.51	7415.42	11.19	11.54	16346.03	11.36	11.70	35781.45	11.24	11.61
Grand total (1 to 4)	1397.00			570.00			1598.00			1120.00			4685.00		
	360.53	11.75	11.80	50.17	11.76	11.93	3.13	11.81	11.92	33.86	11.81	11.94	447.69	11.76	11.83
	9876.84			6597.95			9574.68			19281.39			45330.86		

(-) means no trading YTM = Yield to maturity in percentage per annum CY = Current yield in per cent per annum. Securities with small-size transactions (Rs 10 crore or less) and inflation linked bonds have been dropped from the above list but included in the respective totals.

Notes: (1) Yields are weighted yields, weighted by the amounts of each transaction.

(2) Current yield has not been worked out for treasury bills.

9.10 per cent at the minimum but were somewhat higher at 12.50 against 12.00 per cent at the maximum. In addition, several corporates including Deepak Fertiliser and Petrochemicals Corporation and Bilt were rated by rating agencies for their CP programmes.

Conversely, activity in CDs was lower on account of the absence of competition for bank deposits. As per the data avail-

able as of July 30, the new CDs have ranged from Rs 30 to Rs 40 crore per fortnight; the outstanding amount of CDs at Rs 3,463 crore as against Rs 7,287 crore a year ago.

#### IV Secondary Market

##### *Dated Securities*

Prices of government securities were volatile during the month. Initially, the prices increased sharply as the primary dealers and foreign banks took positions in long-dated securities on expectations of CRR and interest rate reductions. In fact, one-year yield fell to below 10 per cent while 10-year yields dipped to around 11.45 per cent. The prices of bonds appreciated by as much as 70 paise at the short end and Rs 2.50 at the long end. The market interest continued to remain in medium- and long-dated securities. Once it was clear to them that the RBI may not reduce the rates in the near future, the market players began to look for liquidity to cover their statutory obligations. By this time the liquidity in the market had dried up and the market had little choice but to raise funds through sale of securities. This resulted in a sharp fall in security prices (Appendix Table). There was also a sharp drop in the turnover in the government securities market from Rs 32,692 crore in the week ended August

6 to a range of Rs 18,002 crore to Rs 9,133 crore in the subsequent four weeks ending September 3. The behaviour of yield curve during August shows some narrowing of the yields between short-dated and long-dated securities (Graphs D and E) as between the first and the second half of the month. For some period now such a narrowing has been occurring as a result of, amongst other things, the increased shift by the RBI in favour of long-dated security issues and thus their larger supply in a situation of excess liquidity in the system.

##### *Repos and OMOs*

The overwhelmingly good response to the 11.99 per cent 2009 security auction, prompted the RBI to be aggressive on its open market operations window almost immediately after the auction. Accordingly, it placed 11.98 per cent 2004 and 12.40 per cent 2013 securities on its OMO window. As explained below, a substantially high yield offered on the latter security helped the RBI to mop up as much as Rs 2,323 crore, while the former gave only Rs 155 crore. In fact, the OMO window at this time also acted as a market signal attempting at cooling the securities market that had witnessed prices spiral as banks and primary dealers took position on expectations of an interest rate cut. The RBI sold Rs 5,772 crore worth of securities in the four weeks of August.

The RBI was also seen to be using the OMO window for price signals. For instance, after the auction of 11.99 per cent 2009 security, when the market witnessed an overwhelming response, the RBI immediately placed 12.40 per cent 2013 security at a price that was 25 paise below the market price. The market reacted to this and the security prices fell immediately.

The fixed rate repos continued to act as effective floor for the overnight rates. Barring Rs 45 crore received in the first week of August, the fixed rate repos hardly generated any market response (Table 8). Inter-bank repos have also been meagre during August (Table 9).

##### *Bonds and Other Instruments*

As a result of the liquidity shortage, there has been a sharp reduction in the turnover in the NSE's commercial debt market, particularly during the last three weeks of August (Table 10). However, interestingly, as a result of increased primary issues of CPs, their transactions in the secondary market picked up somewhat towards the end of the month.

TABLE 9. REPO TRANSACTIONS IN GOVERNMENT PAPER (OTHER THAN WITH THE RBI), AUGUST 1999  
(Rupees crore)

Repo Period in Number of Days	Amount (Rupees Crore)	Range of Interest (Per Cent Per Annum)
(A) Dated Securities		
1	1168	7.15-25.00 (12.40)
2	124	7.95-13.00 (9.67)
3	1397	5.50-28.00 (15.21)
4	300	8.20-10.15 (8.91)
5	185	8.20-10.15 (8.89)
6	180	8.20-10.10 (8.33)
10	125	8.30-10.25 (9.47)
11	160	8.40-8.50 (8.46)
12	88	8.35-8.75 (8.49)
14	420	8.40-11.25 (9.26)
18	80	8.90-9.00 (8.96)
19	25	10.25 (10.25)
97	67	10.20 (10.20)
All Issues		
1-97	4320	5.50-28.00 (11.94)
(B) 91-Day TBs (All Issues)		
14	5	8.00 (8.00)
(C) 182-Day TBs (All Issues)		
1-10	141	7.10-10.25 (8.61)
(D) 364-Day TBs (All Issues)		
1-10	219	8.00-25.00 (13.11)

Figures in brackets are weighted average interest rate.

TABLE 10. OPERATIONS OF NATIONAL STOCK EXCHANGE (NSE) DURING AUGUST 1999 - ACTUAL  
TRADED AMOUNT

Descriptors	Week Ending August				Total during		
	27	20	13	6	August	July	June
1 Treasury Bills	415.00	200.00	265.00	316.00	1196.00	596.57	993.51
i) 14-day Bills	-	1.00	5.00	-	6.00	22.50	40.41
ii) 91-day Bills	21.00	1.00	10.00	35.00	67.00	97.95	108.83
iii) 182-day Bills	7.00	10.00	10.00	6.00	33.00	82.01	18.77
iv) 364-day Bills	337.00	188.00	-	275.00	800.00	394.12	825.50
v) Repo	50.00	-	240.00	-	-	-	-
2 Dated Securities	3583.00	3993.00	5724.00	10646.00	23946.00	25228.97	14551.12
(A) GDI Securities	3522.00	3878.00	5724.00	10621.00	23745.00	25104.46	14409.63
i) Converted	481.00	566.00	1256.00	999.00	3302.00	3296.56	1634.13
ii) Regular	2878.00	3237.00	4268.00	9382.00	19765.00	20535.00	12080.00
iii) Zero Coupon	95.00	75.00	170.00	240.00	580.00	1271.70	520.00
iv) Cap Indexed Bonds	-	-	-	-	0.00	0.20	0.00
v) GCB	-	-	-	-	0.00	1.00	2.50
vi) Repo	68.00	-	30.00	-	98.00	0.00	173.00
(B) State Govts Stocks	61.00	115.00	-	25.00	201.00	124.51	141.50
3 PSU Bonds	0.00	24.00	57.00	72.70	153.70	197.33	90.45
i) Tax free	-	12.00	55.00	57.70	124.70	30.52	9.66
ii) Taxable	-	12.00	2.00	15.00	29.00	166.81	80.79
4 Commercial Papers	90.00	20.00	38.00	95.00	243.00	616.00	308.00
5 Certificates of Deposits	5.00	10.00	10.00	-	25.00	20.00	35.00
6 Debentures	5.00	7.00	4.00	10.00	26.00	52.21	45.50
7 Floating Rate Bonds	30.00	-	-	60.00	90.00	190.00	90.00
8 Others*	54.00	41.00	41.00	81.00	217.00	235.74	97.00
Grand Total (volume)	4182.00	4295.00	6139.00	11280.70	25896.70	27136.83	16210.58
Average per day working							
a. Government Paper (1+2)	666.33	698.83	998.17	1827.00	1047.58	1076.06	647.69
b. Others (3+4+5+6+7+8)	30.67	17.00	25.00	53.12	31.45	54.64	27.75

- No trading GCB Government Compensation Bonds. \* includes Non-SLR Institutional Bonds, SLR Institutional Bonds, Bank Bonds, Promissory Notes, Units of UTI, Company Notes and Zero Coupon PSU Bonds and others.

[The background work for this review was done by V P Prasanth, Rafiq L Ansari and Dipti Parikh.]



KASHMIR

## The Negative Vote

*For the bulk of the population of the Valley electoral participation in the current context of a political impasse only symbolises support for the legitimating structures which have been called into question and form the basis of the militant movement. The verdict, not surprisingly, is given through non-participation.*

WHILE elections cannot be seen as a sufficient basis to gauge the substance of democracy anywhere in India, least of all Kashmir, a high participatory content in the electoral process does lend some semblance of legitimacy and significance to elections as an institution of democracy. In the ongoing parliamentary elections, even this basic requirement has not been fulfilled in the Valley. According to official statistics the voter turnout for the first phase of Lok Sabha polls in the Srinagar constituency, comprising two central Kashmir districts, was a mere 11.96 per cent. This is perhaps the lowest ever voter turnout anywhere in the history of Indian elections.

More than the incidence of voting it is the distribution of voter turnout across segments of the constituency that is more revealing. Almost 25 per cent of the total turnout has come from one segment, Char-e-sharif, the place where the shrine of the sufi saint Noor-ud-din Rishi was gutted, which is under complete army control. In Charar, the turnout was 55 per cent. If this is ignored on the grounds of being a clear case of voting under coercion then the overall percentage of voter turnout drops to just 8 per cent. The segmentwise distribution of turnout within the constituency is: Hazratbal 5.5 per cent, Zadibal 3 per cent, Idgah 2 per cent and Habakadal, a pathetic 0.5 per cent! This is as good a complete boycott of the polls by the people as there can be. By all accounts the mass boycott was voluntary. Doubtless, the boycott appeal by the All-Party Hurriyat Conference, an umbrella organisation of secessionists of various hues, had its effect.

The low level of voter participation is neither sudden nor surprising. In the six parliamentary elections held in Jammu and Kashmir before 1989, the average turnout was 55 per cent. In Srinagar, voter turnout was about 65 per cent. In 1996, it was 41 per cent which declined to 31 per cent in 1998.

The current levels of voter participation seem to suggest that the voter in Kashmir has now rejected the system. The rank-and-file of the National Conference, which is cadre-based, may have been bruised and battered but had not been wiped out. Now

it would appear that Farooq Abdullah's support to the BJP has disappointed the rank-and-file: Gandarbal which is his 'hereditary constituency' polled under 10 per cent. Clearly, Saif ud-din Soz was reflecting the worker sentiments when he revolted against the high command and voted against the BJP. Within the framework of mainstream understanding of the Kashmir issue wherein rigged elections are the root cause of the problem, it can be argued that these numbers do not mean much. While there are well-founded reasons to say so, the fact remains that numbers show a clear declining trend in the post-1991 period when the incentive to show high participation turnout would have increased for the government for very obvious reasons.

This is not to suggest that the incidence of participation has not been rigged in the past; in fact the electoral manipulation has been much worse. The distinguishing feature of elections in Kashmir has been the number of candidates 'elected unopposed'. It is not well known that the incidence of candidates elected unopposed is the highest in Kashmir. The numbers are startling: in 1951, 73 out of a total of 75 seats were won by National Conference uncontested; in the 1957 elections, 43 candidates out of 75 were elected unopposed; 70 candidates were returned unopposed in the 1962 elections. In 1967, nomination papers of 118 opposition candidates were rejected to have 39 out of 75 assembly constituencies returned candidates unopposed!

But it is neither the low participation which has attracted attention nor the 'no-contest' elections which is a major failing of this election in Kashmir. The basic failure of the electoral process in Kashmir so far is that they are incapable of extending the voting rights of Kashmiris to beyond the confines of institutionalised electoral arenas. The demand that has been made in the Valley is to extend the scope of this arena.

Within the systemic givens, the exercise of franchise has not and indeed cannot lead to an effective articulation against political, social and economic exploitation that the people of Kashmir have been subjected to. It is this reason that has consistently kept

people out of the electoral process; it is not so much rigging. True that is a factor but not the basic factor.

For the bulk of the population, electoral participation in the current situation of political impasse symbolises the intention to be loyal to the legitimating structure which has been called into question and forms the basis of the militant movement in Kashmir. Thus, the verdict is seen to be given through non-participation. The government and the Election Commission may like to think that their job is over with the administration of elections. But anybody who has witnessed the electoral process in Kashmir will be struck by the farcical nature of the entire exercise. The regional press has been virtually banned by the government from covering the electoral process with the home department ordering all local dailies not to publish statements which instruct the people not to vote. In the last parliamentary elections, the militants reacted to this directive with the result the papers suspended publication prior to the elections. In a majority of constituencies and segments within constituencies even a single election meeting has not been held nor has any party circulated an election manifesto stating its priorities. If all this was not enough, the award of the Delimitation Commission prior to the last parliamentary elections perpetuated the farce by reducing the relative representative strength of the Valley. In the face of such gross violations of ethical electoral practices, it is doubtful how any elections in Kashmir can be taken seriously. The entire process of conducting elections has wrecked havoc even with the practice of formal democracy, let alone the substance of a true democracy.

All that elections seek to do in Kashmir is legitimising pre-determined choices. They are in no way serving as mean for effective articulation of political, social and economic exploitation of Kashmiris. The people of Kashmir may not support militancy with the same degree of enthusiasm as they did in the period 1989 to 1992. But that is in no way going to translate into a vote for India or a mandate for any party which is status quoist. That this premise which has formed the basis for all initiatives in Kashmir is misplaced has been now proved beyond dispute. The symbiotic relationship of the state, its repressive arms and the civil bureaucracy has imparted a strand of authoritarianism to the relationship between the India and Kashmir. It is this that needs to be broken before any meaningful elections can be conducted. Whatever else they might succeed in doing, elections in Kashmir have not and will not dignify democracy. That is for sure.

# Lok Sabha Election: Playing the Semi-Finals

Indu Sinha

*This election in Bihar is unique in more ways than one. The rapidly changing political equations have finally given way to the bipolar contests between the two main coalitions: the Congress, the CPI(M) and the Rashtriya Janata Dal as one pole and the BJP and the Janata Dal (United) as the other. With the People's War and the MCC boycotting the elections, the state is not likely to see a peaceful time in the weeks to come.*

THE last Lok Sabha election of this century is going to rearrange the political mosaic in Bihar. Old political settings are likely to emerge with new power configurations. Bihar, at the threshold of the next century is not in a mood to retain the decade-old regime of 'factional social justice' because, the time has arrived for a trickling down of the 'social justice'. This is what the pre-poll review of the situation indicates.

This election is unique in more than one sense. The rapidly changing political equations have finally given way to bipolar electoral contest between the two main coalitions: the Congress, the CPI(M) and the MCC rallying round the ruling Rashtriya Janata Dal, as one pole and the BJP and the Janata Dal (United) as the other. While, one segment of the traditional left – the CPI(M) – has remained in the RJD-Congress coalition, the other and the bigger segment, the CPI has snapped away on seat-sharing issues. The revolutionary left, the CPI(ML) Liberation has opted to contest separately. In Jharkhand region, while efforts for a final unity between all splinter and small groups failed, the second stage unity between four small groups succeeded in the formation of the Jharkhand Front and some electoral understanding has been reached between the JMM(S) and the JMM(M), creating two small poles. While, upper-BCs-OBCs-dalit votebank is divided between the poles, the Muslim vote is united (though local influence and factors cannot be ruled out) in favour of the RJD-Congress coalition.

The gender aspect of this election is as discouraging as ever, with few female candidates in the fray. While the RJD has only three women candidates, women are entirely absent in the JD(U) list of candidates. The Congress and the BJP have fielded two candidates each, while the CPI and the CPI(M) have no female

candidates. The Liberation has fielded two women candidates. Among the Jharkhand parties the wife of the JMM(S) supremo Shibu Soren is contesting from Dumka, the number of female contestants altogether being only 10.

The conduct of the elections in this state – ravaged by floods especially in 17 districts with ultras active with another 17 districts declared as 'extremist-affected' and crumbling with the frequent bloody clashes between the MCC and the People's War both of them boycotting the polls – is a herculean task for the administration. The discovery of duplicate ballot boxes in nine out of 55 districts across the state, however, has put raid to the possibility of fair elections. That, out of 3,80,000 ballot boxes delivered by the Election Commission, 1,387 (in seven districts) ballot boxes had duplicate numbers, was confirmed in the statement issued by the Election Commission on August 25. The officially confirmed local figure is above 1,500. The EC is making certain special arrangements to prevent more breaches of the poll process.<sup>1</sup>

The budget sanctioned<sup>2</sup> for conducting election in 54 constituencies distributed over 84,000 polling booths is Rs 81 crore with an additional Rs 10 crore sanctioned for the critical law and order situation in the state. The state government has asked for 750 companies of paramilitary forces from the centre<sup>3</sup> with over 70 per cent polling booths having been identified as 'sensitive' in many districts. For instance, in Hazaribagh alone 80 companies of paramilitary force have been demanded in view of extremist as well as communal threats in Vaishali (85) and in Patna (25) in view of a small segment of this constituency – Masaurhi storming with frequent bloody clashes between the MCC and the PW. Out of 160 polling booths in Masaurhi,

107 are sensitive. Article 144 has been imposed over Patna district on August 18 until the counting is over. Altogether 2,500 polling booths are identified as sensitive in Patna district alone, while the percentage of sensitive booths in some of the central and south Bihar districts, for instance, Bhojpur is 73, Gaya is 81, and Hazaribagh is 69.

## THE EQUATIONS

How is this mainly bi-polar contest, with a triangular fight in some constituencies going to culminate? The RJD supremo Laloo Prasad Yadav has 'finalised' 14 seats adjusted in favour of the Congress.

The Congress is contesting nine seats, in the Jharkhand region, where it has to face the BJP contestants in most places; two seats in central Bihar and three in the north where it has to face the JD(U) contestants.

The CPI is contesting altogether nine seats Nalanda, Hazaribagh, Godda, Betiah, Madhubani, Balia, Khagaria, Buxer and Jamshedpur of which it has to contest the RJD on four and the Congress on two. This courage to snap away from the coalition, however, could not satisfy the party leader of the CPI in the assembly, who resigned showing grave 'dissatisfaction'. The CPI(M) is satisfied with two seats of Purnea and Bhagalpur, adjusted in its favour and Dhanbad, the traditional seat of the Marxist Co-ordination Committee (MCC) usually contested and won by A K Roy, is left 'reserved' for him. The RJD is now contesting 36 seats, out of which on two seats – Hazaribagh and Godda the RJD and the Congress are playing a 'friendly match'. The Congress is contesting altogether 16 seats. The ruling party (RJD) had to face another blow on August 23, when one of its ministers Devnath Prasad resigned from the ministry. Former MP, Ramswarup Ram and the former minister, Harinarain Singh, along with Devnath Prasad, joined JD(U). Some other RJD local leaders of Nalanda district also followed the suit. The local leadership of the Congress also revolted with Shyam Sunder Singh Dheeraj resigning from the party to join JD(U) after he was assured of getting ticket from his constituency, Begusarai.

The seat adjustment pattern within the BJP-JD(U) coalition indicates a different trend. Unlike the RJD, it is the BJP, which has had to face tough bargaining, initially from the Samata Party resulting in a sustained cold war between the two, and more so after the culmination of unity process.

With Ramvilas Paswan and Nitish Kumar coming under one umbrella, the dalit and the large sections of the BCs and EBCs vote bank is consolidating in their favour. While, the BJP has its stronghold in the Bihar plateau, where it bagged 12 out of 14 parliamentary seats in the 1998 elections, the Samata and the JD have their citadel in north and central Bihar. The BJP is contesting 29 seats altogether while the JD(U) 25 seats. The three new seats include Balia, Sitamarhi and Siwan. The seat adjustment pattern of this coalition clearly indicates an areawise division of the state, i.e., the BJP is expected to perform well in the Jharkhand region, while the JD(U) is expected to steal the show in the north and the south (Table 1).

During last elections 18 out of 26 seats in the north Bihar were bagged by the RJD, Congress and the CPI and eight by the BJP, Samata and JD. This time, this position is likely to reverse, with the JD(U) contesting 17 seats and the BJP only nine. All the south Bihar seats have been left for the BJP, where the party even last time with 12 out of 14 seats. This is again reflected in seat-sharing pattern in central Bihar where the JD(U) is contesting eight seats including sensitive areas such as Arrah, Nalanda, Jehanabad, Aurangabad, and Vikramganj. In a dramatic development six small groups – mainly dissidents from different parties have succeeded in forming a front which is contesting 35-40 seats. The Samajwadi Loktantrik Morcha (SLM) consists of Bihar Jan Congress, Nationalist Congress, Janata Dal(S), Forward Bloc and Bihar People's Party. Some stalwarts like Jagannath Mishra, Ram Sundar Das, Tariq Anwar are likely to be in the fray. There is much discontent within the JD(U) especially on the issue of allotting ticket for Begusarai constituency in favour of Shyam Sunder Singh Dheeraj. The state secretary Ramjivan Singh has alleged Sharad Yadav and George Fernandes of emulating 'the Laloo cult' of taking such decision without consulting the local leadership. The complaint of ignoring the local leadership has been echoed in all the contesting parties, creating serious discontent among the local leadership.

The Left has always had a significant presence in whatever form in the political arena of Bihar. The electoral performance of the Left (both the traditional and the revolutionary over the last decade suggest some trends (Table 2). In 1989 under the banner of the Left Front the CPI won four and the CPI(M) and the MCC one each. The IPF won the Arrah seat on its own.

After Laloo Prasad Yadav ascended to power in 1990 the traditional Left (CPI, CPI(M), MCC) has always remained his ally. In 1991, the Left had a seat adjustments with the JD. The Left recorded an impressive performance bagging nine seats in Bihar, but the IPF lost Arrah, though recording over 17 per cent votes. The BJP got just five seats. In 1998 the RJD and the CPI parted ways and not only did the Left suffer a serious setback but the RJD could capture only 17 seats, while the BJP bagged 30 seats.

The CPI and the IPF would have performed better in 1989 elections but for the division of the votes among them. In Nalanda and Patna the division of votes between the CPI and the IPF not only prevented the former trend retaining the Nalanda seat and from gaining the Patna seat, to the advantage of the Congress(I) and the BJP respectively. The CPI had rejected the IPF's offer of forming a Left

Front in 1991 and refused to leave the Jehanabad seat for the IPF where it had polled over 1.5 lakh votes in 1989. On the other hand, the CPI chose to leave the Patna seat which it lost only by a margin of 25,000 votes in 1989 for getting that it had won this seat three times before. The IPF, though it lost Arrah, had polled in 1.16 lakh votes there, 1.13 lakh votes in Jehanabad and between 50,000-1,00,000

TABLE 3: MUSLIM VOTE

Name of Constituency	Percentage Total Vote
Araria	28
Bettiah	22
Bhagalpur	20
Darbhanga	22
Kishanganj	66
Katihar	37
Madhubani	23
Purnea	29
Rajmahal	25

TABLE 1: COALITIONS AND SEPARATE CONTESTANTS

Party Break Up	Total Number of Seats for Contest	Constituencies		
		North Bihar	Central Bihar	South Bihar
<i>Coalition</i>				
RJD-Con-CPM-MCC*	(53)	(26)	(13)	(14)
RJD	36	21	11	4
Con	14	4	1	11
CPI(M)	2	1	1	x
MCC	1	x	x	1
BJP-JD(U)	(54)	(26)	(14)	(14)
BJP	29	9	6	14
JD(U)	25	17	8	1*
<i>Single</i>				
CPI	9	(26)	(14)	(14)
LIB	24	4	2	3
NI	1	7	11	6
JMM(S)	12	x	x	12
JMM(M)	2	x	x	14
JF	14	x	x	14
Con**	2	x	x	2

Notes: \* Giridih seat is likely to see Samata Party national general secretary Rajkishore Mahato contesting the BJP candidate, irrespective of alliance with the BJP

\*\* The Congress is contesting two seats of Hazaribagh and Godda in retaliation with the CPI, who has fielded her candidates in two constituencies of Madhubani and Jamshedpur, which was settled with the Congress before the CPI parted from the coalition.

TABLE 2: ELECTORAL PERFORMANCE OF THE LEFT

Parties (1)	1989		1991		1996	1998		1999
	SC (2)	SW (3)	SC (4)	SW (5)	SW (6)	SC (7)	SW (8)	SC (9)
<i>Revolutionary Left</i>								
CPI(ML)	11	1	16	-	-	16	-	24
LJB	(IPF)		(IPF)					
CPI (ML)	xxx		xxx	xxx	xxx	xxx		1
<i>New initiative</i>								
<i>Traditional Left</i>								
CPI	NA	4	8	8	4	15	2	9
CPM	NA	1	2	1	-	1	1	2
MCC*	1	1	1	-	-	1	-	1

Notes: \* Marxist Co-ordination Committee led by A K Roy.

SC: Seat contested; SW: Seat Won

xxx Not existing; - Seat lost.

votes in five other constituencies, in 1991. The dalits overwhelmingly backed the IPF in 1989 and 1991 and it was this strength which worked to oppose the booth capturing and facilitating a fearless exercise of dalit franchise leading to the success of the IPF in Arrah in 1989.

What has prevented the CPI from rejecting the offer of the CPI(ML) Lib over the last decade is not difficult to understand. The IPF (and later Lib) represented the dalit and the poorest segment of the society, whose interests are in sharp contradiction with the middle (and now rich, as well) peasantry, which normally forms the base of the CPI. The same base is shared by the centrist forces with the socialist background, like the Janata Dal. It is not difficult to comprehend why the JD (or later RJD) becomes a 'natural' ally of the CPI, instead of the IPF (now Lib).

The Liberation is contesting 24 seats: seven in the north, 10 in central and seven in south Bihar. The New Initiative, a new entrant, is contesting one seat in Ranchi. The CPI is contesting nine seats, three each in all three regions; the CPI(M), two, one each from the north and central Bihar

and the MCC is contesting its single citadel in Dhanbad, where the New Initiative is supporting it.

The Liberation has a strong base in Arrah, Jehanabad and Siwan, yet it is contesting the highest number of seats among all left parties for technical reasons. It requires a minimum percentage of vote to be technically recognised as the state level party. Yet, the fact remains that the division of votes within the left parties is against the spirit of unity/federation between them.

The anti poll section of the revolutionary Left is busy in a poll-boycott campaign. Posters of the MCC and the People's War (PW) calling for an election boycott have appeared in the state capital as well. The MCC has called for 'changing this election into an arm-collection festival' to create people's army bases which may lead to a successful democratic revolution. The PW has called for "transforming this election into a protracted people's war which can liberate Indian people from the imperialist-feudal exploitation", because the electoral politics cannot eliminate poverty and offer a basic solution to the basic problems. The campaign by the

MCC has been on since early August in south-central Bihar and Jharkhand region mobilising people through village-level meetings, posters as well as through terror tactics using the armed squads. Though the MCC since its inception has been launching poll boycotts during each election, it has hardly been successful. This time, they appear to be planning a more ambitious campaign.

#### CHANGE IN THE OFFING

Out of 54 seats 22 are identified as electorally stable, i.e., almost neutral or unaffected by the changing tide (usually against the ruling party). The number of change neutral seats identified in north Bihar is nine out of 26, in central Bihar four out of 14, and in the south nine out of 14, across the state. During the last elections seven out of these 22 were bagged by the RJD and the Congress and 15 by the BJP, Samata and JD. All the 15 seats are expected to be bagged by the BJP-JD(U) coalition this time (like before).

Some 32 out of 54 seats have been identified as being change sensitive - 17 (26) in north 10 (14) in central, and five (14) in south Bihar. These are crucial for

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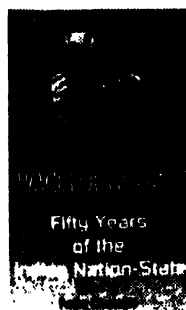
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changing the current political mosaic in Bihar in significant ways, which may further a change in the socio-political processes in the near future, because the unity among the JD and Samata has led to consolidation of the BCs-OBCs-dalit votes along with a powerful section of the upper caste votes, which is fiercely against Laloo Prasad and the RJD. Added to this is the upper caste base of the BJP in this region which completes the all-caste consolidation process creating a broad-based vote bank for this coalition.

However, all the 40 constituencies in north and the central Bihar (with a few exceptions) are going to be crucial for the dominant segments, i.e., the RJD and the JD(U), of both the coalitions. Though, as per the seat-sharing arrangements between the BJP-JD(U), the BJP is the dominant partner, social base by the JD(U) dominates in the north and central Bihar, and it is the change in these two regions which changes the power-configuration in Bihar. These 40 constituencies are crucial in terms of the nature of contest viewpoint as well. The two main contestants are directly pitched against each other, leaving either no room or very little potential for a third corner.

The bipolarity of this election is obvious in both the regions. As many as 20 (26) seats in the north are likely to have a direct bipolar contest. While the BJP-JD(U) coalition is perceiving 'gain' in 'direct context', the RJD-Congress coalition is trying to create 'angular' contest situation in many constituencies for cutting the opponent's vote. For this, the RJD supreme is trying to establish an understanding with non-BJP small parties and independent candidates, who are in the fray. This time, while in north Bihar RJD-Congress coalition has to face a 'tough' contest, in the central region it is the BJP-JD(U) which is going to face rough in some constituencies.

In central Bihar only three out of 14 seats were bagged by the RJD, one by the Congress and five each by the BJP and Samata. It is not out of context to mention that the JD-CPI combine, in 1991 had bagged all the seven seats falling under Patna division with their main contestant being the Congress securing second position. By 1996 the political equation changed radically. The Samata was carved out of JD and joined hands with the BJP. The JD-CPI combine parted away. Two seats each from the JD and the CPI slipped into the palm of the BJP-Samata combine. In 1998 all the seven seats were bagged by the BJP-Samata combine. The political mosaic in this region radically altered.

The process of the loosening of the Muslim vote from the grip of the Congress(I) began in 1989. The Muslims voted en bloc for the NF-Left in the 1991 parliamentary elections especially in Kathiar and Betiah constituencies breaking the community barriers. This important segment of Bihari society enjoyed a better share of power and privileges under the Muslim-Yadav combine (MY) factor emphasised by the Laloo Prasad. One of the good deeds of the first stint of Laloo regime was sensitive and firm handling of communal riots, which consolidated Muslim franchise in his favour. The Congress has been the traditional banker of the Muslim vote in Bihar until it transferred to the Janata Dal under Laloo Prasad. The RJD-Congress coalition is naturally able to secure Muslim vote this time as well.

The contours of the electoral arena in south Bihar, which is going to the polls during its first phase on September 18, indicate that the contest is most likely to centre around the BJP, the Congress, and the Jharkhand Mukti Morcha. On sundry seats electoral veterans like Nirmal Horo (Khunti) and A K Roy (Dhanbad) are expected to brighten the contest. Efforts of building unity among all the Jharkhandi parties collapsed on August 27 with the emergence of two segments from among the Jharkhandi parties. While, merger of all Jharkhandi parties could not become possible, four small Jharkhand groups<sup>4</sup> were able to forge a unity culminating into the formation of the Jharkhand Front. Now the JMM(S) and the Jharkhandi Front are going to contest all Jharkhand seats separately.

The triangular contest between the BJP, the JMM, and the Congress is expected in Chhotanagpur region stretching from Giridih to Singhbhum, though the first two are going to be the main contenders. The JMM is not for the first time over last two decades with a national party. It has also left Hazaribagh and Giridih for its rival group JMM(M) in a bid to accumulate the pro-Jharkhand votes. The position in Hazaribagh and Godda is going to be interesting where three 'secular' parties, i.e., the CPI, the Congress and the RJD will be fighting the 'communal' BJP, rather 'dividedly' (not unitedly) contesting one another. The JMM(S) and the JF are also going to challenge the BJP again 'dividedly' while contesting each other.

This time the JMM has to contest the joint alliance of its old allies, i.e., the RJD and the Congress. The Jharkhandi leadership is also caught in a dilemma over how

to access the voters with an ally in the RJD. While Laloo has vowed to allow bifurcation of Bihar only on his 'corpse', Sonia Gandhi has only lately supported the creation of a separate 'Jharkhand'. Against this the BJP support for Vananchal and the commitment of the JMM for establishing a Jharkhand identity are going to have a stronger impact over the voters of this region. Contestants like A K Roy and N E Horo are getting support from other democratic and ML forces active in the region. For instance, the CPI(ML) New Initiative is supporting both the candidates.

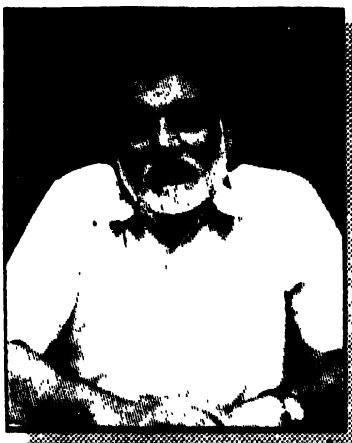
The performance of the BJP during the last elections, in which it had swarmed the bastion of its rivals JMM(S) in Santhal Pargana defeating the party president Shibu Soren from his homeland of Dumka and vice-president Suraj Mandal from Godda likely to be repeated this time, because unity among Jharkhandi parties may offer a tougher contest. The BJP has to face a tough contest from the Congress-RJD alliance, though a division of Jharkhandi votes may not be ruled out. The situation, in Jharkhandi is thus of a tripolar contest with the Jharkhand parties creating and consolidating a third pole.

### Notes

- 1 For example, direct supervision of the printing of all Bihar ballot papers in Delhi and its transport into Bihar by an Air Force plane. Since 1996 political parties agents have been allowed to accompany the ballot boxes in transit from polling stations to storage points and to camp at these points till the counting was over, strict verification of the security seals, seal numbers, and signature of the authorised officials and polling agents, etc
- 2 Another Rs 81 crore is sanctioned for the next assembly elections as well which is due in the first quarter of the next year
- 3 According to home secretary U N Panjyari during the last elections (1998) only 129 companies of the paramilitary forces were available
- 4 The united front of four parties: Jharkhand Mukti Morcha(U) Jharkhand Peoples Party, Jharkhand Party and Jharkhand Party(N)

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**DIVAKAR DEV**  
Chairman & Managing Director

It will be recalled that the year 1997-98 had witnessed impressive performance in the REC disbursement, profit and recoveries. In fact in many areas of its working, highest ever levels of achievements were reached. The Corporation's performance during the year 1998-99 has surpassed the previous year's commendable performance many times over. Salient features of this year's performance are:-

- a) The loans sanctioned during the year were for a total of Rs. 2878.73 crore compared to Rs.1213.68 crore, last year.
- b) The total disbursement during the year was Rs.2202.60 crore against Rs. 1093.81 crore last year.
- c) Recoveries during the year were Rs 2276.10 crore against Rs. 1155.57 crore last year.
- d) Profit (before tax and depreciation) went up from Rs. 126.74 crore in 1997-98 to a whopping Rs. 390.61 crore, even though the Corporation reduced its lending rates on almost all its loans by 0.5% to 2% p.a. during the year.
- e) The business per employee shot up to the highest ever level of Rs. 4.80 crore from Rs. 2.36 crore last year.
- f) Administrative expenses were brought down from 0.80 % of total business in 1997-98 to the lowest ever level of 0.37%.
- g) The total flow of funds to the central exchequer by way of dividend, interest, repayments and taxes exceeded the inflow through the budget by a sum of Rs. 99.53 crore. Similarly, the total payments made to other lenders by way of interest, redemption of Bonds etc. exceeded the fresh borrowings by a sum of Rs 82.60 crore. In spite of this negative inflow of Rs. 182.13 crore, the Corporation was able to more than double its disbursements.
- h) Priority Sector Bonds floated by the Corporation during the year were assigned AAA(SO) rating by two leading credit rating agencies namely ICRA and CRISIL.

# Breaking all records

Extract from the Chairman's speech at the  
30th Annual General Meeting of  
**RURAL ELECTRIFICATION  
CORPORATION LTD.**  
held on 14th September, 1999

## AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31.03.99

	Financial Year Ended 31.03.99 (Rs. in Lakhs)	Financial Year Ended 31.03.98 (Rs. in Lakhs)
1. Income from operations	112743	78592
2. Other income	888	914
3. Total expenditure	5198	3668
4. Interest	69372	63163
5. Gross profit after interest but before depreciation and taxation	39061	12675
6. Depreciation	607	601
7. Tax adjustment for the previous year	—	—
8. Prior period adjustments	(-) 97	19
9. Provision for taxation	8530	2577
10. Net profit	30021	9478
11. Paid-up equity share capital	68060	63060
12. Reserves excluding revaluation reserves	89827	65306

NOTE: The Annual Accounts for 1998-99 were adopted by the shareholders in their meeting held on 14th September, 1999

- i) The Corporation proposes to pay dividend of Rs. 50 crore which is higher than the total dividend of Rs. 43.50 crore paid by the Corporation since its inception 30 years ago.
- j) For the 6th year in succession, the Corporation has earned EXCELLENT grading against the MOU commitments.

The above spectacular performance of REC has resulted essentially from initiatives taken in areas like portfolio management, cost reduction and recovery of overdue. In addition, to traditional programmes like village electrification and pumpset energisation, new products were added to the basket of loans for improving the overall yield. As a result, the weighted average return which had ranged between 6.57% to 10.71% during last 10 years, shot up to 13.66% during 1998-99. Simultaneously, the cost of funds which was 8.90% in 1997-98 was also brought

down marginally to 8.84% even though money raised through market borrowing during the year went upto Rs. 435.50 crore from Rs. 355 crore last year.

### Rural Electrification

The Corporation continued to support its traditional programmes of village electrification and pumpset energisation. The Corporation imparted new vigour to the Kutir Jyoti programme of providing single light connection to the household of rural poor. In addition, the Corporation has pushed up financing of investments in areas of system improvement and small generation. The Corporation has identified documentation and material procurement as two weak areas in the implementation of the projects sanctioned by it, resulting in avoidable delays. To rectify these, the Corporation has introduced short term loans for procurement of materials and bridge loans pending documentation. The

measures have been received well and are likely to reduce the existing delays in project implementation by State Electricity Boards. Achievements under various rural electrification programmes are spelt out hereafter.

### Village Electrification

A total of 2502 villages were electrified with assistance from the Corporation against a target of 2000 villages. Electrification of virgin villages was never a commercially attractive proposition for any State Electricity Board. With increasing pressure on their resources, and overwhelming need for containing losses, State Electricity Boards have been showing increasing reluctance in borrowing money on commercial terms for making investment in these works. This reluctance has resulted in slowing down of the pace of this programme which in the long run can have serious consequences, particularly in states where a large number of villages are still awaiting electrification. The strategy of financing village electrification works through commercial loans, adopted so far, needs to be reviewed and suitably changed. Govt.'s and Planning Commission's attention to this trend and to the need for evolving a new strategy has been drawn, and the matter is receiving their attention.

### Pumpset Energisation

Against the target of 2,50,000 pumpsets the Corporation gave assistance for energising a total 2,79,201 pumpsets. This programme has already reached saturation or near saturation levels in the states of Andhra Pradesh, Haryana, Maharashtra, Punjab, Rajasthan and Tamil Nadu.

### Kutir Jyoti

REC continued to distribute grant for single point light connections to be provided free to the households of people living in rural areas below the poverty line. During the year, a total of Rs. 49.17 crore was disbursed under this programme for as many as 5.30 lakh free connections given under the Kutir Jyoti programme.

### System Improvement

It will be recalled that last year, attention was drawn to the increasing concern for quality of power that is being supplied to the rural areas necessitating in turn enhanced financial support for investments made for strengthening and augmenting the sub-transmission system. The total loan sanctioned for these during the year went up from Rs. 510 crore in 1997-98 to as much as Rs. 1658 crore in 1998-99. Similarly, disbursements, went up from Rs. 346 crore in 1997-98 to Rs. 655 crore in 1998-99. This demand is expected to grow even further in the years to come and the Corporation has to prepare itself to meet the same. To optimise the return on investments made for improving the rural distribution systems, State Electricity Boards are being encouraged to look at the entire distribution system in a designated geographical area in

an integrated manner so as to identify the existing inadequacies and draw up a plan for their removal, in a time bound manner. The Corporation shall finance such projects under the newly introduced Comprehensive System Improvement Scheme. Additional features of such schemes would be realigning and strengthening the LT distribution network and installation of tamper proof and efficient energy meters, wherever required.

### Small Generation

With growing realisation of the need for harnessing the potential for small local generation, the demand for credit for financing such investments is expected to grow rapidly. During the year, the Corporation sanctioned four small generation projects, two of which were to be in Leh and Kargil area of Jammu & Kashmir. Both these projects are designed to meet the energy requirements of these areas during the winter months, when hydro generation ceases due to freezing. These projects were sanctioned in November 1998 and now that the situation in those areas is returning to normal, it is hoped that the state govt. will be able to commence work on both these crucial projects soon.

### Recovery of Overdues

It was mentioned in the last meeting that the Corporation has initiated dialogues with the State Electricity Boards and state governments defaulting in repayments. Of the nine states that accounted for a total overdue amount of Rs. 2604 crore at the beginning of the year, the Corporation has successfully negotiated and entered into agreements with four of them for recovery of their overdues as well as the outstanding amounts. These Boards accounted for a total overdue amount of Rs. 1073.42 crore at the beginning of the year, of which, a sum of Rs. 490.81 crore was recovered during the year. The balance amount along with the outstanding amount is being recovered in equated monthly instalments assured through an appropriate tripartite arrangement between the Corporation, the borrower and his main banker. This is a very important breakthrough which has not only resulted in flow of funds back to the Corporation but also in resumption of credit flow for new and on-going rural electrification works, in these states.

### Changing Scenario

The Power Sector is undergoing major changes and the process has already begun. Regulatory Commissions have been set up and have started functioning in almost all the states. It is hoped that these commissions will, amongst other things, enable State Electricity Boards and their successor entities to reorient their policies and approach in a manner that will inject greater rationality

and commercial sense to issues pertaining to distribution and sale of power. Along with this, the process of unbundling the monolithic structures of State Electricity Boards into smaller and more manageable organisations and induction of private expertise into them has also begun. The progress may vary from state to state but the movement certainly is in this direction. Welcome as these developments are, they are likely to result in far reaching changes in existing organisations, policies and conditions for supply of power. The Corporation, having dealt, since inception almost exclusively, with State Electricity Boards, has taken note of these changes and is making requisite adjustments so that the Corporation's lending business, and the programmes that it supports, do not receive any setback. In this connection, steps have been taken to streamline the existing arrangement for scrutiny of projects received for financing by the Corporation and make it more objective and professional.

Village electrification and pumpset energisation programmes are not commercially attractive programmes. With the process of unbundling of the State Electricity Boards into smaller distribution companies and their subsequent privatisation, the future of these two programmes also needs to be assessed. At the same time, the investments made under them not being remunerative, it is apprehended that the private or joint sector companies could be tempted to give these programmes lower priority. Therefore, there is a need to evolve strategies which would be effective for sustaining these socially oriented programmes. The concerned state governments need to take note of this emerging possibility and come forward to assume greater responsibility in the areas of village electrification and pumpset energisation if the pace of these programmes in their states is not to be allowed to slow down. The Corporation has been flagging these issues before the Central and the State Governments.

### Contribution to the National Defence Fund

Responding to the recent developments at Kargil, the officers and employees of the Corporation voluntarily came forward and donated one day's salary to the National Defence Fund. The Corporation supplemented this effort with another sum of Rs. 4.00 crore and thus the Corporation and its employees together made a contribution of Rs. 4,02,79,229/- towards the National Defence Fund.

DIVAKAR DEV  
Chairman and Managing Director

New Delhi  
14th September, 1999



## Rural Electrification Corporation Limited

(A Government of India Enterprise)

Core-4, SCOPE Complex, 7, Lodi Road, New Delhi - 110 003



# Nirad C Chaudhuri: A Tribute and a Memoire

Neville Maxwell

*Arguably Chaudhuri's great theme, threading through almost all his work, was decline – the decline and fall of empire, the stagnation and decline of social systems, the decline of western civilisation under the hooves of his "three horsemen", individualism, nationalism and democracy.*

IN the late 1950s, when our paths crossed, Nirad Chaudhuri was living in a state of siege. The venomous reception in India of his *Autobiography of an Unknown Indian* had found lasting expression in an effective boycott, social and professional. He was unable to publish in India, except occasionally in *The Statesman*, then still British-edited, and the penury in which he lived was removed from destitution only by a fragile financial lifeline thrown to him by the French ambassador. Yet this diminutive, fiery man seemed never to be touched by depression or doubt, nor showed anything but relish and what he once called his "winged exaltation" in the battle with those who made themselves his enemies. In the airy, spacious flat he occupied for the four decades of his sojourn in Delhi, just inside the walls of the old city, near Mori Gate, he effervesced, an inexhaustible Roman candle of opinion, ideas, recollection, allusion; springing to take down a volume from his then great library, turning the pages to find, in the unmarked text, exactly the passage he sought to illustrate his thought; pouncing in clamant correction on an unsteady opinion expressed by a visitor then new to independent India. Chaudhuri in his later years was not a conversationalist. To his death at the age of 101 in Oxford on August (his last illness was very brief) he was instead a speaker, who would make spring-boards or trampoline of what his collocutor might offer. He was to be listened to, and enjoyed. The subject might be changed – the channel, so to speak – by an intervention, but the give and take of normal conversation was not what Chaudhuri offered. That would sound like the description of a bore only to those who did not know him.

Chaudhuri's intellectual range was immense, but two themes, or rather perhaps two relationships, may be selected from his voluminous writings: with Bengalis and, more broadly, Hindus (he preferred to call his compatriots "Hindus" rather than "Indians"); and with the British. So far as his own sense of self was concerned, he first counted himself a Bengali, not an Indian; but, towards the end of his life,

could write that "unforeseen and ineluctable circumstances" had made him inescapably "an Englishman" in spirit. At first he admired his fellow Bengalis, hailing them as "the first group of Indians who responded eagerly and actively to the impact of European civilisation on Indian life which British rule brought with it".<sup>1</sup> But as he watched, sadly, the relegation of Bengal in independent India, after its second and, he would say, lethal, partition, he came to look upon the Bengali middle class with contempt – a regard that for years was heartily returned in kind. That relationship ended with a sunnier chapter, however. Chaudhuri wrote much in Bengali in his last decades (and both he and his beloved wife Amiya Chaudhurani were delighted with the warm reception in Bengal of the memoir she wrote, in Bengali, of her girlhood), and felt a return to something like kinship. He would not have written of himself, as he did of Tagore, that "after abusing him as long as he lived, [Bengalis] suddenly discovered he was one of them"; and he took high satisfaction from the acclaim that at last he received in Bengal, while not forgetting that that was the moon – to use one of his favourite images – that reflected the sunshine of the honour paid to him in the west.

So far as his attitude to, and relationship with, the British were concerned, Chaudhuri was, first and foremost, an imperialist. He believed that an imperium could be a civilising force, and that the British Empire in India was just such, the "best political regime which had ever been seen [there], in spite of its shortcomings and positive evils".<sup>2</sup> The British were the transmitters to India of the impact of modernisation, and from that, he wrote, derived "the civilisation created by Indians in the nineteenth century under the impact of western influence" – of which civilisation, thriving still in the literature in English by Indians, Chaudhuri's own writings are among the very highest expression. That was the thought implicit in his infamous (in India) dedication of the *Autobiography*: to the memory of the British Empire in India to which its former

subjects owed "all that was good and living" within them. That was not a toady's offering to patrons, as many Indians charged, but rather the epigraph of the history of the decline and fall of the Raj which that volume and, especially, its almost equally great successor, *Thy Hand, Great Anarch!* comprised. For the British in India as a class, Chaudhuri had no time, indeed he wrote savagely of their insulancy and snobbery, of the deformity of imagination which made them blind to the compliment Indians paid them in welcoming and making their own what the British offered. "It was the British community in India which prevented British rule ... from completing [its] tasks. They made enemies of those who but for their folly would have become supporters of British rule..."<sup>3</sup> Charitably, Chaudhuri ascribed the "cool and deliberate racial arrogance" of the British in India partly to fear, rooted in memory of the Mutiny, partly to their alien environment: "After experiencing the English weather I had no difficulty in understanding why Englishmen became so offensive in India, losing their usual kindness and equability in human relations. Their sense of proportion broke down, the habit of understatement disappeared, and they became extremists with an incredible stridency in their opinions, which became raw and crude. In many cases they degenerated into outright cads..."<sup>4</sup> (Here one is reminded, not for the first time when reading Chaudhuri, of Nehru, who "refused to negotiate with Duncan Sandys because he is a cad".<sup>5</sup>)

He touched on those themes in his very first publication in English, an article in *The Statesman* of January 3, 1926 (this opens a valuable collection of his occasional writings edited by his son Dhruva N Chaudhuri in 1996<sup>6</sup>): "When after reading Bergson or Benedetto Croce, Thomas Hardy or H G Wells with a sense of intellectual kinship, an Indian comes across some instance of ignorant superciliousness in a European – be it in the shape of a remark in a book or a personal affront at the hands of a police-sergeant or of a tactless European merchant on the Maidan – he returns home in bitterness and wrath and his previous enjoyment of a European writer becomes to him a canker-ing reminiscence of his humiliation." (In lighter vein, he noted that a certain type of Englishman resented Indians' devotion to English literature as if it were "a sort of illicit attention to his wife – whom he was himself neglecting for his mistress, sport".<sup>7</sup>)

The autobiography's dedication is foreshadowed even in that early article: Long before the coming of the English, [India's] was an aged soul, rather decrepit

and weary of life, looking with fatalistic indifference on the rise and fall of nations and civilisations. The living continuity between its life and that of ancient Indians was broken. The old freedom of thought was gone. Literature, art, philosophy, were dead. The sole legacy from the past was a hard crust of tradition and custom from which the spirit had fled. When the youngest and most vigorous of civilisations made its inroad into this life of routine, all that was living in the old order responded to it.

Chaudhuri's personal experience of the inner politics of the Indian independence movement, gained while he was acting as secretary to Sarat Bose, left him with little respect for any of the leaders, and his basic approval of and sympathy for the Raj led him to positions which led to his being perceived as 'anti-national'. In the war years his support for the British cause and unshakable confidence in Britain's ultimate victory expressed in his radio commentaries kept him in opposition to the overriding view of his compatriots, who he wrote, were until very late "certain that Germany would win the war", pleased at Britain's early defeats, and somewhat chagrined at her ultimate victory. He suggests that that expectation of British defeat underlaid Indian unresponsiveness to the constitutional proposals brought by Stafford Cripps in 1942; and his analysis of the British government's action in bringing India into the war without consulting the nationalist leadership demolishes the widely held belief that that was a mistake, fatal to Indo-British relations. As early as 1938, he points out, the Congress, in session at Haripura, notwithstanding its condemnation of "fascist aggression", had resolved that any attempt to involve India in anti-fascist war would be resisted. On the eve of the war the party's working committee reiterated that stand, declaring "its determination to oppose all attempts to impose a war on India", because Britain did not "stand for freedom and democracy". Chaudhuri sketched what would have happened if Britain, disregarding the "absolutely unambiguous" position on the issue proclaimed by Congress, had sought its agreement to India being involved in the war:

The overture would almost inevitably have brought forth from the Congress requests for information and elucidation, a series of proposals involving the most far-reaching constitutional issues, and demands for guarantees of various sorts, coupled with a request perhaps that the post-war settlement of Europe should confirm substantially to the ideas of the Congress Working Committee's principal adviser on foreign affairs (Jawaharlal Nehru).<sup>8</sup>

Nehru was something of a *bete noire* for Chaudhuri. The two make an interesting comparison. Both described themselves as "Englishmen" ("I am the last Englishman to rule in India", Nehru told J K Galbraith, then American ambassador<sup>9</sup>). Nehru's Englishness derived from school at Harrow and university years in Trinity College, Cambridge, and should perhaps have been deeper than Chaudhuri's. The latter learned his English from Bengalis – and then, of course, from the masters of English prose – and was 57 when he first went to England; but it was Nehru who wrote that he was always conscious of his brahminical ancestry, while Chaudhuri as a young man wrenched himself free from the sense of being Hindu, and what he called "the Brahmanic Hindu feeling that the Hindu was superior to all other human beings". Nehru, Chaudhuri thought, while hating Hindu ideas and passions, had a "fatal weakness" – "incapacity to stand up to more determined colleagues and still less to Hindu fanaticism". That comment survived his expurgation of "most of the critical remarks about Nehru" from the draft of his *The Continent of Circe*, as did his sharp criticism of Nehru's rash vaunt about having ordered the army to take offensive action against the Chinese in 1962.

Perhaps it was for his propagation of what Chaudhuri always saw as the mirage of Indian 'secularism' that he most blamed Nehru. In 1961 he wrote that the Hinduism of the people was "so sure of itself that it does not care about self-assertion – which enables the present ruling class, too Anglicised by half, not only to proclaim the secular state but even to believe in its existence".<sup>10</sup> Throughout Chaudhuri's writings one finds awareness, often prophecy, that communal Hinduism would one day come to political power in India. As this writer well remembers, such intimations were dismissed as absurd or malevolent by Indian intellectuals through the 1960s. Chaudhuri satirises the reaction to the voicing of such pessimism to "a member of the present ruling class: 'Rubbish' he would burst out, 'Hinduism is dying, if not already dead'". Now, of course, that ruling class is being absorbed by another, very different, and the 'Indian intellectual' of yesteryear has been replaced – or, often, has metamorphosed – into today's 'Hindu intellectual'. While Chaudhuri, in a long 1980 newspaper article republished in the collection compiled by his son, treats the "Hindu-Muslim Confrontation" as decreed by an unalterable historic destiny, rooted in the incompleteness of the Muslim conquest and the rigour, sometimes ferocity, of its oppression of the Hindus, he apportions blame for its culmination

in partition equally. While dismissing the Congress charge that the British created that communal conflict, he holds the British guilty of cementing and politicising it with the introduction of separate constituencies. He absolves Jinnah and the Muslim League from evolving the 'two nation theory', describing that as "really not a theory, but a fact of history brought out into the open by the growth of group consciousness of both Muslims and Hindus alike by their English education". (And there it seems that, like so many other writers on this subject, he omits to note that it was V D Savarkar, the ideologist of Hindu nationalism, who first described Hindus and Muslims as "two antagonistic nations living side by side in India".<sup>11</sup>) The basic aim of the Muslims in India, Chaudhuri wrote in 1936, was only to "maintain their identity as Muslims in a society parallel to that of the Hindus"; but the latter were "not ready even to consider [that aim] as legitimate", and "totally and uncompromisingly rejected it".<sup>12</sup> It was not Chaudhuri but Joya Chatterjee who wrote that "bhadrakal Hindus preferred to carve up Bengal rather than to accept the indignity of being ruled by Muslims" and thus be bereft of their power and privilege.<sup>13</sup> but Chaudhuri would surely have agreed.

After the failure of the Cripps mission Chaudhuri, who never allowed the lowliness of his social position to restrict the range and ambition of his writing, began a memorandum to Cripps warning that those who would inherit British power, the middle class intelligentsia, were unfitted by their aptitude, experience and system of values from launching the social and economic revolution India needed. Their rule would "spell ruin for India".<sup>14</sup> The problem he foresaw was that, as Edward Shils, his friend, admirer and generous benefactor, put it, "upper caste Hindus, from whose circles most Indian intellectuals are recruited, [are] fundamentally and humanly insensate to the mass of the population who belong to the lower strata".<sup>15</sup> The late Myron Weiner, in his explosive study *The Child and the State in India*, traced the malign and oppressive expression of that disengagement of the Indian elite from concern with the lot of the poor – indeed their deliberate, if sometimes unconscious, policy of keeping the poor uneducated, and therefore poor.

The range and richness of Chaudhuri's learning and interests makes it difficult to limit comment on his ideas – his complete works would be a splendid resource for someone marooned. Here one may mention two last themes.

Chaudhuri saw "Hindu militarism [as] a genuine and powerful force, influencing

Indian foreign policy".<sup>16</sup> The border conflict with China was "inspired almost wholly by Hindu jingoism", he wrote, "with the Hindu possessiveness as a second underlying factor". The "martial Hindu soul spoiled for a fight". During the first half of his writing life he tried to introduce his compatriots to military culture, which "combined knowledge and intelligent appreciation of the factors involved in war". In that attempt he came to admit defeat: Hindus' "ignorance of military matters remained as complete as ever, but their bellicosity grew". Somewhere he noted that the seriousness and international danger posed by that "sub-rational, out-of-date, and yet insatiable militarism" was limited by India's military weakness—an opinion he must certainly have reconsidered in the light of last year's developments in south Asia.

Arguably Chaudhuri's great theme, threading through almost all his work, was decline – the decline and fall of empire, the stagnation and decline of social systems. It haunted him, he wrote, like the poet's foul fiend, treading close behind. Fittingly, his final work, *The Three Horsemen of the New Apocalypse*, written in his 99th year, treats it at some length.<sup>17</sup> Perhaps because this work was published only in India and circulated in Britain in

the carelessly printed Indian edition there has been a tendency to overlook its worth (and admittedly there are passages in which Chaudhuri's lucid asperity degenerates into curmudgeonliness). But it is a worthy coda, its always relevant citations comprising an anthology of his immense reading, and the focus broadened here into global range. And above all, while his prime subject is the decline of western civilisation under the hooves of his "three horsemen", individualism, nationalism and democracy, here are to be found Chaudhuri's *pensees*, poignant, shining and, in the literal meaning, encouraging, on death, which by then held him by the hand. Challenging the moralists and poets for whom "the paths of glory lead but to the grave", he notes that: "The earth that was thrown on the head of Pascal has not buried his fame; Gray's *Elegy* is still read and was read by [Chaudhuri] as a boy in rustic Bengal; Shelley's garland has not, even in four centuries, withered on his brow". Thus posthumous fame, which Nirad Chaudhuri surely will long share, endows life with purpose; and, the closing page of the first volume of his autobiography reminds, beyond that, there was for him, as for us all, "the ecstasy of having lived and been alive for a moment".

## Notes

- 1 *Thy Hand, Great Anarch!*, Chatto and Windus, London, 1987, p. 656.
- 2 *Thy Hand*, p. 27.
- 3 *Thy Hand*, p. 668.
- 4 *The Continent of Circe*, Chatto and Windus, London, 1965, p. 120.
- 5 J K Galbraith, *Name-Droppings*, Houghton Mifflin, New York, 1999, p. 142.
- 6 *The East is East and the West is West* by Nirad C Chaudhuri, compiled and edited by Dhruva N Chaudhuri, Mitra and Ghosh Publishers, 10 Shyama Charan De Street, Calcutta, Hereafter cited as *East*.
- 7 *A Passage to England*, Macmillan, London, 1963, p. 16.
- 8 'The Congress in Chains', written in 1940 or 1941, published for the first time in *East*.
- 9 Galbraith, *Name-Droppings*, p. 132.
- 10 Quoted by the writer in 'Congress Needs New Image' in a special supplement of *The Times*, January 26, 1962.
- 11 Quoted by D E Smith, *India as a Secular State*, Princeton, New Jersey, 1963, p. 459.
- 12 *Thy Hand*, pp. 467-68.
- 13 *In Bengal Divided: Hindu Communalism and Partition, 1932-1947*, pp. 266-68.
- 14 *Thy Hand*, p. 693.
- 15 Quoted by K William Kapp in *Hindu Culture, Economic Development and Planning*, Asia Publishing House New Delhi, 1963, p. 53.
- 16 *Circe*, p. 104.
- 17 OUP, 1997. Unfortunately, and in sharp contrast to his other works, the proof-reading in this case is sloppy. On the second page it misrepresents Chaudhuri as claiming to be "a speaker of the *mot juste*". He had written of himself as a "seeker".

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# Agonies and Dilemmas of Corporate Aggrandisement

Frederic F Clairmont

*The recent takeover of Paribas and the Societe Generale by Banque Nationale de Paris will generate one of the world's biggest banks and no doubt trigger further consolidations. This trend of concentration will not provide stability in the international financial realm, but will only deepen the current economic crisis.*

IT was baptised a marriage *a trois*; in reality it was a shot-gun wedding that spawned the biggest corporate aggrandisement in French history. The triumph of the Banque Nationale de Paris (BNP) that grabbed Paribas and the Societe Generale in a hostile takeover bid ushers in one of the biggest and far-reaching mutations in French finance capitalism and international financial markets. The merger of these three institutions will generate one of the world's biggest banks with a combined stock market capitalisation of \$ 57 bn and more than one trillion dollars in assets. Indubitably this merger will trigger further massive consolidations throughout the financial service sector and beyond. In so doing it will contribute massively to the further economic and social polarisation of France.

Of the 11 major French commercial banks BNP and its two merged corporations will now account for over 42 per cent of the aggregate assets of the 11 major French commercial banks. The remaining nine will either be gobbled up by foreign or domestic predators or be integrated among themselves. At any rate, what this means is that given the present tempo of corporate annexations that has engulfed every economic sector it appears unlikely that there will be more than three or four major commercial banks around in the very short term.

The frenzied tempo of concentration in France of which the BNP aggrandisement is the highest expression has been galvanised under the familiar platitude of shareholder value. It is a 19th century concept used by The City to refer to the maximisation of profits of a company's shareholders. The merger and acquisition movement has many theoretical and institutional facets. But its *raison d'etre* must be sought within the dynamics of the process of capital accumulation and disaccumulation at both national and international levels.

Nothing more clearly reveals the fren-

zied tempo of concentration than the long, vulgar six-month propaganda war for the control of the nation's three major listed companies. The size of the financial outlay is nothing short of staggering. Collectively the trio spent an estimated \$35-40 million on media advertising alone. To these Himalayan numbers must be added the costs of financial service parasites that normally feed at the mergers and acquisitions through. These include the M and A specialists in the big investment banks, the public relations hustlers and accountancy establishment and the high-priced battalions of lubricious corporate lawyers. This would bring the aggregate to around a modestly estimated figure of \$ 60 million. And given the fact that the deal was promoted by Social Democracy and the finance ministry these costs it may be presumed are tax deductible.

This pace and manic expansion of concentration with its attendant gruelling economic and social costs is by no means unique to the French financial bourgeoisie. In the case of Malaysia the grand strategy of prime minister Mahathir as it called is to consolidate the biggest 21 commercial banks into six by the end of September 1999. As in France the big six have already been labelled 'national champions' destined to beat back the competitive onslaught of transnational banks. A Chinese Malaysian banker succinctly puts it this way: "We have confidence in Mahathir. There will be a greater and greater degree of co-ordination at home and abroad of our banking policies. This is the only way to survive and flourish."

What Mahathir's grand game will accomplish is that it will vastly consolidate the national bourgeoisie that is already tied to the national political party. Hence it will have served a dual economic and political objective. This is the grand payoff. In addition, 25 financial groups and 12 merchant banks will also be welded into six financial institutions. But that is not the end of the consolidation road. The

Malaysian Chinese banker puts it with a logic that makes sense from his perspective. "Obviously we shall aim to whip all of these integrated units into viable institutions but that will take time. What we must not lose sight of is that there is nothing sacred in the number six. As far as the party and I am concerned the nation will need no more than three big banks in the future. We'll be positioned to beat back the foreign banks and penetrate other financial markets." This is the implacable logic of the marriage of big politics and very big money to ensure that the money gets bigger and bigger all the time.

Just prior to the end of the hegemonic battle of the big French trio another major international merger occurred – this time dubbed a 'friendly merger' – of some of the world's biggest aluminium producers: Alcan, Pechiney and Alusuisse Lonza. The deal would facilitate the costs savings of \$ 600 million. Given the fact that labour costs account for a sizeable segment of costs such 'savings' could only be realised by a sizeable liquidation of the labour force by around 7-10 per cent. This is the normal trajectory of the transnationalisation of capital. It was not surprising that immediately after the big deal was announced Alcoa, the world's biggest producer, with 50 per cent of US smelting capacity, struck back with a hostile bid of \$ 6 bn for Reynolds. If that corporate grab were consummated Alcoa would still be world's leader. A game however that is not yet over.

Systematic liquidation of the labour force is a corollary of corporate restructuring. The TNC has ceased to be a generator of jobs. It is a job liquidator. It is a fallacy of certain BNP protagonists that there will be no job losses when the deal is pushed through. No doubt Michel Pebereau, BNP boss, has among many of his great virtues the ability to read a balance sheet and to understand what it says or does not say. And he knows that one way of improving the balance sheet is slashing labour costs. Labour liquidation by the modern corporation is therefore not an aberration but rather one of the essential tools of 'scientific management' as preached by Frederick Winslow Taylor at the century's turn. It is capitalism's declaration of class warfare. From the standpoint of corporate strategy labour liquidation (matched ideally by a fall in real wages) spells a boost in profits or shareholder value, the current cliché.

The point was well made in *Newsweek* (February 26, 1996) in an article entitled 'The Hit Men'. An expression first used

by the Chicago police to describe Al Capone's gangsters. The article describes the extent to which 'the hit men' are operating from the ranks of the leading corporate behemoths. "You lost your job, your ex-employer's stock price rises. The CEO get a fat raise. Something is just plain wrong when stock prices keep rising on Wall Street while Main Street is littered with the bodies of workers discarded by big corporations like AT and T and Chase Manhattan. Today, the more people a company fires, the more Wall Street loves it and the higher its stock prices go." The author's moral indignation is well taken. What he failed to grasp is that there is 'nothing plain wrong' about the operation of the system. Indeed, it conforms to the inherent dynamics of the engine of capitalist accumulation. A logic that BNP and its triumphant strategists and their social democratic backers have no doubt embraced.

Of the nine selected chief executive officers (CEOs) cited as corporate 'hit men' it was reported that their base salary was \$1,835 m but which does not include stock options and other bonuses. When these are added it would escalate their annual income average earnings beyond the \$5 m mark. During the interval (1990-96) in which these 'hit men' operated they had liquidated 3,05,000 employees. Recall just nine corporations.

The gluttonous feeding frenzy of the transnational corporation continues at an unabated pace. Creation of 'national champions' is part of this quest. There have been remarkable historical precedents. German social democracy in the 1920s, as its French counterpart today, pinned its industrial and financial strategy on the creation of national corporate champions that would raise Germany to great power industrial status. The most successful marriage *a trois* (December 1925) was that it integrated by massive tax and other benefactions the three leading chemical corporations: BASF, Bayer and Hoechst under the umbrella of I G Farben.

The merger immediately triggered counter-concentration mergers such as that led by Imperial Chemical Industries (1926) and Rhone Poulenc (1929). The creation of 'national champions' was to be pursued by the Nazis and became the centrepiece of their national economic policy. I G Farben and Volkswagen and Deutsche Bank are merely illustrative. In the footsteps of German social democracy what Nazi economic policy amply succeeded in doing was that it facilitated the massive concentration of capital and its offshoot

the German bourgeoisie in its forays for greater internal and external market share. And national power. The creation of national champions and the frenzied drive for 'national solutions' became, then as now, a bludgeon to beat other economies into the dust. It was part and parcel of those belligerent economic policies that Joan Robinson of Cambridge University, designated in the 1930s as 'beggar my neighbour' expedients.

The avalanche of corporate aggrandisement surges on inexorably. From the start of this decade to the end of 1999 the cost of these mergers and acquisitions worldwide will have surpassed 7 trillion dollars. The enormity of the costs of these vast corporate aggrandisements can better be appreciated by the fact that these numbers already exceed US GDP. The impetus to this unbridled and wholly unaccountable thrust of economic concentration in both the financial and non-financial sectors stems from a concatenation of interlocking forces of which the most glaring is worldwide over-production or over accumulation.

What is to be done with the surplus capital generated? Where can it be invested and at what rate of profit? The case of US mega banks is suggestive of their dilemmas. Due to the longest US cyclical upswing in the 20th century and booming capital markets the mega banks are accumulating capital that is nothing short of dazzling. Citicorp and Chase Manhattan, for example, each reported a 24 per cent return on equity in their latest quarter. These vast sums cannot be deployed to expand the balance sheet although as much as four-fifths of mega banks are already buying back stock.

The most appropriate strategy to prevent a fall in the rate of profit is recourse to acquisitions and diversification seem in Chase Manhattan search for very large investment banks and Citicorp's move into insurance. Given the stupendous costs of these takeovers such acquisitions are becoming more arduous. The predators are running short of prey. Stimulating also the push to M and A activities has been the prodigious growth of pension funds. According to consultants InterSec Research world pension assets were around \$1 trillion in 1998 and are expected to top \$15 trillion by 2003. Much of the US pension funds have already bitten heavily into Societe Generale and BNP. Which must be weighed when advancing the thesis of 'national champions'. About 10 per cent of US pension portfolios are invested outside the US and hence they have become

crucial catalysts in world stock markets and the merger and acquisitions frenzy.

The pace of such corporate predations is facilitated by the speed of deregulation, privatisation the policies of the WTO which like the IMF and the World Bank are economic appendages of transnational power. No less important has been the advent of the Euro and the Maastricht Treaty that have given a fillip to corporate expansion by vastly curtailing the powers of national sovereignty. Acquisitions gives the corporate world a respite. The juggernaut of capital accumulation and competition is pushing for greater concentration. In 1983, this was clearly articulated by the chairperson of Citicorp: "We don't want to be No 1 in assets; we want to be No 1 in profits and profitability". He then added the clincher. "Our strategy is not one of making loans; our strategy is one of making money" (*Business Week*, May 16, 1983). Given the magnitude of over-production small sectors money can best be made by speculation and acquisitions.

Stimulating the drive to concentration is the current deceleration in the world economy. The sharp fall in prices is generating a cumulative deflationary spiral that has already acquired a self-reinforcing momentum. Accelerating the drive to concentration has been the upsurge in deflation defined as a systematic fall in the general price level seen in commodity and producer prices. The world automobile industry is already afflicted with one-third unused capacity. New auto plants are still however coming on stream. Brazil, an impoverished country, is subsidising Ford to the tune of \$730 million to install a new plant. According to the *Economist's* (February 20) estimates China has around two-fifths excess capacity in manufacturing. The global glut will push prices lower as countries and firms continue to produce at paper-thin rates of profit.

The growth of concentration of the BNP is a glaring example of what is transpiring throughout the financial sector – and elsewhere. The sheer scale of such massive capital concentration has largely bypassed regulatory control and largely explains the criminalisation of global finance capital. Such deployment of corporate economic muscle is incompatible with democratic practice. These strategies are pushed through by a tiny cabal of individuals in the interest of a tiny minority of powerful shareholders. The strides in concentration will not provide stability but to the contrary will deepen the current economic crisis.

# Organised Crime in Russia

Shobha Gawkwad

*When Russia began economic liberalisation, it abandoned the socialist system without putting in place an alternative. This was fertile ground for economic crimes. Powerful politicians and bureaucrats took control of economic enterprises. There was uncontrolled parallel economy and organised crime took hold and spread. Embezzlement, murder, drug trafficking and arms smuggling have become a part of life in Russia.*

OFFICIAL reports of the last years of Soviet command economy under Brezhnev clearly convey that the state was fulfilling plans beyond 100 per cent. It is common knowledge that such overreach could be feasible in few select sectors of the economy; but such achievements in all the sectors over a period of time were well-nigh impossible. In order to please the central high command, the Soviet accountants cooked their books at all levels. Starting from the republic level to the smallest Kolkhoz, they doctored the data. As a result, real growth was not visible and the economy came to a grinding halt in ensuing years. Gorbachev attempted to revive the economy with liberalisation. But the overall situation rapidly deteriorated to the extent of political revolt leading to armed confrontation and finally disintegration of the USSR.

With disintegration, the independent nations had to face the travails of new statehood. The unknown method of capitalist economic governance added to their woes. Each republic had decided to do away with the socialist economy without creating an alternative economic system. This had led to chaos and generation of uncontrolled parallel economy. Probably, this was the beginning of all kinds of organised crimes in Russia. Although organised crimes existed in the former USSR its magnitude and intensity were invisible. Yet we know of a few cases where top bosses were involved in the racket of manufacturing in government factories many items like fur, arms and timber and then exporting them to the west through official channels and illegal means. The profits thus accrued were pocketed by these big bosses or stashed in European banks (Frohlich Norman and Joe A Oppenheimer (1997): 'Ethical Problems When Moving to Markets: Privatisation and Entrepreneurship' in A A Ullmann and A Lewis (eds), *The Managerial Challenge in Central and Eastern Europe*, International Business Press, New York). These crimes came to the notice

of high command in USSR and perpetrators were caught and executed after a short trial. The details of trials were not released to the public at that time but now in liberalised times, these details are available with various state archives (newspaper *Zerkalo*, July 5, 1997; Records of trials of economic offenders, Azerbaijan Republic Archives).

The party bigwigs were the first ones to take advantage of the policy of liberalisation. Overnight these people became technocrats and managers of various enterprises. They were free to operate without any control. These people made millions in the absence of any real law to govern the activity of import and export. A rough estimate suggests that during 1990-96, Russian businessmen and fake Russian companies had stashed away in Switzerland nearly 800 billion US dollars. Crime has thus become a part of life in today's Russia.

'Submerged Part of Criminal Iceberg: 7 Million Crimes a Year' was the headline recently in the newspaper *Slovo* that depicted the nature and magnitude of crime in Russia. The article went on to describe that about 10 million crimes were committed in Russia every year; a figure that stands far above the number of officially registered crimes pegged at only three million. These data were quoted by the newspaper from the statement to the press, by the deputy minister of internal affairs. A more interesting detail about the crimes was the cause of perpetration: about 30 per cent of the crimes in Russia were committed under the influence of alcohol and roughly 10 per cent under the influence of narcotics or psychotropic drugs (*Slovo*, January 27-28).

According to the deputy minister of internal affairs in the Russian Federation, Valery Feodorov, since 1990 the ministry has been functioning under great stress due to continuous and sharp increase in socio-political tensions and economic difficulties in the country. The ministry's staff are facing unprecedented rise in crimes

and armed internal conflicts. This has put tremendous strain on the police personnel who are also facing financial difficulties pervasive throughout Russia. Further, with this rise in violence and crime, the police is facing a shortage of trained personnel to combat crime on the social front. The most worrisome factor is that the criminals are getting better and better armed. This makes them less afraid of police or the law. Only this year the Russian Federation police has lost 244 policemen on duty and 442 have been injured while tackling criminals; many of them may not even return to active duty. Such colossal waste of manpower is a factor worrying the planners in the government. According to the deputy minister "In this war against crime, criminals should be eliminated; not the policemen" (*Slovo*, January 20-21).

Today pick up any newspaper in Russian you will find it reporting some of the major crimes committed in Russia in the last 24 hours. They also report a follow-up of some major crimes committed earlier. Since the liberalisation of economy in Russia, economic crimes have increased manifold. Barely one-tenth of all crimes committed are detected, and on follow-up, probably less than 1 per cent criminals are punished. This is due to the fact that politicians, bigwigs in the government and oligarchs protect the criminals or are themselves actively involved in committing the crime. Many a time investigators are frustrated because at some crucial juncture they are asked to drop the case or look elsewhere or are transferred to other duties or asked to co-operate to save some nice people from embarrassment. At present, many oligarchs have been involved in many crimes such as embezzlement of funds of all kinds of state and private organisations, killings of rivals, informers and trafficking of drugs and arms smuggling from Russia to different buyers abroad. Murder and mayhem have become the order of the day. Criminals are in a hurry to amass wealth and power in the new Russia, and it is quicker to kill than to intimidate or bribe.

According to *Daily Telegraph* of London, money, illegally brought in from the Russian Federation to Great Britain in the last three years, amounts to about 90 billion pounds. This is certainly criminals' money (February 24). The roots of many of these crimes go back to the years of stagnation of the Soviet economy, and the subsequent introduction of market economy.

Since March this year, Russian newspapers are full of news about the investigations of connections and activities of well known persons like Boris Abramovich



Berezovskii – formerly a close Yeltsin aide and secretary general of the CIS; Nikolai Glushkov – former deputy general director of Aeroflot; and Alexandr Smolenskii – former chief of the SBS-AGRC bank. All three of them were accused of economic and espionage offences committed against the state. They were accused of syphoning off foreign currency funds of the aviation company 'Aeroflot'. In the last four years, these men had syphoned off nearly 400 million US dollars from funds of banks and Aeroflot. Smolenskii was accused of syphoning off nearly 32 mn US dollars to various accounts abroad by using falsified documents. His partner in crime, chief of Jambul Bank, Lev Nakhmanovich was arrested in 1992, but the then minister of internal security, Victor Barannikov himself interceded on his behalf and as result, he was released. He immediately fled Russia and the case against Smolenskii came to a grinding halt. Only in November 1998, after the extradition of Lev Nakhmanovich from Switzerland to Russia, where he gave evidence against his former partner-in-crime Alexandr Smolenskii about his modus operandi to stash money abroad, that some headway was made in the investigation. Now Alexandr Smolenskii is a wanted man in Russia but in the absence of any extradition treaty with Israel, Austria and a few other countries, he cannot be booked. He is operating in these countries as a good businessman and a big investor, holding citizenship of both Israel and Austria (*Slovo*, April 9-13). These countries will not agree to the extradition of Smolenskii and his accomplices. Added to all this, there are people in the government who will protect such criminals for their private gain or under the influence of organised criminal gangs operating throughout the country. As minister Feodorov described: "The moral degradation of the Russians is gradually leading to total criminalisation of the society"

According to estimates by criminologists and various organisations fighting organised crime in Russia, there are about 6,500 groups and gangs owing allegiance to about 3,000 group leaders and about 279 'godfathers'. There are about 1,00,000 members in Russia and western Europe.

There is a separate group of Russian criminal gangs operating in the US. This group has ties with criminal gangs in Russia but they are closely connected to the South American mafia. These gangs terrorise ordinary people and call themselves mafia of the place where they are operating such as Moscow mafia, St Petersburg mafia, etc, (interview with Marshall Goldman,

Radio Liberty). There is enough evidence to prove that within Russia, the Russian mafia has spread its tentacles, and there are plenty of factions running various activities within and beyond Russia. There are Russian groups, Chechen groups, Azerbaijani groups, Armenian groups, Georgian groups and scores of other groups generally based on local nationalities of erstwhile USSR in most of the major cities in Russia. Many groups have formed unions with similar ethnic groups of other cities. Most such groups have their 'dons' in Moscow. These 'dons' control a wide network of criminals in Russia and abroad. Some of the top government officials and officers in the armed forces have been identified as 'dons'. The mafia government official nexus is very strong due to various reasons such as threat, monetary gratification, blackmail, etc. The Russian mafia is firmly entrenched in drug business and has contacts in Pakistan, Afghanistan, former Soviet republics like Tajikistan, Uzbekistan and Turkmenistan. These contacts spread all the way to western Europe in Spain, France and many other countries. They pick up drugs from Pakistan and Afghanistan, use their conduits in Russian border guards (201st division of the Russian army on Afghan border) in Tajikistan and local border guards (Pogranichniki) in Uzbekistan to transport drugs to Russia and beyond. They have started giving a tough time to Afghan and Pakistani gangs as the Russian gangs are better organised and more ruthless than any other gangs operating in this space.

As per the data from the ministry of internal affairs of Russia "in 1992 more than half of the criminal groups had contacts with the government structure [apparatus]. This had made it difficult to differentiate criminals from honest government employees and made it easy to call such government the criminal state" (Edward Royce, speech in the US senate).

A cursory look at the American reaction to the growth of criminals in the US with Soviet or Russian origin provides us with a picture of panic. Press reports collected from various US newspapers in the last three years reveal that there were about 1,000 big bosses from the erstwhile USSR living and of rating criminal rings from Los Angeles and San Francisco. Russian mafia gangs are now operating in about 50 countries. About 80 per cent of the stock market shares issued in the Russian Federation are in the control of these gangs. US \$ 20 billion obtained from criminal activities are being laundered in the west by the Russian mafia. This fuels the pervasive American fear of Russian gangs.

The US press talks about the Russian mafia, Chechen mafia and a whole lot of other gangs active in the US, but there is not a single word about New York family, Chicago family or mid-west family that are the US mafia (Cosa Nostra).

Reports from Europe and former eastern block countries tell us a different story. Data compiled by European Organisation against Organised Crime show the break up of crimes committed by former Soviet and east European nationals.

Nationality	Crimes Committed (Per Cent)
Trans-Caucasian nationals	30
Former Soviet Jewish nationals living in western Europe	20
Chechen groups	15
East European nationals	11
Baltic emigre in western Europe	6
Russians	2
Others	16

Based on reported crime data published in the UK, France, Scandinavian countries and Germany the above does not support the had reports against Russian or former Soviet nationals. Rather this report provides a new perspective to the whole phenomenon of crime and criminals in modern Russia, leading to such basic questions as genesis, growth and extent of crime and how it has become so in post-Soviet Russia in such a short time.

Organised crime is harming the Russian society financially, socially and morally. The erosion of social and moral values is widely felt all over Russia. The party apparatchiks had lived better than ordinary citizens in socialist years. Those very same people have now cornered the enterprises and are selling the country blind. Once again they are better off than ordinary people in Russia.

With the economy of the nation at its worst in this country, the country's leadership has been trying to reform and streamline economic affairs. "The government is trying very hard to modernise the tax laws, governance system of banks and general health care system, improve consumer services, develop mercantile system of the country." While these steps are being taken under severe pressure from international organisations like OCED, EBRD, IMF, World Bank and Paris Club, Russia's credit rating in world economic community remains very low. The economy is very sluggish at the moment. Simply replicating any foreign system in Russia will not succeed. A new economic system compatible with Russian traditions but not limited by them will have to be devised and nurtured for a long time to make it work for the prosperity of the nation.



# Food Security in Hindukush Himalaya

Shantanu Nagpal

*The people of the Hindukush Himalayas have given up their traditional environment-friendly agricultural practices in favour of market-oriented cash crops. As a result, while population has grown, agricultural productivity has not increased and resources have been degraded. Food availability has declined. A way out is to commercially use the biophysical features unique to the areas while protecting the environment.*

HINDUKUSH Himalaya (HKH) ranges cover an approximate area of 3.4 million square kilometres and a population (in 1991) of about 118 million. The countries covered in this area are Afghanistan, Bangladesh (Chittagong Hill Tracts), China (Tibet, parts of Yunnan and Sichuan), Bhutan, India (eight states), Myanmar, Nepal and Pakistan (NWFP, FATA and parts of Baluchistan).

The concept of food security – the ability of an household to get access to enough food for all its members, either by producing it or by earning enough to buy it – has been given a new meaning in the food deficit regions of the Hindukush Himalayan ranges. The shift has been away from aid for subsidising subsistence agriculture (growing it at home) to aid for exploitation of the niche (special exploitable features like hydel-power, tourism, vegetables) that these hills offer. Thus instead of concentrating on staple foods, farmers are encouraged to grow high value crops which will contribute to their incomes and thus their food purchasing power.

The shift was inevitable. Decreasing returns from existing agriculture meant that farmers could survive for eight to nine months a year on traditional food crops (maize, rice, millet, wheat) and had to search for non-farm income for the rest of the year. With overextraction, overgrazing, intensive cropping, came dramatic declines in soil fertility and emerging signs of unsustainability in these regions. Spurred by success stories in Himachal Pradesh and parts of UP, governments and NGOs focused their efforts on high value agriculture. It made sense, it was accepted economic theory – increase entitlements (incomes) from existing endowments (land, labour and capital).

Yet all indicators now show that niche harnessing can be equally debilitating for the land and could lead to a situation where land is unable to regenerate itself and thus become unsuitable for agriculture.

Niche harnessing has raised hopes and raised incomes (for a few) and also dealt with the problem of food security. What it has also done is decrease collective responsibility, further destroy traditional methods, increase risk and vulnerability, and accelerate the breakdown of social sanctions on the resource base that communities had maintained over the years.

The fault lies in the way traditional systems have broken down, and governments and NGOs have focused on supply without concentrating on demand or the special features of the mountains regions.

"All policies are made in the plains, for the plains, by politicians from the plains. Mountains are seen as liabilities that need nagging attention," says N S Jodha of the International Centre for Integrated Mountain Development (ICIMOD), "it is no surprise that these policies are made assuming what works well in the plains, should work in the higher mountains." That, in essence, is the problem of the people living in the HKH. For policy-makers, mountains are a valuable resource base for meeting the needs of the plains. They generate electricity, tourism, food that can be sold in the plains. They are sparsely populated, low vote bank areas, with marginal communities that need far too much energy and attention to be worth the effort. For the same investment, far more votes could be generated in the plains. If it had not been that these are people we are talking about, we could have couched this problem in the classic 'market failure' model of economics. Perverse as it may seem, that would have been the real definition of the mountain people: market failures that need special attention in democratic market.

According to Jodha, mountain areas are special because they are fragile (difficult to recoup losses, susceptible to irreversible damage), inaccessible, marginal (low productivity, fragile, high cost of maintenance) and diverse (high internal heterogeneity

that requires individual attention). These factors limit the production and exchange options available to the mountain people. Thus any application of traditional food or famine theory is difficult in these areas.

Despite their biophysical drawbacks, a substantial number of people has survived in these areas. This has been largely because they developed traditional methods of adapting their needs and mechanisms that preserved and regenerated their resources (Appendix 1). For instance, in Bhutan, demand was controlled through traditions like sending the eldest son to become a monk and through polygamy. In other areas demand was controlled through migration. Overgrazing was controlled through strict time sharing mechanisms, which limited the time available to each farmer to graze his cattle in the commons. Disputes were resolved by communities, which gave village elders the authority to resolve the disputes. Now the same disputes would be resolved by civil servants who set the rules based on what they have learnt in the plains. All petty trade activities were on a small scale and were interlinked. This meant that no one had an incentive to intensify resource use because the returns were limited.

Most importantly the consumption and production choices were far greater. There were far more varieties of crops that were grown and consumed and this meant that the soil had a chance to regain its fertility. During the time the soil was rested, farmers survived on roots and shrubs which although less nutritious, met their food needs. All this changed when the government introduced its 'grow more food', campaigns and public distribution system, which limited the number of crops to three or four and thus limited the production and consumption choices of the people. Now, they produced only the three of four varieties that could be sold through the PDS and thus consumed only what they produced. Government help came only if the farmer grew high yielding varieties, which required intensive agriculture. Mixed cropping decreased, fertility came down, and the farmer was made dependant on fertilisers which only the government provided. Jodha explains how state intervention has bound the people to choices which were never their own. He says that although food security under the new state intervention, with its emphasis on entitlement enhancement, has decreased famines and improved household food availability, it has come with a huge cost to these fragile mountain areas.

Food varieties that contributed to the diversity of the region have completely disappeared. This is because state incentives encouraged farmers only to produce one or two crops (rice or wheat) while completely neglecting the other crops that they used to grow and eat. As a result, the farmer grew only what he could sell or what he got external support to grow. As a result, households which used to consume over 20 varieties of food items now consumed five. The food items that disappeared were the ones that were environment friendly, resilient, grown to increase soil fertility, or grown at a time when the soil was being 'rested'. Rice and wheat displaced roots, leafy food items and millets. The new generation hardly knows of any other food. Same crops were grown without resting periods or without intercropping, and as a result the soil fertility has declined rapidly. The problem is difficult to solve because dietary habits have changed, and it will take a long time (if ever) to show the new generation the advantages of growing diverse food items.

The initial problem of food shortage was a direct result of concentration on foodgrain production. Between 1950 and 1990 there was a doubling of the population in this region. An area that had already reached its peak production capacity now had to carry twice the burden of population. Per capita availability of resources declined despite the extension of cropping activities in marginal lands. There were no dramatic increases in productivity and thus food availability also declined.

One factor that contributed to making the food problem far worse than it should have been was the breakdown of traditional systems of maintaining, enhancing, sharing and conserving the resources. ICIMOD studies indicate that the extent of crop rotation, intercropping, number of crops and combinations, and other forms of diversifications have declined over time. This has been a direct result of the change in attitudes of the populations, and their reluctance to adhere to social sanctions that had restricted them from overextraction, and their inability to conduct group action. The reason for these attitude changes is that the state intervened in the traditional structure and introduced its own version of how things ought to be run. Further, linkages with the market meant that profitability became such an overwhelming concern that farmers turned a blind eye to the fact that their resources were being depleted at an unprecedented rate.

For instance, by subsidising fertilisers, pesticides, large-scale irrigation projects, high-yielding seeds, the government made

the indigenous systems seem obsolete. Farmers saw the benefits from over-extraction. They sold more – even though most of what they sold to the government was undervalued – and earned more as a result. This strategy had two results, one was that farmers were now linked to markets that were not their own. They were producing what the plains wanted, and getting paid what the plains decided. This alienated the farmers from their resources. And there was no incentive by the government to encourage farmers to plough back into the land what they earned from it. Second, this strategy made the farmers more dependent on external inputs, and thus limited their production and

consumption options. Input-output ratios worsened (more chemical inputs for the same amount of output), and this exacerbated the extent of overextraction.

The other significant problem of this market-oriented approach is that it has created pockets of wealth. Areas that were well endowed and accessible benefited while others remained in relative isolation. As a farmer in the Jhiku Khola watershed in the middle mountains of Nepal explained, "we have benefited because we are linked so well with Kathmandu. But in the higher areas around our watershed, farmers have given up farming and find working for us more remunerative. We can employ them only for a few seasons

### Appendix 1: Indigenous Farm Resource Management Techniques in Cold Deserts

Cold deserts epitomise the problems of the hill areas. They are harsh, remote and fragile. Farming communities use traditional wisdom to grow crops and regenerate their resource base in these areas. Some of the practices of farmers in Ladakh and HIP are discussed here. This extract is based on an ICIMOD study 'Appropriate Farm Technologies for Cold and Dry Zones of the Hindukush – Himalayas'.

Ladakhi farmers have developed their own astrological system for solar observation which they use to make agro-meteorological forecasts, like snowfall, winds, storms, solar radiation and even pests.

Annual crop rotation makes optimum use of the local agro-climatic conditions. In Pattan Valley farmers grow two crops despite that fact that snow covers the fields till March or April (from November). This crop rotation is achieved by spreading soil over the snow in the fields which enables the farmers to catalyse snow melt. Thus land preparation can start as early as March and barley can be harvested in July followed by buckwheat which is harvested by September and kuth is sown prior to snowfall since a long period of stratification is essential for this seed. Kuth is harvested after mid-August. Crop rotation practices are based on what keeps soil fertility. Thus fields are divided into thirds and crops are rotated by seasons or on a yearly basis. The emphasis is on fertility, conservation of manure and decrease in any crop residues that are disease carrying.

Local germplasms of major crops in these areas are acclimatised to the harsh climate and the conservation of this germplasm receives high priority. The common practice is to collect seed from selected stands that are showing vigour, disease resistance and high productivity for the future. After every three or four years, the seed source is changed without diluting the seed criterion. This is a natural check against inbreeding and low productivity.

Monastic traditions are used to improve soil fertility. Soil that has been sanctified by the Lamas is used for barley cultivation. This is a simple and logical way of improving the porosity of soil that has been hardened by continuous barley cultivation. In this religious ceremony, fresh, sanctified soil is spread by the farmer before he grows the next barley crop. To ensure uniform distribution, 20-25 kgs of manure is unloaded after every seven steps of a woman.

Farming communities have developed different kinds of co-operative organisations to carry out routine farming operations. These organisations also help during calamities. In most villages, a village mate is annually selected from certain families and his special job is to make all kinds of community related announcements such as repairing of kuhl and water tanks, as well as any special event ceremonies. His salary is paid by the farmers.

Local groups share responsibilities as follows:

Group	Functions
Faspoon	7-8 families that look after indoor work in case of death
Langgsthay	Families that share bullocks
Ra-rays	Collective grazing
Beyas	Group of farmers who do collective grazing
Srang-Pa	Informer of a community

after which they must go back to their farms...their lands are tilled by their women, and they try and grow what little they can. It is usually not enough because with the money they earn here, they have to buy food. And food is now more expensive than ever."

A bird's eyeview of the same watershed reveals another interesting perspective. Jhikhu Khola is a fertile, well-endowed watershed. Its biophysical features are well suited for all kinds of crops. It is warm, has red soil, which is not hard and is easy to till. Yet, it is spotted with barren steppes, denuded lands, exhausted soils, and now has a severe water problem. The cause of this is the breakdown of social sanctions on common property resources. Overgrazing, deforestation, poor choice of trees for the forest (by the government and NGOs), and the extension of intensive agriculture on marginal lands have contributed to this situation.

A visit to the site where the grazing commons earlier existed reveals the extent of overgrazing and the destruction of the catchment area. There are efforts now by a few NGOs to create user groups (community groups, much like those that existed in the past) which will use the resources as common property and will thus restrict overgrazing and introduce stall feeding (feeding animals inside their shed rather than letting them roam freely. This limits grazing and keeps top-soil intact). ICIMOD officials, responsible for some of this rehabilitation work, claim that their efforts will take long to come to fruition. And the success of their efforts will almost solely rest on their ability to create user groups that are genuinely concerned and aware of the problems they face.

"Life is easier for the rich farmers because they can afford to pay for expensive fodder, but the poorer ones have had to sell their livestock because there are no pastures left. These are the people for whom food remains a perennial problem. This has been one of the biggest problems and is due to the strategy that overemphasises food and entitlements to food, without giving enough attention to where the food will come from in the long term," said one official. "In this watershed (Jhikhu Khola) farmers have had to cultivate on steep slopes where they know the degradation will be the fastest. They had no choice. The other slopes are now either taken or infertile."

To ensure food security in the HKH region, cash crop farming – which utilises the niche (Appendix 2) of mountain areas – has emerged as a viable option and one that is being promoted across the region.

The logic of this option is: farmers have been unable to secure for their households enough food simply by growing food-grains, which are not suited for the mountains in any case. Thus instead of food-grains, these farmers should be encouraged to grow high value cash crops which will increase incomes that will entitle them to enough food for the household. The logic is compelling and based on sound comparative advantage.

There have been many success stories; the most famous one is the story of apple farmers in Himachal Pradesh. And that story has served as a template for many agricultural transformations in the HKH region. K N Badhani of Garhwal University, Srinagar, in his paper 'Enterprise-Based Transformation of Hill Agriculture' discusses one such case, that of Garampani region in the state of Uttar Pradesh.

Garampani is a small town in the Nainital district of UP. It is situated in the lower Himalayas and is close to the hill stations

of Haldwani, Nainital, and Almora. In the last 10-15 years, there have been dramatic increases in the adoption of market-based high value vegetable cropping in this area. The results have also been very positive. Income and employment have increased by 170 per cent on an average, and this has increased farmers' entitlements. Although farmers have adopted cash crops, they have not completely abandoned conventional crops because of several reasons (land quality, labour shortage) among which is included the fear of shortage of food. This has meant that cash crops still account for only 63 per cent of total area under cultivation. The local market for vegetables developed spontaneously and without external influences. Vegetable farming has decreased the migration of youth to cities. High labour requirements and increased incomes have made the gender distribution of workloads more equitable. Women, traditionally restricted to sowing and reaping, now do marketing and selling.

## Appendix 2: Niche

Due to their specific bio-physical attributes, for certain activities, mountain areas have some comparative advantages over the plains. Mountains act as a source of important high value added products like medicinal plants, fruits, flowers, vegetables, or are source for hydro-electric power. To increase food security, these niches have to be harnessed in a way that they benefit the local population. Accessibility and availability of exchange options are critical for successful harnessing of a niche.

For instance, mountain areas grow off-season vegetables (vegetables that cannot be grown in the plains during the summer) and these are sold in neighbouring towns. There are quite a few success stories of mountain areas that have profited from growing off-season vegetables. The common theme that links these success stories is accessibility of these areas to their final markets. It is this linkage that has made Jhiku Khola area so profitable. The road journey from Kathmandu to this area is less than an hour and this means that farmers can even take day trips to sell their vegetables in the city and return with enough for the daily meal. On the way out of Kathmandu (on the road leading to the airport) one can see farmers selling vegetables from small bundles that they have brought in early in the morning. They have to finish their stock before they return and thus they do brisk business in the evenings.

Another possible reason why these farmers might like to do their own marketing is because of the unfavourable terms of trade they get from middlemen. And this is the problem that many areas, not well connected with their final markets, face. They have to depend on the vegetable trader who usually gives them rates sometimes as low as 20 per cent of the final selling price. Neither the government nor the farmers have been able to organise themselves to improve the terms of trade between the hills and the plains.

Jodha narrates an interesting story that illustrates this point. A group of monks from the district of Leh who heard about the hugely profitable vegetable market in Delhi, decided to risk all their savings on a make or break vegetable marketing trip to Delhi. They hired a truck, packed it with all their fresh vegetables and set out for Delhi. Delhi turned out to be much further than they had imagined. By the time they reached most of the vegetables had perished. They did not know where to sell the produce or how to contact a middleman. They didn't even have a place to stay and eventually found refuge in a monastery. Two days later all they had left with them were turnips. And turnips don't sell in Delhi. Eventually they had to beg for money and returned in the same truck with nothing to show for their investment of Rs 20,000.

In conclusion, niche harnessing can benefit the mountain areas because it can increase entitlements and thus improve access to food. However, without infrastructural support, niche harnessing is not only ineffective, it can be harmful because it requires higher investment, greater input, and makes the farmer dependent on exchange options. It also contributes to a break-down of traditional methods used to secure food and conserve resources.

The negative consequences of cash crop farming have been primarily related to environmental degradation. The foremost is the decline in availability of fodder, an important by-product of conventional crops. As a result the dependency on forest fodder has increased sharply. This has led to overgrazing and depletion of the catchment area. The amount of cattle has declined and so has the availability of organic manure and milk. This has raised some important questions about the sustainability of high value cash crop farming.

The single largest problem has been the shortage of water. And this indicator of unsustainability has been widely reported in the Jhiku Khola watershed also. Drying up of water resources has meant that risks associated with cash crop farming have increased significantly, while returns have not been able to keep pace. Farmers of the Jhiku Khola watershed have learnt their lesson albeit a bit too late. With the help of some NGOs these farmers have built a tank to collect rain water. The tank was completed in late 1998 to collect the rain from the first winter shower. But the rains never came, and until the writing of this article (April 1999) there has been no rain in that area.

The decline in traditional water harvesting techniques has worsened the problem. Traditional practices, based on a high degree of co-operation and responsibility, were effective and equitable. For instance, 'kuhls' (water channels) that diverted water right from the glacial head to a village, at times travelling over 10 kilometres, were jointly owned by the original founders and their descendants who distributed water freely, and in time of shortages, according to the effort put in by various farms who maintained the kuhl. This ensured commitment because each farmer had a stake in the efficient running of the kuhl. Kuhl managers were appointed to work on behalf of the community.

Traditional wisdom about the species of trees that helped water harvesting versus the ones that were harmful for it, is fast disappearing. Balaram Thapa, in his doctoral thesis on trees planting and attributes, has shown that farmers have a very thorough knowledge of the trees that are good and the ones that are bad for water harvesting. According to him, the government, due to their ignorance, has paid no attention to this knowledge and has made special efforts to promote trees that are detrimental to water conservation and erosion. For instance the government has distributed and planted seedlings of trees that have a high growth rate, survival rate and generate bio-mass. While the farmers

want trees with small leaf size (that decompose easily) and trees that have leaves at inclination that reduces 'tapkan' (water falling off a leaf) which reduces erosion. Farmers have classified trees according to density of leaves, tree height, inclination and root size and shade effects. Yet this knowledge is wasted and thus catchment areas now lie dry and eroded. And 'resilient' but useless (farmers call them 'rukho') trees are peppered all over the landscape.

R K Shrestha of the Love Green Foundation, an NGO that promotes planting of trees for forest, fodder and fruits, says that along with water, it is the high use of insecticide and pesticide that has become the bane of the farmers. Crop diseases have increased dramatically and yields have dropped significantly. Pesticide use has killed bees (including honey bees) that improve pollination. The quality of vegetables being taken to the nearby markets is suspect because it contains dangerous amounts of chemicals. No one cares as long as the money is being made, which it is. Farm area of 0.5 hectares, doing high value agriculture, can yield as much as Rs 4,00,000 in three to four months.

Farmers in Jhiku Khola watershed have earned a lot of money, yet most of it has been used to buy land in the neighbouring cities or invested in gold. There are no signs that any money is being reinvested in the land.

An official at the local ICIMOD office said that distribution of free seeds, subsidies on fertilisers and pesticides is not ideal because it does not give the farmer a fair idea of the input prices that are going into his land. Realistic input prices (seed, fertiliser, pesticide, electricity) would make the farmer space his planting cycle and look for alternative measures to increase soil fertility and reduce crop diseases. And with the income the farmer is earning, he can well afford to give his soil some rest.

This substantial increase in income has changed lifestyles and decreased migration. Although in Jhiku Khola watershed, the drudgery for women has not reduced. They still do most of the work on the farm, while the men concentrate on the marketing. Diets have changed dramatically and the focus is on proteins, meats, packaged food and alcohol. Most farms boast of a few motorcycles and conspicuous consumption has increased dramatically. Children are being educated at boarding schools and the parents hope that they will find better jobs in the cities. One farmer said, "farming is getting tougher, we are hoping that with our land in the city, and our son employed, we too can enjoy the urban facilities".

Focus on high value added niche crops has not helped food security for the poorer villages that are either not connected to main cities through a highway, or have poor biophysical features. These areas have to depend on non-farm income, which means migration to the cities or to areas where cash crop farmers need cheap labour. To add to their problems, the poorer farmers of the same watershed now have no grazing commons or limited access to water.

Jodha says that any solution to this crisis needs aware and co-operative politicians. Firstly, districts should be divided according to watersheds, which share common biophysical features. District authority should be decentralised and farmers must have a say in how much money is being spent on what in each watershed. This transparency will improve co-operation and remove farmers' fears that benefits are unequally divided. Most importantly, any successful strategy needs a politician who has the benefits of the mountains as his priority. "It's the difference between someone like Parmar (ex-chief minister of Himachal Pradesh) and someone like Pant (powerful politician from UP Hills). Parmar knew how to exploit the niche of the hills and made every effort to improve prosperity in his region. Power at the centre held no charm for him. Years before NGOs introduced training for farmers in the hills, Parmar sent his men around the world to learn new farming techniques. Pant, like most other UP politicians, was concerned more about consolidation of power at the centre. UP mattered only for elections, his real interest was politics in Delhi. The UP Himalayas, thus, never saw the kind of development that was seen in Himachal."

In conclusion, the strategy of increasing entitlements to food, and thus improve food security in the HKH region, has overlooked the impact on the environment. This has happened because this strategy has not attempted to learn from traditional wisdom and has contributed to the break down of all forms of co-operation that would have ensured sustainability. The government has – either through indifference or through ill-informed policy – made matters far worse. A new form of food insecurity now threatens the lives of the farmers of this region – the threat of depletion of key resources like water, fodder, and soil. Increasing entitlements (incomes) might have brought prosperity, but the steam is running out of this strategy. Entitlements are secure only as long as endowments (key resources) have it in them to carry on producing at the current rate. Now it seems they aren't.

## Microfoundations, At Last

Jayendra Nayak

**India Development Report 1999-2000** edited by Kirit S Parikh; published for Indira Gandhi Institute of Development Research by Oxford University Press, Delhi, 1999; pp 300, Rs 345.

IT was Hugo Sonnenschein who said that there were two kinds of economics, micro-economics and fairy tales. For governments long used to believing that growth and development are largely reflective of aggregate processes and consequently best analysed in terms of macro-economic variables and modes of reasoning, the currency and banking crises in several countries during the 1990s are a cautionary tale that the micro-economics of financial markets can sometimes turn up unexpected pathologies. While most official reports are yet to recognise that this might alter the economic analysis of the development process, the latest *India Development Report* devotes some considerable space to analysing the microfoundations of macro-economic policy and change. This is unconventional terrain, even for many professional economists. For the larger readership which the Report very evidently seeks to draw in, it lays out with considerable clarity the interpretative content of such micro-economic analyses.

About a third of the Report dwells on India's recent economic history, including the state of its public finances and a characterisation of how feeble our record has been on environmental quality, poverty alleviation and social security. Another third constitutes sector studies: in urban transport, energy-power, coal, oil and gas, and primary education. However, it is really in the last one-third of the report that microfoundations issues get raised. I shall cherry-pick five problems from this part of the Report and ask whether the investigative logic used and the interpretations provided are adequately robust.

The first problem is privatisation and auctions. P G Babu and Nivedita Das provide an exploratory account of our recent history of telecom privatisation and ask whether the theory of auctions can provide clues to whether the particular auction model adopted had a serious design flaw in it. In one sense this uses micro-economics at its rigorous best, for markets for auctions can be formally modelled and

the manner in which auction bidding is structured can very sensitively and decisively affect outcomes. Both the efficiency of the bidding process and the expected revenues earned by the auctioneer are contingent on the design of the auction. In another sense, however, it is helpful to recognise that there continues to be a wide gap between solutions to formal game-theoretic models of auction design and the more intuitive results which practitioners who either control or participate in auction bidding appear to believe in. This may be critical for auctions because, while all economic models are necessarily abstractions of a clumsy behavioural world, auction models have shown a striking tendency for answers to change as enrichments to their realism are introduced.

Here is an example: In many auction models, the expected revenues to the auctioneer increase with the number of bidders. Enrich the model by having bidders participate only when they make a prior calculation comparing the probability of winning with the cost of bidding. Auction models then yield the result that beyond a point an increase in the number of bidders could decrease expected revenues. There is thus an optimal number of bidders for expected revenue maximisation. This insight is, however, familiar to investment bankers who handle strategic sales as a mode of privatisation and advise governments on such sales. Strategic sales proceed in two stages. First the auctioneer seeks expressions of interest from possible bidders and then shortlists participants for bidding. In its popular description, the shortlisting is meant to weed out bidders who are 'inadequately serious'. A little reflection will reveal that shortlisting does more. It should only retain those bidders who believe that their probability of winning is high enough to justify their bids, and if all shortlisted bidders believe this the expected revenues will rise.

Notwithstanding some of these limitations in the use of formal auction models,

governments' reliance on these models has been expanding. The US government has used multiple round auctions to allocate radio spectrum rights, and the debate on whether uniform price or discriminatory auctions should be used to place government securities is long familiar to central banks. Game theorists who design auctions with specified outcomes are clearly in demand, and a government which would like markets to develop for the allocation of resource rights or for the privatisation of state-owned enterprises could avoid the several pitfalls which auctions contain by examining auction designs more critically.

A second problem arises in the analysis of risk, particularly in financial markets and in financial institutions. Micro-economics has chiselled and achieved considerable clarity in recent years in the understanding, categorisation and measurement of risk. Susan Thomas and Ajay Shah ask how we can apply this to Indian markets, not least for the management of risk. Their argument is extremely well laid out. When one is looking at the risk of a portfolio of debt assets, whether of a bank or of a mutual fund, risk is not additive over asset classes or individual investments. This needs to be specially emphasised as the entire regulatory logic of capital adequacy for banks, originating from the Basle norms a decade back and adopted by RBI, assumes that risk is additive, and banks (including in India) calibrate portfolio risk in a linearly additive way. Thomas and Shah emphasise that the analytically rigorous way to compute portfolio risk is to use Value at Risk (VaR), though they recognise that in illiquid markets forecasting asset price volatility, an essential ingredient in the calculation of VaR, can be hazardous. A bank can properly judge whether its capital base is adequate, however, only after it has computed its VaR.

This is conceptually elegant, but not without its problems. Besides the difficulties involved in computing asset prices for bank loans in illiquid markets when credit defaults loom on the horizon, there is a more fundamental difficulty on the adoption of such an approach to risk. This is a finance theory centred approach to risk and encompasses very well certain kinds of risk such as market risk, liquidity risk and credit risk (though their decomposition can sometimes prove empirically intractable). Economists who are more

used to distinguishing between state of nature uncertainty (which is modelled stochastically) and strategic interdependence uncertainty (characterised game-theoretically) could well ask how useful VaR would be for the latter. All asymmetric information situations, including principal-agent problems, are game-theoretic problems, and two representations of this, moral hazard and adverse selection, are now customarily seen as maladies intrinsic to financial markets. It is unclear that strategic interdependence uncertainty is best comprehended using VaR, and when we look at risk in financial markets the risk arising out of situations of strategic interdependence is high. East Asia in the last two years is manifest evidence of this.

This is particularly relevant when one is rethinking prudential regulation, a third area in which microfoundations are crucial. In another chapter Shah and Thomas emphasise the pervasive ability of economic agents to change their behaviour in the light of changes in a regulatory regime. This principal-agent characterisation, and the regulatory desire to strongly shape the behaviour of market participants, has encouraged the emergence of a visibly layered regulatory law in the capital markets. A complementary approach would be to facilitate the emergence of changes in market microstructure which lead more readily to regulatory objectives being achieved. Shah and Thomas argue illustratively that the clearing corporation of a stock exchange is a superb example of an institutional innovation which facilitates the regulatory objective of market robustness by avoiding payments crises on the stock markets. Their argument can be extended to demonstrate how the emergence of a suitable market microstructure can strengthen regulation. If the clearing corporation is to take the counterparty risk in all trades with brokers on a stock exchange, it emerges as the best institution to credit-rate brokers. But this skill should be leveraged to find other applications. Thus, banks are very cautious about lending to brokers as they do not possess the information and expertise to assess broker creditworthiness. As the clearing corporation increasingly does, it can use its risk assessment skills to open a sustainable channel of bank credit to brokers by providing credit enhancement to banks in the form of guarantees or other forms of comfort. The clearing corporation of the National Stock Exchange has already

decided to act as a designated intermediary in stock lending to brokers. These examples illustrate that regulation is sometimes more effective if it facilitates the emergence of market processes and institutions which enable market participants to better manage the risks of their transactions. This insight, Shah and Thomas emphasise, is fundamentally micro-economic.

Subir Gokarn's chapter on the east Asian financial crisis and its implications for India raises a fourth issue which requires clear microfoundations. He argues that the financial system in these countries was undersupervised precisely because the export promotion regime completely subordinated it, and the profitability of exports provided a reasonably reliable monitoring mechanism for the allocation of credit. As exports fell, this automatic supervisory mechanism for banks, anchored on the export promotion strategy, began to erode, and the absence of a more formal supervisory system led to financial meltdown. Gokarn suggests that these were the structural reasons for what is best seen as a banking crisis in east Asia. The proximate reasons include the build up in short-term debt, much of it from overseas and unhedged, the large investments by banks in asset markets, and perceptions by overseas investors of implicit guarantees by governments.

Situating the inadequate supervision of banks within the comfort arising from earlier export successes may be more associative than causal, but still does not provide an altogether credible explanation for why sudden changes in investor sentiment occur at a speed and an intensity which lead to financial turmoil and crisis. In financial crises, sentiment reversals lead to panic, and explanations based on the fundamentals of the real economy seem at the time to be much too remotely related to the discontinuous changes in expectations which characterise the destruction of financial markets. The synthesis today of sentiment-centred explanations of financial crises rests in what are known as multiple equilibria models, associated particularly with the work of Diamond and Dybvig. These models are self-fulfilling, in that changes in expectations lead to shifting equilibria, and have acquired a new-found interest among economic theorists in explanations of certain kinds of financial crises. They are game-theoretic models embodying rational economic behaviour, and crisis outcomes represent non-cooperative Nash equilibria. While

the microfoundations of such crises are indeed legitimately representable in terms of the increasing precariousness of firms and domestic banks, as in Gokarn's analysis, this appears incomplete if the dynamics of financial markets are ignored.

A final microfoundations issue is raised by A Ganesh-Kumar, Kunal Sen and Rajendra R Vaidya in their discussion of India's export competitiveness and finance. In analysing impediments to firms gaining in export competitiveness they note that there are good reasons in economic theory for outside finance raised by exporting firms to be more expensive than internal finance (retained profits and depreciation). This is so because of asymmetric information between a firm and its creditors, as also between the firm's management and its shareholders, resulting in raising the cost of outside debt and imposing an equity price premium. One of the problems they study is whether exporters are disadvantaged compared to firms producing for domestic consumption in the additional costs they incur for raising outside finance.

Their empirical work during the period 1989-97 comes to the following conclusions: Firms producing for domestic consumption have higher profitability ratios, but exporting firms have faster asset growth and larger asset sizes on average. Although exporting firms have been able during this period to raise larger outside finance than have firms producing for domestic consumption, they have relied more substantially on borrowings. Most strikingly, the proportion of outside funds raised through the capital markets has been higher for exporting firms, leading to the conclusion that exporters face a smaller difference between external and inside finance costs. Ganesh-Kumar, Sen and Vaidya infer that this could be because financiers use successful exports as signalling the strength of firms. While more empirical work is needed to support such a conclusion (particularly as exporting firms in the sample have lower profitability ratios) this focus on the microfoundations of export competitiveness is valuable.

If the latest *India Development Report* is to be set off against the first Report two years ago, it is the newly found focus on micro-economic themes that is its most visible distinguishing feature. Future Reports are promised every two years, which is disappointing and indicative perhaps of how slowly the economy is expected to change. One trusts that the focus on microfoundations will not erode.



# State Formation and Subalterns

Walter Fernandes

**Subalterns and Sovereigns: An Anthropological History of Bastar 1854-1996** by Nandini Sundar; Oxford University Press, 1997; pp xxiv+296, Rs 495.

SOME romanticise the tribal history of British India as one of perpetual resistance to colonialism and others present their communities as powerless and passive. The former is used to co-opt them into the 'mainstream' freedom struggle forgetting that they also resisted their Indian exploiters. The latter legitimises their exploitation by presenting them as easy-going people who have to be 'developed' and 'uplifted' by outsiders.

Nandini Sundar began with the assumption of a community in revolt. To understand it she went back to their oral history. To her consternation the Dhurwa tribals of South Bastar did not have many such memories, not even of Gunda Dhur, presented by the mainstream history of the freedom movement as the leader of the 1910 revolt. Then she stumbled upon the movement led by B D Sharma against the proposed steel plant at Maolibhata. In trying to understand their 'heroic resistance' she rebuilds the history of state formation in South Bastar and its impact on the tribals.

The book begins with a discussion on the manner of founding the village. Its oral history differs according to the need of the hearer or the storytellers' desire to show their superior status. Sifting through it Sundar identifies social relations, resistance, acquiescence and state formation, and their links with their economy. For example, the 'perna', the priest and the 'majhi' the temporal head, were chosen based on their success in hunting and agriculture. Also the status of the lineage is linked to land and forests, so are marriage, accumulation of wealth and bride price. The founding villagers gave land to newcomers and "taught them to live and cultivate" (p 33). So they were viewed as civilising agents having power over the late comers and over land. There were, however, hidden conflicts in this apparently static arrangement.

Forests are critical in defining their life. Given their total dependence on it, the Dhurwas perceived them as the abode of their spirits, not merely as a material resource. They are also linked to shifting cultivation. The tribals depended more on millets that could grow in the forest than on rice that required open spaces. Land-ownership not being bound by rigid revenue laws, was mobile. So their food habits

as well as agriculture have changed over time and space. Their history too is not static. Even before British arrival, contact with outsiders existed through the market. They also participated in regional power struggles. The Kakatiya dynasty of Warangal defeated their Naga kings and ruled Bastar till 1947. They came under attack constantly and kept changing their capital. The defeated Nagavanshis retained some importance. In the 18th century the Marathas integrated Bastar into Chhattisgarh.

These developments also involved various stages of legitimisation of state formation. A weak central authority was one way of integrating the tribals into the Kakatiya kingdom. 'Dusserah' did it on the ritual plane. Brahminic in nature, it also involved the masses in its preparation and celebration. 'Corvee', known as 'begar' was linked to their economy as well as dusserah. Thus it symbolised people's integration as well as the king's power by bringing the notables and the common people together. By combining it with local 'jatras', dusserah created a state legitimising cosmogony moving upwards from the village. Danteshwari, the Kakatiya goddess provided the second level of legitimacy. Like that of the king, her position as the chief goddess had to be reinforced every dusserah. Legitimacy was conferred also by providing seniority to Mawli, the goddess of the defeated Nageswari kingdom.

Thus the coming of the British to Bastar was a "part of the composite development of events". Legitimacy notwithstanding, state formation was not always peaceful. There have been many rebellions, the one of 1876 being the first under the British caused by the 'malguzari' settlement and palace intrigues. To save himself, the king approached the British, thus providing further legitimacy to colonial rule. He too retained his legitimacy by blaming his officials for maladministration. The colonial context of the revolt was ignored. So the British continued their indirect rule. Treaties, exchange of gifts and rituals ensured the king's subjugation as well as internal autonomy. A land revenue system with a fixed amount under malguzari replaced 'khalsa' and zamindari'. The 'ryots' complained also about heavy punishment under the penal code, that too

a British introduction.

The British introduced direct rule at Bharamdeo's death in 1891 which lasted till 1908. It increased administrative expenses. The forest policy became a living symbol of state formation. Precolonial forest management cannot be romanticised, but it was sustainable. Later, practices were standardised but revenue remained its first concern and uncontrolled timber felling destroyed forests. But the British blamed shifting cultivation. Their policy ranged from a total ban to creating reserves for it, but rarely resulted in repression. Non-timber forest produce was the next source of conflict. Merchants had cheated the tribals earlier. But 'scientific management' meant more control, even ban or taxes. 'Nistar' rights were introduced, forests and lands classified, grazing dues and other changes introduced. Reserve forests involved greater imperial control and relocation of several villages. Thus forests came to symbolise the competition between the state and the local users. "The former emphasised large logs and the latter poles" (p 108). These changes also worsened the famine problem. This section is well written. But one is surprised that the writer who begins by giving importance to oral history, depends almost totally on written sources to understand land and forest that are the very centre of tribal life.

The rebellion ('bhumikal') of 1910 is situated in this context of "pitting of indigenous law against colonial law" (p 133). The caste-class background of oral and written histories is well analysed. The condescending attitude of the brahmin, the British and the local ruler and the repression that followed are brought out, so also the possible dual role of the Methodist missionary William Ward. Sundar concludes that it was an anti-British uprising though co-opted by disgruntled elements within the palace. Unlike in 1876 the tribals did not fall at the feet of the British. At least a few Englishmen seem to have realised that it was against the foreigner. So unlike in 1876 when they justified the rebellion, they attributed 1910 to the money-minded urban leaders and dismissed the tribals as superstitious. In this context, the discussion on whether Gunda Dhur is an individual or an inspiration makes sense. So does the conclusion that the spirit of the rebellion continues.

Also the chapter on the tribal question 1927-50 becomes meaningful. It begins with a discussion on the role and views of anthropologists. British anthropologists wanted to protect the tribals from the Indian 'mainstream' while Indians wanted their



integration. Despite these differences, many of them had a deep awareness of the issues and some even understood the government as the main problem. But their solution was more state intervention, preferably British. Besides, in focusing on the tribals, 'dalits' who had contributed much to life in the region came to be excluded. Also excluded was tribal self-rule because of their inability "to handle representative institutions" (p 163). So the king was retained but the British ruled through tribal headmen. They codified their customs, gave them some penal powers and turned the 'pargana' into an appellate body. In thus reducing the cost to the administration, they forgot that custom did not exist as a static body. So the devolution imposed from above failed but turned the 'majhis' who had organised the two rebellions, into cogs in the British wheel. Protection of the tribals was partial and exploitation continued.

Post-independence debate too was on the lines of integration versus isolation. Nehru opted for the middle path of controlled integration. But most post-independence governments have accepted Ghurye's assimilationist position. The nationalists interpreted anything that threw doubts on India as a nation as colonial divide and rule. The author brings out their racist overtones through the constituent assembly debates on the fifth and sixth schedules. The tribals "being inferior" were "incapable of ruling themselves" and if given autonomy, those in the north-east would secede.

Officials too betray this attitude. The British refusal to recognise Rudra Pratap's daughter as queen till the tribals forced them into it, people's suspicion that her death in London at 26 was unnatural, the manner in which the post-independence government declared her son Pravir insane, are its indicators. So the attack on their livelihood and the patronising attitude of the welfare officials, instead of strengthening the legitimacy of the state, add to their exploitation. Instead of recognising their weak agricultural base the state tried to co-opt the process of Pravir becoming a 'people's king'. In the resistance that Pravir led, his personal and people's grievances merged into one. He was arrested and de-recognised. Riots followed. Dusserah continued to remain a political symbol in the dispute.

In this conflict the author situates the 1965-66 famine, mobilisation against paddy levy, Pravir's role, the siege of the palace and his death in police firing on March 25, 1966. Women's role in the mobilisation is highlighted. This is, an

excellent example of history from a people's perspective. The official and local versions are compared and the evolution of myth and reality studied. It substantiates the author's starting point that while one cannot accept the myths of ongoing resistance or passivity, resistance exists in different forms. In 1966 the government exaggerated the extent of resistance to legitimise their oppression while the tribals did the same to de-legitimise the state. Ultimately the struggle led to their disempowerment because it turned into a palace power conflict. The deterioration of dusserah is contrasted with Pravir's popularity.

Then came Baba Bihari Das, perceived as Pravir's reincarnation. The merchants used him to exploit the tribals. Administrative efforts to control it were undermined by political intervention in Baba's favour. Hence, the concluding chapter on the uncertain future of the tribals. They resist when their livelihood is threatened. The specific contribution of Sundar is not in giving a functionalist interpretation of how and why people revolt at a given time,

but in analysing the role of "popular memory in fuelling resistance" (p 249). Its nature and the continuity between 1876, 1910 and 1966 are well analysed. The state that wants to remember 1910 as freedom movement considers 1966 anti-national, thus showing the link between state formation, resistance and popular memory. The discourse on development makes interesting reading. So does the section on insiders and outsiders and state intervention around tribal self-rule and the sixth schedule.

Precisely because of her rich analysis based on popular memory, one is disappointed at her failure to go back to it while discussing land and forests, and at her failure to mention Maolibhata in the discussion on development and revolt. It is mentioned right in the beginning and forgotten. This shortcoming notwithstanding, Sundar's is an immensely readable book, data based, well analysed, with quaint humour mixed with uninhibited use of words. An excellent contribution to literature on state formation and the subalterns.

## CENTRE FOR STUDIES IN SOCIAL SCIENCES CALCUTTA

### CULTURAL STUDIES WORKSHOP

The Centre for Studies in Social Sciences, Calcutta, will be holding the fifth All India Cultural Studies Workshop from **February 24-28, 2000**. The venue for the workshop will be Bharatpur in Rajasthan. The broad theme of the workshop will be **Critiques of Culture**, where the intention will be to explore the interlinked notions of 'culture', 'critique' and 'modernity' in Western theory and their deployment in the Indian context. With a focus on modern India, the workshop hopes to address the theme of cultural critique around issues such as (i) the cultural politics of nationalism, (ii) colonial and post-colonial cultural identities, (iii) the changing frontiers of disciplines, (iv) aesthetic productions and transgressions, or (iv) globalisation and the reinvention of cultures.

The workshop is intended to give young researchers the opportunity to share their work with a selection of senior scholars, including some of the faculty of the CSSSC. It is aimed for doctoral or post-doctoral students (preferably under the age of 35) who will be able to present a research paper for discussion. The CSSSC will bear the expenses of rail travel and accommodation in Bharatpur for all selected participants. Those wishing to participate in the workshop may apply with their current c.v. and a brief description of their current research. Applications are to be sent to the Registrar, Centre for Studies in Social Sciences, Calcutta-700 029, by **November 15, 1999**.

# Finance Commissions: Perilous Proxies and Dangerous Dummies

S M Vidwans

*Finance Commissions have progressively let sophisticated mathematical and statistical methods determine their recommendations. This approach was not free of deficiencies of varying kind and seriousness, but worse, it brought in its wake two elements inimical to the participative process of revenue sharing: obscurity, bordering on opacity, of the rationale of recommendations, and lack of accountability for their deficiencies. This critical review of past Commissions' work attempts to remind the new Commission of this reality and alert the state governments to it.*

## I Introduction

THE object of this paper is to highlight certain issues that stem from the increasing sophistication and complexity of the quantitative methods employed by the Finance Commissions (FCs). Such methods were mainly used in the statewide distribution of taxes shared between the union and the states, especially of the union excise duties, but later, also in the other areas of an FC's work. The paper reviews and critically examines some of these methods. However, the author wishes to clarify at the outset that he makes no claim to originality in his findings given here. Consistent with its theme, the paper is kept free, as far as is possible, from mathematical or statistical derivations in support of statements made in it as their proofs are easy to establish. Further, only the results of the necessary calculations have been quoted as they can be verified from the indicated data from FCs' reports. A few subtle statistical points have been relegated to the notes.

## BACKGROUND

The FCs used different criteria for different taxes and also fixed the percentages of divisible pool to be distributed by different criteria when more than one was used for the same tax. The specification of these percentages was a decisive factor by which the FCs could shape the resulting pattern of the statewide distribution. For the taxes to be shared with the states or assignable to them, the criteria were simple, such as population, or collection or assessment of a tax, or the amount of tax revenue foregone, or certain measures such as passenger-kilometres. The statewide distribution of shareable proceeds of a tax will be necessarily an arithmetical exercise. But, because of the simplicity of these

criteria, their direct relevance to the tax, and the simple arithmetic of the statewide distribution, the FCs procedures supporting their recommendations were easily understandable.

For union excise duties the position was, however, different. The sharing by the states in the net proceeds of these duties is only permissive. In their case it was not even implicitly necessary that the criteria used for statewide distribution should have some relationship with the factors of collection, assessment, base or incidence of these duties. Other factors could be considered in addition to or in total substitution of them. It was in this distribution that the FCs gave increasing weightage to relative backwardness of states, and it was this field, as the following review will show, that became a fertile ground for the growing sophistication of the mathematical and statistical methods used.

## II Review

### I TO VI FCs

Only the I FC used solely the population criterion for the distribution of the divisible pool of excise duties. All other FCs used one or more additional criteria for the distribution. For want of data on consumption, the II FC distributed 90 per cent of the divisible pool by population and 10 per cent by 'adjustment' to scale down the share for the more urbanised states which got greater advantage because of their large population. The III FC took into account states' relative backwardness in various respects, but, without quantifying it, the FC pronounced its recommendation as a well-considered judgment that "...the net proceeds of the union excise duties ... be paid out of the Consolidated Fund of India to the states and distributed

among them as below"[1] and specified the statewide percentage shares.

The IV FC distributed 80 per cent of the divisible pool by population and 20 per cent by some seven criteria of relative development (or backwardness) without spelling out how it combined the seven criteria for the distribution of the latter part[2]. A distinct trend was set by the V FC which appears to have used a composite index of development to distribute 20 per cent of the divisible pool by the backwardness criterion. It recommended that two-thirds of this part should be distributed to states with per capita (p c) state domestic product (SDP) below the average in proportion to the distance of their p c SDP from that average, and one-third by an integrated index of backwardness based on six development indices. It also did not clarify its procedure although it criticised its predecessor on the same count[3].

The VI FC ushered in the era of mathematical methodology for an FC's recommendation on the interstate distribution of the divisible pool. It employed a clear mathematical formula, the distance formula (DF), for distribution of 25 per cent of the divisible pool by the criterion of backwardness. The distance meant the difference of a state's p c SDP from the maximum p c SDP among the states. The state's share was made proportional to its size defined as the mathematical product of its distance and its population[4]. The unit of size is rupee, and it represents the SDP gap of the state, that is, the amount by which a state's SDP should be increased to make its p c SDP equal the maximum p c SDP among states. The assumption here is that the SDP gap has economic relevance to the distribution of the divisible pool. The DF will be discussed in detail later. It is important to note at this stage that because of its linearity the p c share

for a state, whose  $p$  c SDP is the same as the mean  $p$  c SDP, is equal to the mean  $p$  c share (as one should expect). Second, it yields a  $p$  c share that decreases as the  $p$  c SDP increases, and does so at an increasing relative rate (elasticity). It is thus not merely a progressive formula but one with progressivity that increases with  $p$  c SDP. It was, therefore, retained by the subsequent FC's, given disproportionate importance, and taken as a standard – unfairly, as we shall see – for comparison of progressivity of other progressive formulae.

#### VII FINANCE COMMISSION

The VII FC produced the first surge in the use of statistical methods and analysis for an elaborate scheme of the statewide distribution of the divisible pool of excise duties. Besides population (25 per cent weight) it introduced three progressive formulae using the following three statistics: (a) The inverse (reciprocal) of  $p$  c SDP, (b) the percentage of poor in the state, and (c) a measure the FC worked out by its Revenue Equalisation Formula (REF). In each case it worked out the size of the state, which was the mathematical product of population and the statistic, and distributed 25 per cent of the divisible pool in proportion to it[5]. All the three methods suffered from deficiencies of varying kind and seriousness. The substantive meaning of the first was obscure; the methodology of the second contained an elementary but vital mistake, and the third failed in its purpose.

The FC did not explain the economic or any other substantive meaning of the inverse income formula (IIF) which is progressive as it makes the  $p$  c share of a state a decreasing function of  $p$  c SDP. But when the inverse is multiplied by population, the size becomes a curious quantity: the square of population divided by an amount in rupees! Actually, it achieved the simple arithmetical result that if a state's  $p$  c SDP was  $k$  times that of another state, the  $p$  c share of the latter was  $k$  times that of the former (This creates a minor problem though See Note 1.) Another contrived meaning was forced on it by the VIII FC. But the VII FC, which introduced the IIF, did not spell out either of the two.

The second formula used the statewide estimates of poor population, separately for rural and urban areas, worked out by Raj Krishna, a member of the FC. The crucial requirement for this was the determination of state-specific poverty lines for the two types of area. At this stage of calculation Raj Krishna tripped himself.

For the estimation of the state-specific rural poverty lines, he used the results of a private research worker and created a serious policy issue. Second, because no such research was available for the urban poverty lines, he used the statewide (working class) consumer price index numbers themselves as if they measured inter-place price differentials[6]. This was an elementary but serious mistake, almost a blunder, making the recommendation of the VII FC void. Surprisingly, it was not noticed by any Commission member.

The FC considered it more relevant to deal with the  $p$  c revenue potential of states than their  $p$  c state revenue. It took the values of the potential to be equal to the estimated values of the  $p$  c revenue by regressing it on  $p$  c SDP thinking wrongly that by this method it equalised the revenue raising potential of a state by adjusting it for its  $p$  c SDP. In fact, since this procedure made the differences among statewide potential directly proportional to the differences in their  $p$  c SDP, its distance formula based on it, which the FC called REF, degenerated into the  $p$  c SDP-based distance formula of the VI FC. None of the FC's members realised this obvious futility of its statistical exercise.

The Planning Commission experts also did not detect Raj Krishna's error. In the beginning of 1979, the Commission, of which Raj Krishna was a member, proposed to use the poverty percentages worked out by him and the VII FC's formula for interstate distribution of block plan assistance. It was at this stage that the government of Maharashtra (GOM) detected Raj Krishna's error which was pointed out by the chief minister of Maharashtra in his speech before the National Development Council (January 20-21, 1979). The Planning Commission then dropped its proposal. The CM also brought to the attention of the Commission the issue arising out of the use of private research by the VII FC without giving an opportunity to the states to examine it. A little later V M Dandekar published a paper dealing with Raj Krishna's error, the limitations of data and estimates of poverty percentages, the character of research papers on the subject, and the inherent dangers of using them in matters of operational decisions of the government[7]. (Raj Krishna never accepted his mistake nor responded to the criticism of his work.)

#### VIII FINANCE COMMISSION

The work of the VIII FC marked the end of the surge in the use of statistical methodology produced by its predecessor.

It also signalled the end of statistical input by an FC's own members and the entry of external consultants in its work. In the memorandum submitted to it the GOM brought to its notice the above three deficiencies of the VII FC's work. The response of the VIII FC was interesting[8]. It retained the inverse-income-formula (IIF) artificially interpreting it as giving a measure of income-adjusted total population (IATP) and noting that the state governments had not generally objected to it (see Note 2). But it did not say a word about the GOM's reference to Raj Krishna's elementary mistake which invalidated the VII FC's corresponding recommendation. Perhaps, it was indelicate to do so. It rejected the poverty criterion for several other reasons: unsatisfactory estimates, the questionable relevance of the criterion, the dependence of the poverty estimates on the concept of poverty, and doubtful reliability of data and methodology. Apparently, one FC can have good reasons for suggesting a criterion, and another equally good reasons for rejecting it.

The FC duly acknowledged GOM's criticism of the revenue equalisation formula (REF) but held that the criticism did not detract from the utility of this criterion for assessing the capacity of a state to raise resources. It considered, though GOM did not suggest it, that a more sophisticated REF could be evolved using multiple factors as independent variables in the regression analysis to estimate tax effort. (But this does not resolve the basic problem. See Note 3.) It mentioned the study 'Relative Taxable Capacity and Tax Effort of States in India' done by the National Institute of Public Finance and Policy, which it had commissioned for this purpose. But the VIII FC wisely concluded that the comprehensive formula would be quite complicated and its assumptions questionable, and opted for the less complicated income-distance formula (DF) considering that the  $p$  c SDP was not only a good indicator of relative backwardness but also of the capacity of states to raise resources.

The VIII FC, therefore, recommended that 25 per cent of the divisible pool of excise duties should be distributed among states by population, 25 per cent by the IIF (IATP), and 50 per cent by the DF. But, since under the DF, Punjab, with its highest  $p$  c SDP, does not get any share, and since the weight of the DF had been increased to 50 per cent, the FC used a 'special device' to adjust the DF by assigning a notional distance to Punjab equal to

Punjab's distance from the next highest state of Haryana, thus reducing the shares of all other states in the process. As we shall see, this illogical device of 'notional' distance proved to be the thin end of the wedge that was used to distort the DF.

#### X FINANCE COMMISSION

As in the case of the VIII FC, the X FC's work marked an ebb from the preceding surge. (We break the sequence and review the work of the IX FC at the end, because, besides the second surge in the use of sophisticated statistical techniques, it also created some other serious issues.) The distinguishing feature of the XFC was that it used the same set of criteria and formulae for the statewide distribution of the divisible pool of both excise duties and income tax[9]. It recommended that the amounts be distributed as follows: (i) 20 per cent by 1971 population, (ii) 60 per cent by the income-distance formula (DF), (iii) 5 per cent by adjusted area, (iv) 5 per cent by the index of infrastructure, and (v) 10 per cent on the basis of tax effort. Of these (ii), (iv) and (v) deserve scrutiny and so also the inverse income formula (IIF) which the FC rejected.

#### Tax Effort

Although the FC was required to take states' tax effort into account, it considered that since the tax bases of the states differed, tax effort must be related to some notion of tax potential. For want of data the FC had to use p c income (SDP) as a proxy for the aggregate tax base. It concluded that the tax effort could then be measured by the ratio of p c tax revenue to p c SDP. However, it then moved away from this position by stating:

5.45 ... We felt that there was still a need to provide for an adjustment for states with poorer tax-bases. If the tax effort ratio as defined above is divided by p c income, it would imply that if a poorer state exploits its tax base as much as a richer state, it gets an additional positive consideration in the formula. Thus, using an index of tax-effort, as measured by the ratio of per capita own tax-revenue to the square of per capita income, the respective shares are worked out after scaling by population. ... (Emphasis added.)

To postulate that the capacity to raise taxes (relative to p c income) itself increases as p c income increases makes economic sense. But, from this position, the decision to divide the p c tax by the square of p c income was arbitrary. (Why not divide by any other power ( $>1$ ) of p c income?) The FC, which commanded consultancy

resources, should have seen more closely the statistical relationship between p c tax and p c SDP. Using data given in Annexures V 3 and V 4 of its report, this author found that the correlation coefficient (0.28) between p c SDP and tax ratio was statistically insignificant showing the weakness of the original postulate. A log-log regression analysis yielded the estimate of the power to which the p c SDP should be raised (as a divisor) to be 1.35, much smaller than the power of two to which the FC raised it, and that too statistically very insignificantly different from unity. Clearly, by its crude arithmetic, the FC arbitrarily and unjustifiably plumped for the poorer states and penalised the others.

#### Infrastructure Index (ISI)

For greater progressivity in devolution the X FC decided to use the criterion of relative infrastructure development. It got an index of infrastructure (ISI) constructed through a commissioned study by 'eminent' economists, and used it by the distance formula with the adjustment for the highest value state. The FC's report in its Appendix 5 gives only the excerpts from the study without the data it used. This imposes severe limitations on the examination of the study's procedure and of the resulting findings.

The study chose to measure directly the available infrastructure facilities because the (two) alternative measures were "not helpful in devising a measure which can identify the extent and nature of action required at the level of states in the union". It measured infrastructure facilities in the states "in terms of" eight sectors. Suitable indicators were worked out for every sector for 18 major states (in terms of population). Then the usual two-step approach was followed. First, the indicator values were converted into index values expressing them as ratios to their all-India averages. (The excerpts are rather unclear about this.) When the number of indices was more than one for a sector, the first principal component (PC) was calculated and used as an index for that sector. (Whether the index values proper, or their deviations from the mean, or their standardised values were used for the PC analysis is not mentioned. The results of the PCA depend upon the choice.) At the second step, the index values were 'aggregated' as a weighted total with the weight of an index proportional to its correlation coefficient with p c SDP. It appears that the values of the ISI are the percentage ratios of the aggregates to their all-India total. The Annexure V 5 shows the index values for all the 25 states with their all-India (all-

state?) average equal to 100. On a host of material points, some of which are discussed below, the ISI is questionable.

The unit of the values, which are percentage ratios, has been strangely described as rupees! It is not clear how the index values were worked out for smaller states with their data having 'numerous gaps' (the reason why they were excluded in the construction of the ISI). The average of the 25 index values, or of those of the 18 states, unweighted or weighted by population or area, differ considerably from 100, the all-India average shown in the table.

The first step of scaling indicators into indices and the second step, of determination of their weights can both be taken separately in several ways, yielding several different equally good ISIs whose values, when used in the distance formula, would generate very different sets of statewide shares, making the choice of the particular ISI the study constructed an arbitrary one. At the second step, if the weights are determined by optimising a meaningful 'objective function', to that extent at least, the composite index ceases to be arbitrary. The study chose to assign weights to the indices in proportion to their correlation coefficients (R) with p c SDP. First, the relevance of this relationship is not understood as the ISI was to be used in addition to the DF based on p c SDP. Second, the R of the ISI with p c SDP is seen to be quite small (0.63). Third, if R was important, the best linear function, which will have the maximum R with p c SDP, will be the multivariate linear regression function of the p c SDP on all sectoral indices, and that should have been taken as the ISI. (The degrees of freedom, as the IX FC showed, are not important!) The weights in it will also adjust for the difference in scaling at the first stage.

However, that will be only a better statistical procedure. But the study did not demonstrate how the ISI would meet its objective of identifying "the extent and nature of action required at the level of states in the union". This leads to another question. The study chose indicators which directly measured available "facilities". Since the ISI was to indicate governmental actions, only such facilities as are financed directly, or aided financially, by governments at various levels should have been taken into account. It is not clear whether the indicators such as hospital beds measured only this governmental activity. Further, since the values of such indicators can be directly changed by governmental action, they cease to be statistical variables, and their covariances or correlations, on

which the PCA is based, have little meaning.

The ISI, statistically produced as a weighted total of component indices, establishes a numerical equivalence between them: between roads and hospitals and schools and banking offices, etc. This logically leads to a strange conclusion that in practice the various facilities are substitutes for one another to reach the same level of infrastructure development! Such are the perils of constructing a composite index from development indicators which are basically not statistical variables and whose values can be changed by direct governmental action.

The study, and by implication the FC, used data on such items as irrigated area, railway route length, number of registered motor vehicles, or post offices and telephones, from a private information supplying firm. Does this mean that the corresponding government departments do not publish this information or did not provide it to the FC? This is indeed a regrettable state the government's statistical system seems to have reached. Apart from this being unfair because the

firm's information is not accessible to the public, the aspects of public responsibility and accountability of the firm supplying information are absent in such an information use for the policy decisions of the government. Worst, the FC did not publish the data the study used, and published only the excerpts from the paper of the study. (The author understands that the full paper has not been later published in an academic journal.) The FC thus deprived the state governments of the opportunity to understand the process of generating certain numbers that it used to distribute a part of the divisible pool.

#### Adulteration of Distance Formula

The X FC dropped the inverse income formula (IIF) because of its convexity which makes the middle income groups bear a relatively higher burden of progressivity implicit in it compared with the distance formula (DF). (Refer to its graphs[10].) The FC transferred its weight to the distance formula (DF) increasing its weight to 60 per cent. This large weight led the X FC to the same 'special device' of the VIII FC of assigning a notional

distance to the highest p c SDP state. But because there was a further perceived problem since the time of the IX FC, it followed that commission's approach to further modify the pure version of the DF, which we shall call PDF here onwards.

By the time of the IX FC, Goa had become a state and that too with the highest p c SDP pushing Punjab to the second place. But the IX FC did not assign a notional distance to Goa equal to the difference of its p c SDP from that of Punjab. Its convoluted reasoning for the strange decision it took (First Report) was as follows[11]:

We, however, do not consider Goa as a representative state for the purpose of measuring the distance of per capita income among states, since it is too small in area and population. Besides, the data for State Domestic Product for Goa are available for only two years. Taking all the relevant factors into consideration, we have adopted Punjab, which has the second highest per capita income, as the highest per capita income state for purposes of measuring the distance factor. At the same time, in order

TABLE : COMPARISON OF SHARES OF STATES BY DIFFERENT ALLOCATION FORMULAE

Sr No	State	Population 1971 (in lakhs)	p c SDP 1987-90 (Rs)	Dist I (Rs)	Allocation by Dist (I) Formula, ie PDF**		Percentage Gain in Share by other Formulae wrt Distance (I) Formula				
					Per Cent Share	PC Share ***	Distance Formulae				Inverse of PC SDP
							Dist (IA)	Dist (II)	Dist (III)	Dist (IV)	
1	2	3	4	5	6	7	8	9	10	11	12
1	Bihar	563.53	2135	5229	14.51	257.53	-0.01441	1.80	-2.55	-7.18	12.78
2	Uttar Pradesh	883.41	2867	4497	19.57	221.48	-0.01441	0.54	-1.51	-4.25	-2.34
3	Orissa	219.45	2945	4419	4.78	217.64	-0.01441	0.38	-1.38	-3.88	-3.25
4	Rajasthan	257.66	3092	4272	5.42	210.40	-0.01441	0.07	-1.12	-3.14	-4.68
5	Tripura	15.56	3163	4201	0.32	206.90	-0.01441	-0.09	-0.99	-2.77	-5.24
6	Assam	146.25	3195	4169	3.00	205.32	-0.01441	-0.16	-0.92	-2.60	-5.47
7	Madhya Pradesh	416.54	3299	4065	8.34	200.20	-0.01441	-0.41	-0.72	-2.02	-6.11
8	Meghalaya	10.12	3328	4036	0.20	198.77	-0.01441	-0.48	-0.66	-1.86	-6.26
9	Manipur	10.73	3449	3915	0.21	192.81	-0.01441	-0.79	-0.40	-1.13	-6.75
10	Andhra Pradesh	435.03	3455	3909	8.38	192.52	-0.01441	-0.81	-0.39	-1.10	-6.77
11	Kerala	213.47	3532	3832	4.03	188.73	-0.01441	-1.01	-0.22	0.61	-6.97
12	J and K	46.17	3534	3830	0.87	188.63	-0.01441	-1.02	-0.21	-0.60	-6.98
13	Himachal Pradesh	34.60	3618	3746	0.64	184.49	-0.01441	-1.25	-0.02	-0.05	-7.10
14	West Bengal	443.12	3750	3614	7.89	177.99	-0.01441	-1.65	0.31	0.87	-7.10
15	Karnataka	292.99	3810	3554	5.13	175.03	-0.01441	-1.83	0.47	1.31	-7.02
16	Nagaland	5.16	3929	3435	0.09	169.17	-0.01441	-2.23	0.79	2.23	-6.71
17	Tamil Nadu	411.99	4093	3271	6.64	161.10	-0.01441	-2.82	1.28	3.60	-5.96
18	Mizoram	3.32	4094	3270	0.05	161.05	-0.01441	-2.82	1.28	3.61	-5.95
19	Gujarat	266.97	4602	2762	3.63	136.03	-0.01441	-5.09	3.17	8.91	-0.94
20	Arunachal Pradesh	4.68	4670	2694	0.06	132.68	-0.01441	-5.45	3.48	9.77	0.08
21	Sikkim	2.10	4846	2518	0.03	124.01	-0.01441	-6.50	4.34	12.21	3.18
22	Haryana	100.37	5284	2080	1.03	102.44	-0.01441	-9.87	7.15	20.09	14.56
23	Maharashtra	504.12	5369	1995	4.95	98.25	-0.01441	-10.70	7.83	22.02	17.55
24	Punjab	135.51	6996	368	0.25	18.12	-0.01441	384.14	82.08	230.74	389.05
25	Goa	7.95	7364	0	0.00	0.00	@	@	@	@	@
Total/Mean		5430.80	3625	3739	100.00	184.13					

Notes: (1) \*\* PDF = Pure Distance Formula.

(2) \*\*\* p c share = per capita share in Rs when the total amount distributed is Rs 10,000 crore.

(3) Distance (I): From maximum p c SDP; (IA): Same as (I) with national dist Rs 368 for Goa; (II): As per X Fin Com. (III): From p c SDP [Goa + (Goa - Punjab)]; (IV): From p c SDP [Punjab + (Punjab - Maharashtra)].

(4) The line across the table separates the states into two groups: with below, and above average p c SDP.

(5) @ = Infinite.

to protect the interests of both Goa as well as Punjab, we have adopted the distance of the next highest income state, which in the present reckoning is Maharashtra, for measuring the notional distance. Thus the income distance of the three states, namely, Goa, Punjab and Maharashtra would be *ad par inter se*.

In the Second Report, when SDP data for Goa were available for three years, the only change it made was to say that: "Also the data for the state of Goa are available only for a few years"[12].

The two reasons, one transitory and one permanent, given by the IX FC for this double adjustment of distances were specious. For what was materially relevant was not the number of years of availability of estimates for Goa's SDP, but whether these estimates were available for the specific three years for which the FC used the SDP data for all other states, and second, whether they were comparable estimates prepared by the CSO. They were, on both these counts. Further, that Goa is small in area and population does not make it any special, for it is a state, which is all that matters, and Nagaland, Mizoram, and Sikkim had smaller population, and the last two have a smaller area than it. Since distance is the difference between the p c SDP of two states, the distances of these three small states from Punjab, for the same reasons, are also unrepresentative of whatever true character the FC was looking for in a state to be representative. Thus viewed, no state can qualify as a true representative of others in most aspects. Therefore, to consider Goa to be unrepresentative as a reference point for distance measurement lacks any basis. Once an FC decides to use a single catch-all criterion such as p c SDP to make all states comparable, to depart from it to show special consideration to a particular state (actually to two states) is grossly arbitrary. The IX FC adopted the variation after, as it said, taking "all the relevant factors into consideration", but did not disclose, as it should have, what those factors were. It is not known whether it explored other mathematical ways of handling the situation; perhaps, it did, and rejected them for some special reasons.

#### *Mathematical Politics of Distance Formula*

The X FC toed the same line[13], although Goa's SDP data were available to it for several years. We shall analyse the situation created by the adjustment using its data and results given in Appendix 4 of its report. For the 25 states arranged in the ascending order of their

p c SDP, Table 1 gives these data in its first four columns and the income distance from Goa (distance-I) in its fifth column. The percentage shares of states, by pure distance formula (PDF) are shown in column (6) and the p c shares of the states (for 1971 population) in column (7), assuming the total amount distributed among them to be Rs 10,000 crore. The average p c share of all states works out at Rs 184.13. (Some of these results are shown in the FC's report; the differences from them are due to rounding.)(14)

The average p c SDP of states, weighted by 1971 population, works out at Rs 3,625. The dotted line drawn across the table separates the states into two groups of below and above average p c SDP states. At the uppermost end of the income scale the p c share drops sharply from Rs 98.25 for Maharashtra to Rs 18.124 for Punjab and zero for Goa.

Faced with this situation the X FC followed its predecessor and 'corrected' it in the same manner. Several alternative courses were open to it. The table shows the results for four alternative DFs in its columns (8) to (11), and for the IIF in column (12). They show the percentage gains(+) and losses(-) in shares by the alternative formulae in comparison with those by the PDF. Column (12) shows that under the IIF, all states lose in their shares, except Bihar at the lower end, and Arunachal Pradesh, Sikkim, Haryana, Maharashtra, Punjab and Goa at the upper end. The latter situation is anathema to any FC. Further, under the IIF the elasticity of p c share with respect to p c SDP is always (minus)1 over the entire income scale, while for the PDF the absolute value of the negative elasticity coefficient increases with p c SDP. That is the merit of the PDF, but not exclusively. The reasons for rejecting IIF in favour of the PDF might be deeper than the ostensible reason of the convexity of the former. For, the adjusted DF is also convex as the graph 4 on page 173 of the X FC's report shows.

*Alternative IA:* The first simple alternative was to assign, as the VIII FC did, a notional distance to Goa equal to the distance of the next below high p c SDP state of Punjab from it, that is, Rs 368. The p c share of both Punjab and Goa would then have been Rs 18.121 and the shares of all states (under PDF) reduced by 0.01441 per cent to contribute to Goa's share. [Column (8) of the table.] But this alternative pits Goa, the gainer, against the remaining 24 states, the losers. Politically rather inconvenient.

*Alternative II:* The statistically enlightened FC could not have been unaware

of the two important mathematical properties of the PDF. An increase of distance of any state reduces the shares of all other states. The second, not so obvious, but easily established, is that if the reference point, from which all distances are measured, is moved down the p c SDP scale, the shares of all below average p c SDP states increase and those of the others decrease. (The opposite result is obtained if the reference point is moved up.) If both changes are made simultaneously, the two effects will be in opposite directions for the below average p c SDP states some of which might gain in the process. This might conveniently divide the 24 loser states making some of them gainers in the process of adjustment. This is what the IX and X FCs chose to do. They lowered the reference point from Goa's p c SDP to that of Punjab, and assigned the same notional distance to both Punjab and Goa equal to Maharashtra's distance from Punjab. The p c share of the three states was made equal to Rs 87.74, thus increasing the share of Punjab by nearly four times that under PDF [column (9) of the table]. Of the remaining 23 states, the shares of 19 states, Tripura to Maharashtra increasingly reduce, and those of Bihar, Uttar Pradesh, Orissa and Rajasthan increase! The adjustment killed adroitly two birds with one stone: It first increased Punjab's share by nearly 400 per cent and assigned an equal p c share to Goa, and simultaneously divided the rest of the 23 states into two groups of losers and gainers creating a vested interest of the populous gainers in the perpetuation of this particular solution to the problem of protecting the interests of Goa.

But the VIII to X FCs did not see the illogicality of introducing a notional distance in the PDF. One can assign a notional value, such as income or area, when it does not depend upon any other value. Distance is an altogether different kind of measure that needs two values: One, of which distance is measured, and the other, from which it is measured. Therefore, forgetting Goa for a moment, when the distance of Rs 1,627 is assigned to Punjab (p c SDP Rs 6,996), the reference point from which Punjab's distance is measured becomes, by implication, (6996+1627=) Rs 8,623. But, for all other states the reference point remains Rs 6,996, Punjab's p c SDP. Thus we have in effect two reference points in a single distance formula which distorts its very concept. When, in addition to Punjab, the X FC assigned notional distance to Goa, it created three reference points making its DF a



caricature of the PDF. Mathematics and illogicality do not go together. The FCs should not distort the logic of the mathematical DF if they wish to adopt it. Their objective to assign a share to Goa could have been served in several ways. Two alternatives are illustrated in the table.

**Alternative III:** If Goa is to be assigned a positive distance, following VIII FC, that distance should be equal to Punjab's distance from it, that is Rs 368. This means the reference point for measuring all distances should be raised to Rs 7,732 which equals Goa's p c SDP of Rs 7,364 plus Rs 368. The resulting changes in shares are given in column (10) of the table. Compared with the shares under PDF, the shares of lower income states go down and of others increase, the change being larger the farther away the state's p c SDP is from the average. But the results are much better than those under IIF for the middle p c SDP states.

**Alternative IV:** If for the specious reasons the IX FC gave and the X FC accepted, Goa is to be overlooked as atypical and Punjab is to be assigned a distance of Rs 1,627, equal to Maharashtra's distance from it, the reference point for measuring all distances should be Punjab's p c SDP of Rs 6,996 plus its distance of Rs 1,627, that is, Rs 8,623. The resulting changes in shares, shown in column (11) of the table, are much larger than those under the III alternative, because the reference point is higher, but follow the same trend.

This does not exhaust the possibilities. There is a whole class of alternative DFs possessing the same quality of PDF that the relationship between  $y$ : the p c share and  $x$ : the p c SDP is graphically represented by a downward sloping (to the right) straight line ensuring numerically increasing negative elasticity coefficient of the former with respect to the latter as the latter increases. The two conditions the straight line should satisfy are that within the range of  $x$  values,  $y$  remains positive, and that it must pass through the point  $(m_x, m_y)$ , where  $m_x$  and  $m_y$  are the weighted means of  $x$  and  $y$  (weighted by 1971 population), since the p c share for the mean p c SDP must equal the mean p c share. The straight line will be fully specified if one more condition is imposed on it. Two simple ways of doing this are:

(i) Assign the value of  $y$  (p c share) to a state with the known  $x$  (its p c SDP) value; for example, a positive value can be assigned to Goa's p c share.

(ii) Decide upon the ratio of p c shares of two states; for example, as implicit in

the IIF, set the ratio of p c share of Bihar to that of Goa equal to the inverse ratio of their p c SDPs.

The FCs will not adopt any of these alternatives because under them, compared with the PDF, which the FCs have taken as the standard for comparison, the p c shares of the below average p c SDP income states will be less. But is it right to take the PDF as a standard for comparison?

#### *A Re-examination of the PDF*

It is high time to critically re-examine the PDF especially when, from its modest beginning (20 per cent weight), it has become the major factor (a weighty one at 60 per cent) in the distribution of divisible pool of both income tax and excise duties that has consequently led to its distortion.

First, the fact that the maximum p c SDP state is denied a share under it is itself its weakness. For the question is of relative backwardness. The maximum p c SDP state cannot be considered so advanced in an absolute sense as not to qualify for sharing in the distribution of a large part of the divisible pool. The formula must be such that, without provoking its distortion to make a special case for that state, it provides a share to all states.

Second, the simplicity of the PDF hides a basic statistical weakness. In statistical terms, formulating decisions on the basis of the maximum value, even if it be three years' average, is not desirable because that is a relatively unstable statistic. The attempt should be to use a measure based on all observations. The V FC used a distance formula taking the average p c SDP as the reference point thus excluding all above average income states from distribution. The VI FC criticised this formula observing that it "affected most adversely those states whose per capita income happened to be just above the dividing line" because of the "known margins of errors in national income data" [15]. For the same reasons, it is not advisable to use the maximum p c SDP, nor the p c SDP of any state, as a reference point for measuring distances as it affects the shares of not only the states whose p c SDP is nearer to it but of all states.

Third, a subtle point of theory. The formula lacks logical consistency with its basic objective, which, putting it simply, is to introduce, because of the disparity in their p c SDP, disparity in the p c shares of states in an opposite direction. Therefore, if the latter disparity decreases, the formula should also ensure mathematically that the disparity in the p c shares reduces *pari passu*. But this would not happen when

the distances are measured from the maximum. For, even if, hypothetically, the p c SDPs of the states differ slightly (relative to their average) among states, there will always be a maximum value, and the PDF will result in a very large disparity in the p c shares. It can be shown, by simple models of change, that the relative variation in p c shares determined by the PDF is totally insensitive to the changes in the relative variation in the p c SDPs (see Note 4).

The reference point for measuring distances should not be, therefore, based on the single value of the maximum p c SDP or on the p c SDP of any state, but on a statistical measure (or measures), which uses all p c SDP figures, such that the disparity in the p c shares of states gets directly related to the disparity in their p c SDPs. For example, the Planning Commission used to adopt a distance formula with twice the average as the reference point. (This was perhaps a product of serendipity rather than of statistical ingenuity.) When the maximum is less than that value, the formula makes the coefficient of variation of the p c shares equal to that of p c SDP. With Delhi now a state, the FC should develop and faithfully adopt a more statistically satisfactory formula, rather than retain the present PDF and distort it thrice.

#### IX FINANCE COMMISSION

If the VII FC rode on a surge in statistical analysis, the IX FC did so on a super-surge of econometric methods. That was its major distinguishing feature. To discharge its onerous responsibility to adopt a normative approach in assessing receipts and expenditure on revenue account of the states and the centre, it had to almost totally depend upon commissioned expertise (three consultancy institutions and one consultant). That produced mammoth and complex econometric work: more than two dozen regression exercises using dummy and proxy variables, complex models, restricted least squares estimation procedures, etc, a review of which would be a sizeable study had the FC's reports given the data used in the analysis. Attention is focused here mainly on the issues generated by the FC's adoption of complex methods in its work.

#### FIRST REPORT

The methodology used by the FC in its First Report and its results are given in its Appendix I, but not the data underlying the results (which would have taken only a page and a half) rendering a critical examination of the methodology and the



results impossible. Even then a few comments may be made. First, inadequate data: 10 parameters were estimated when the total number of observations for the first group of four states was 20 leaving the degrees of freedom (df) for the residual sum of squares to be only 9, smaller than the number of df due to regression! For the other two groups, the situation was only a little better. Second, the values of 'R-bar Square' were so close to unity as to make the model almost mathematical instead of statistical that it was supposed to be. Third, it is not clear whether the observed differences between the regression coefficients of state dummies (for example, Punjab and Haryana, Andhra Pradesh and Tamil Nadu) were statistically significant, and if not, how the results were revised. On the whole, the exercise seems to be too simplistic to meet its serious objective.

The second distinguishing feature of the IXFC was its 'glasnost' (in its own words). It discussed its paper on methodological and conceptual issues with a group of 10 economists and econometricians to give finishing touches to it, and later, in a meeting with the states' finance secretaries and the officials of the ministry of finance in which "there was a broad acceptance of the approach and methodology"[16]. The FC's first report makes a special reference to the appreciation by the economic dailies and journals of its 'glasnost'. Surely, that could be creditable. But nagging questions linger. Openness has meaning if it is between equals. To ask for views on the approach presented in abstract econometric terms could not be exactly fair. Did the states' finance secretaries possess that necessary grasp of econometric methods to understand the approach, or suggest modifications in it, before they 'broadly' accepted it? Had not they only two alternatives, one to accept *as fait accompli* the proposed methodology formulated as it was by 'eminent' econometricians, or to reject it outright as too abstruse for adoption in the practical decisions about revenue sharing between governments? Few finance secretaries would follow the latter course.

The third distinguishing feature of the IXFC's work was its adoption of the same criteria, with the same weights, for the inter-state distribution of the divisible pool of both excise duties and the income tax, after 10 per cent of the latter was assigned to the states in proportion to 'collection' (assessment)[17]. The four criteria (with their percentage weights) it adopted were: population (25 per cent), income distance (50 per cent), inverse of p c SDP (12.5

per cent), and the percentage of poor as estimated by the Planning Commission (12.5 per cent).

### *Second Report*

In its second report the FC retained these criteria except the poverty percentage. The reasons for dropping it make interesting reading[18]. The methodology of its estimation was not considered sound and the reliability of estimates considered questionable by the states. The economists the FC consulted advised that the degree of poverty, as such, was not a relevant criterion in deciding budgetary allocations; the same argument made by states would have fallen on deaf ears. "Since, even the backward states ... did not favour the use" of poverty criterion, the FC decided to "drop it" ignoring that backwardness and poverty were different aspects. The criteria the FC recommended for the distribution of the divisible pool of income tax (and their weights) were: (1) collection as measured by assessment (10 per cent); (2) income-distance (45 per cent); (3) 1971 population (22.5 per cent); (4) composite index of backwardness (CIB) (11.25 per cent); and (5) inverse of p c income (11.25 per cent)[19]. For excise duties, the same criteria, except that of collection were recommended with weights of 33.5, 25, 12.5 and 12.5 per cent for criteria (2) to (4) respectively, with the balance of 16.5 per cent to be distributed among 'deficit' states in proportion to their 'deficits'[20].

### *Composite Index of Backwardness (CIB)*

The FC chose the CIB to substitute the poverty percentage it ejected and "in order to supplement the use of p c SDP". It was evolved by the FC on the basis of 1981 Population Census data and had two components with equal weights: (1) the population of scheduled castes and scheduled tribes, and (2) the number of agricultural labourers. In the FC's view, the two served to reflect poverty and backwardness. The data for the calculation of the CIB are given in the Annexures V3A and V3B of the Second Report.

The Annexures give not values of an 'index' but the percentage distribution over states of population of SCs and STs and of the number of agricultural labour and what is called 'weighted shares' are simple arithmetic means of the two percentages. Second, a more serious point involving a policy matter, these percentage shares are directly based on population numbers of the 1981 Census although the mandate to the FC was to use 1971 population figures. In fact, in its First Report, the FC itself

had justified the use of 1971 population[21]. The third, and the most serious point is that the simple exercise of constructing the CIB is materially flawed because of the statistical duplication of numbers. Though the first component is population, and the second the number of (main) workers who were agricultural labour and the two are not additive, in terms of the population that the second reflects, there is a clear overlap. A substantial percentage of agricultural labour in all major states belongs to the SCs and in most cases the percentage is more than twice the overall percentage of SCs among the state's working population. The same, to a lesser extent, is true of STs; the ratio is about 1.5. Since the two components, SC/ST population and agricultural workers, are to be taken together as a major section of the class of poor and of backward, the duplication needs to be removed by excluding from agricultural labour those who belong to the SCs and STs before their percentage distribution over states is worked out. The author's calculations show that by its defective CIB the FC assigned substantially larger shares (up to 24 per cent) to those states which have a larger than average proportion of SCs and STs among their agricultural labour, and substantially smaller shares (up to 15 per cent) to others.

### *Econometric Work*

The mind-boggling econometric work of the FC consists of 15 regression exercises for normative estimation of tax and non-tax revenue, and an equal number of such exercises for revenue expenditure. The former set is an extension of the macro-level approach of the first report to individual taxes and sources of revenue. The fact of paucity of degrees of freedom (translation: small number of observations) dawned upon the FC by then, and out went the state dummy variables and in came the proxy variables to measure the tax bases. For normative estimation at the state level the state dummies are important, and if something is to give way it should have been the time dummies. For their effect was accounted for in the value-variables as they were at 'current' prices. The estimated coefficients of time dummies do not differ much and in several cases are statistically insignificant. Even after omission of state dummies the number of observations was too small to set up regression equations containing half a dozen or more explanatory variables. Any statistician would demur at subjecting such scanty data to a multivariate analysis of this order, but not the intrepid FC firmly

believing that greater complexity enhances the soundness of its recommendations. Some proxies made strange bed fellows. Ordinary mortals in the states' finance departments might wonder what road or railway length per unit of area has to do with sales tax, or with stamp duties or registration fees, or with state excise duties; or for that matter, what per capita energy sales to ultimate consumers with sales tax. But their observed high correlation coefficient with the tax seems to have forced a relationship between the two. Such are the miracles which can be performed by the magic wand of the regression equation.

But econometrics did not hold full sway. First, the FC did not adopt fully the econometric estimates of normative revenue and expenditure. Those by alternative traditional methods were also worked out and some kind of compromise was achieved by moderating the former. This is indeed strange, for why either or both or their 'compromise' should be considered good enough is incomprehensible. Second, the econometric approach did not receive a unanimous unreserved backing within the FC. One member, Justice A S Qureshi, in his Note of Dissent and General Observations [22], pointedly questioned the very appropriateness to the Commission's work of these methods adopted so readily and trustingly by the FC. The relevant paragraphs 6.3 to 6.6 of his Note deserve to be fully quoted for the perspicacity of his observations, but considerations of space permit the presentation of only the summary of his main points.

Justice Qureshi objected to the normative estimates of revenue and expenditure based on the econometric approach that relied on "proxies, dummies, variables, etc". Given the wide variety of the social and economic conditions of the states, he doubted the efficacy of this approach. A serious aspect of this work he noted was that "certain considerations have been built in to arrive at the desired results". This very serious observation about the built-in slant in the results, an impression carried by some, was for the first time authenticated by a Commission's member. Although the econometric estimates were 'moderated' with respect to figures arrived at by traditional methods, he did not consider it a happy state of affairs. The Commission's reliance on econometric methods made it neglect the usual process of calling forecasts from states and of detailed discussions with the states' representatives. Qureshi found that the process of estimation by econometric methods was a mystery as regards their formulation,

assignment of weights to various factors, and their treatment of specific conditions obtaining in different states. When he tried to understand them he was "told that there were too many details involved in the process and it was difficult to explain or check them". Though he had mental reservations about these estimates, he found that "it was too late" and "he had no choice but to accept" them. He also noted that his colleagues in the FC also were not apparently satisfied with them. In his view "more thorough study of the subject" should have been done, better data collected, and discussions with states' representatives and subject specialists held for evolving a sound normative approach.

The majority of the FC's members, in their four paragraph Note, neutralised this pointed criticism of Commission's methodology by ignoring it [23]! This, from an FC which claimed 'glasnost', towards its own member. One can imagine the treatment any criticism by a state government would have received at its hand. But it should not be surprising because the IX FC, not content with its complex econometric work, dreamt that "Finance Commissions in the future may bring about further sophistication and refinement in this exercise" [24]. And none likes to be roused from a reverie by a reminder of reality.

### III

#### Concluding Observations

An FC's mathematical formulation of its recommendation is a welcome development as its logic becomes clearly understandable and it ceases to be a subjective judgment. However, the formulation must have a real meaning in substance, not a contrived one, and once made, it should not be distorted to protect interests of certain states. The inverse income formula lacked such a meaning and its interpretation as income adjusted total population stretched imagination. The X FC's tax effort formula arbitrarily used the square of the p c SDP as a divisor to favour the low p c SDP states.

The progressive income distance formula is harsh on states at the upper end of the p c SDP scale. This was not a serious matter when its weight was small. But when half or more of the divisible pool was to be distributed by it, to protect the interests of the highest p c SDP states, rather than modifying it suitably, the FCs distorted logic employing an empty rationale, which had a distinct political flavour, to dress their arbitrary decisions in a mathematical garb. The formula is not statistically sound and it is high time that

it should be founded on firmer statistical basis as suggested above.

Compared with the mathematical methods, the statistical methods can provide a more meaningful, but less firm, basis for an FC's recommendation. All those so far employed are shown to be flawed in some manner. Hasty statistical exercises run the risk of a mistake; Raj Krishna's in determination of urban poverty lines, and the IX FC's of duplication of numbers in its composite index of backwardness. They may end up with selective use of results of private research, like Raj Krishna's selection of rural poverty lines, making an FC's recommendation equally arbitrary. Sophisticated methods of constructing composite indexes have their own weaknesses. The VII FC had concluded that such a construction "on the basis of individual or partial indicators is beset with the problem of relative weights to be assigned to these indicators. Any set of such weights decided a priori or on the basis of factor analysis is bound to be highly arbitrary" [25]. Regardless of this the X FC used the index of infrastructure which, as pointed out above, was to some extent arbitrary and could have been improved, but still leaving its relevance to its objective questionable. An FC should recognise that because of an inherent element of indeterminateness in such multivariate methods, they do not yield meaningful solution to its problem.

The implicit trust in regression analysis is misplaced. The revenue equalisation formula of the VII FC did not achieve its purpose because it used a single explanatory variable. But even with multiple factors, the formula would not have worked, as the VIII FC thought, because with the regression approach one gets estimates, not true values, and they have their 'errors' of estimation. The use of these estimates without cognisance of these errors is not statistically justified. The entire econometric work of the IX FC could be reviewed from this angle.

#### DESPERATE PURSUIT OF PROGRESSIVITY

The increasing concern of FCs to inject greater progressivity into the statewide distribution of the divisible pool made them reduce the weight assigned to population (from 80 to 20 per cent), and motivated them to continuously search for and use new progressive criteria by mathematical or statistical formulae for the distribution of the large remainder. Of these formulae, only the distance formula of the VI FC has proved more than durable as it also gained in weight to 60 per cent. The inverse income formula, produced by

the VII FC, retained by the VIII FC, reduced in weight by the IX FC, was rejected by the X FC. The VIII FC continued with it because it found that most states had not objected to it, while the X FC discovered its convexity and rejected it in favour of the distance formula. The truth of the matter seems to be that the distance formula is the sharpest cutter of the shares of the higher income states and was, therefore, favoured by it. The poverty criterion experienced a swing; created by the VII FC, dropped by the VIII FC, temporarily brought in with reduced weight by the IX FC but on second thought finally rejected by it, it was ignored by the X FC. The IX FC after adopting the poverty criterion in its first report rejected it in the second report because even "the backward states did not favour its use" ignoring that backwardness and poverty are two different aspects, and that backward states would not mind its discontinuance because the criterion is not of special advantage to them as the higher income states also have a large percentage of poor. Other progressive formula made their transient appearance: the composite index of the V FC, the composite index of backwardness of the IX FC, and the index of infrastructure of the X FC; whether the last survives with the XI FC remains to be seen. The last two appear to have been invented to substitute the inverse income formula and the poverty percentage which were retired.

One would be bewildered by these changes: the introduction of the inverse income formula and poverty percentage for certain substantive reasons, and their rejection for certain other reasons, and wonder whether they do not make light of the serious exercise of devolution. The lofty aim of making devolution progressive seems to have been thus translated into the selective mowing down of the relative shares of higher p.c. SDP states. And towards this simple end the FCs seem to have been merely engaged in dropping one formula and cobbling another to take its place.

#### CONSEQUENCES OF SOPHISTICATION

The increasing sophistication of statistical methodology had two undesirable consequences. First, from clarity to obscurity, if not mystery, changed the character of FC's recommendations to such an extent that it is doubtful if even the FCs' members, some of them at least, understood the process of their recommendations. The VIII FC wisely avoided this situation, and Justice Qureshi, a member of the IX FC, candidly confirmed it. Coupled with this is the FC's neglect to provide fully the

methodological detail and data used by them for their exercises, deepening the cloudiness of an FC's recommendations into opacity. Lack of transparency in the use of a mathematical or statistical formula makes it indistinguishable from an arbitrary recommendation. It deprives state governments of an opportunity even to verify, understand and examine the full implications of the assumptions made, the results produced, and the soundness of the FC's recommendations. The participatory character of the revenue-sharing process is thus destroyed, an FC's claim to 'glasnost' notwithstanding.

The second point is about accountability. It was a member of the VII FC who first introduced a high degree of sophistication of statistical analysis in its work. But, at least, he was accountable to the FC, and the FC, in turn, to the parties affected for the disastrous mistake he made. Perhaps to avoid such a situation, starting with the VIII FC, an alternative course was followed – which is worse – to depend wholly upon commissioned external expertise. For obvious reasons such commissioned studies would adopt more sophisticated and complex methods. At least the VIII FC displayed the practical wisdom not to be swayed by the experts' work it ordered. But the FC's dependence on commissioned studies increased with the IX FC (and continued with the X FC) to such an extent that an FC's recommendations, using complex mathematical, statistical or econometric methods, are in effect framed by a third party which is accountable to none of those involved in this process of revenue-sharing. The 'eminence' of the experts, by itself, seems to lend a quality of unquestionable infallibility to the methodology they propose and the results they obtain, although eminence in one field is not transferable to work in another. The august institution of Finance Commission appears to be defensively taking some decisions by proxy and letting itself slide into a role of a dummy to that extent.

An FC's recommendations remain effective for five years. There is no redress available to state governments for those founded on technically questionable, implicitly arbitrary or outright defective statistical exercises. To be fair, an FC has, therefore, to be especially cautious about its use of sophisticated statistical methodology. It should recognise the distinction between academic research and its own field of responsibility, and judge whether the sophisticated methods are realistically applicable for the practical task on its hand. It would do well to pay heed to

Dandekar's warning[26] that the sophistication of analysis may be legitimate "in academic exercises which in their nature are exploratory. But it is clearly dangerous when academicians enter the field of operative decision-making without realising the exploratory and speculative character of ... academic work". A simple way for the FC to judge the issue would be not to let the technical sophistication of a method rise above that level beyond which it is incomprehensible to its members. It is in the interest of state governments, the main affected parties, to prevail upon the FC to be discerning in this respect if the decision-making process involving the allocation of thousands of crores of rupees is to remain subject to the imperative of accountability. Justice Qureshi made out, in para 1.9 of his dissenting note, a case for the establishment of a permanent secretariat for the FC manned by permanent and qualified persons[27]. For the purposes of continued accountability at least, his suggestion has a great merit.

#### XI FINANCE COMMISSION

The degree of sophistication of mathematical, statistical or econometric methods surged and ebbed alternately from the VII to the X FC. If this behavioural pattern were to repeat, one may witness another surge in the work of the XI FC. This review, it is hoped, should help the XI FC remain reminded of, and state governments remain alert to, the fallibility of these methods on the one hand and the serious consequences of their sophistication on the other. Otherwise, worse than what Madhav Godbole fears[28], its work will not be only a ritual but a complex ritual ostensibly sanctified by mysterious mathematical mantras and stupefying statistical stotras.

#### Notes

[It is not easy for an independent research worker such as the present author to carry out his work without help. In this case, even an access to FCs' reports and other published documents was not an easy matter. The author is grateful to the past and present officials of the government of Maharashtra: S G Prabhudesai, retired joint secretary in the planning department, B M Nagrale, director and R N Sathaye, additional director of the directorate of economics and statistics, for their ready help in supplying the needed publications.]

1 One practical problem with the IIF is that under it the p.c. share of a state, with its p.c. SDP equal to the mean p.c. SDP, is not equal to the mean p.c. share, but less than that. This is because for the IIF the (weighted) harmonic mean becomes relevant and decides the dividing line between states with above or below mean p.c. share

Since the harmonic mean is generally less than the arithmetic mean, the number of states with p c shares less than the mean p c share is larger under the IIF than that under the PDF.

- 2 The size under the IIF is equal to (Total Population of a state)/(Its p c SDP)  
Since Raj Krishna called the quantity

Poverty Population of a state)/(Its p c SDP) its income-adjusted-poverty-population [29], the VIII FC called the size under IIF the income-adjusted total-population (IATP) and argued that the IIF assigns shares to the states in proportion to the IATP. But why should it be called a type of population? The author understands that its reasoning, though not spelt out by it, was as follows. If the size is multiplied by a constant value, the distribution in proportion to this revised size will be obviously the same as that made using the original size. Suppose the constant is the (population weighted) mean p c SDP. Then the revised size for a state will be  

$$[(A \text{ state's Population}) \times (\text{mean p c SDP})] / (\text{Its p c SDP}) = (A \text{ state's hypothetical SDP}) / (\text{Its p c SDP})$$

The hypothetical SDP of a state assumes its p c SDP to be equal to the mean p c SDP but takes into consideration its actual population. When this hypothetical SDP is divided by the actual p c SDP, we get a figure which is in terms of number of persons, that is, population, which is called the IATP. It is the population needed to produce the hypothetical SDP at the rate of actual p c SDP. This is unrealistic arithmetic of ratios and proportions, which ignores that p c SDP is only an arithmetical ratio of SDP, after it is realised within the geographical boundaries of a state, to the population of the state. It is not meaningful, therefore, to work backwards to determine the population needed to generate a given SDP at a certain rate of p c SDP. The VIII FC also neglected that the two economic entities, the size of SDP and that of population, mutually influence each other and cannot be artificially separated. Apparently, the FC believed that its unrealistic measure possessed some real economic meaning.

- 3 Let Y denote the p c revenue potential, x the p c SDP, and a and b the estimates of the parameters A and B respectively in the estimated regression equation

$$Y' = a + bx$$

where Y' is the estimate of the revenue potential. If  $x_M$  is the maximum p c SDP and  $Y'_M$  the estimate of the maximum of Y, then the distance for a state the VII FC used in the distance formula based on the estimated revenue potential Y' is given by

$$(Y'_M - Y') = b(x_M - x)$$

From this it followed that the distance of estimated p c revenue potential is proportional to the distance of p c SDP, and therefore, the revenue equalisation formula of the VII FC degenerated into the distance formula based on p c SDP distance. This is what the GOM pointed out.

But there is something more. The right hand side of the last expression gives an estimate of the distance of revenue potential, and not its unknown real value. Every estimate has its estimation 'error' which can also be estimated from the regression analysis itself, if its assumptions hold good. (They may not.) This estimation error is not of the same magnitude

for the different values of estimated distance of revenue potential of the states, as it depends upon the distance of the p c SDP from its maximum, the larger this distance, the larger the estimation error. To treat the estimates of distances as real distances, without consideration of their estimation errors, will not be, therefore, a correct statistical procedure. This is true even for the multivariate regression using more than one factor, a point the VIII FC did not consider.

- 4 If y stands for the p c share of a state determined under the pure distance formula, x for its p c SDP,  $m_x$  for the mean of x,  $x_M$  for the maximum value of x, A for the value of p c SDP which is a reference point for measuring all distances, and CV(x) for the coefficient of variation of a variable x, then, it is easily established that if  $A > x_M$ ,

$$CV(y) = CV(x) * [m_x / (A - m_x)]$$

From this it follows that if  $A = k * m_x$ , with  $k > 1$ , then

$$CV(y) = CV(x) * [1 / (k - 1)]$$

Thus, taking the reference point as a fixed multiple of the mean p c SDP ensures that the CV of p c shares is proportional to the CV of p c SDP, and, therefore, if the latter decreases or increases the former will also do so in the same proportion. In particular, if  $k = 2$ , that is, the reference point is twice the mean p c SDP,

$$CV(y) = CV(x)$$

the two CVs become exactly equal.

On the other hand, if  $A = x_M$ , the maximum value of x

$$CV(y) = CV(x) * [m_x / (x_M - m_x)]$$

This gives  $CV(y) \geq CV(x)$  if  $2m_x \geq x_M$ , that is, when the maximum p c SDP is less than or equal to twice the mean p c SDP, the CV of p c shares is greater than that of p c SDP, otherwise the opposite result also holds good. It is not easy to study the behaviour of CV(y) as CV(x) changes, because the term  $[m_x / (x_M - m_x)]$  on the RHS is expected to change in the opposite direction of the change in CV(x). But, assuming, not unrealistically, that the relative sizes of states' population and the ranking of the states by p c SDP do not change, it can be shown by some simple models of change in x values, that the CV of p c shares is insensitive to the changes in the CV of p c SDP. The first model is

$$x' = x + C + a(x - m_x)$$

where x' is the changed value of x, and C and a are constants suitably chosen. The second type assumes that the p c SDPs of states grow, linearly or exponentially, at constant rates in such a way that at some future date they all become equal.

Secondly, one may note that  $CV(y) = 1/U_M$  where  $U_M$  is the standardised value of  $x_M$ , that is  $U_M = (x_M - m_x)/s$ , where s is the standard deviation of x. From this, one should expect, though it is not easy to prove, that CV of y, the p c share, will not depend upon the mean, standard deviation or CV of x but on the

number of observations of x and the statistical distribution function of x, the p c SDP.

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# Environment in Karnataka

## A Status Report

Ecological Economics Unit  
Institute for Social and Economic Change, Bangalore

*This paper presents an overview of the present status of the natural resource environment in Karnataka, namely, forest cover and pastures, land use, soil erosion, watershed development, livestock and fisheries, reserves of mineral ores and their exploitation, industrial pollution and urban environment. Apathy of the government machinery towards these environmental problems has provoked popular movements linked to people's access to natural resources and to health concerns. But an institutionalised approach to these problems is needed.*

### I Introduction

THIS paper presents an overview of the present status of the natural resource environment in Karnataka, raising also some of the critical environmental issues which have emerged and responses to the same. Environmental problems arise both because of resource depletion and negative externalities caused by development processes and projects. To meet the goal of sustainable development, it is necessary to address both types of problems adequately. While it is difficult to give definite guidelines about what proportion of exhaustible resources can be exploited by the present generation for its own use and consumption, there is some consensus about renewable resources like fisheries and forests that their exploitation should be limited to the rate of regeneration. Even about exhaustible resources, we should periodically review the rate of their exploitation as against the stocks available, so that an informed judgment can be made about what the present generation should use as against what can be bequeathed to the future generations. Negative externalities like water and air pollution inflict severe welfare losses and reduce output as well (for example, cement dust and air pollution reducing crop yields). While quantifying the impact of these externalities is beyond the scope of this paper, their magnitude would be assessed. Wherever appropriate or feasible, we also compare the situation in Karnataka with the country as a whole.

Cecil Saldanha brought out six state of environment reports on Karnataka, the last one released in 1993. Each of these reports carried specialised articles on a few selected aspects of environment in Karnataka. The present report is inspired by Saldanha's work but has a different format, being a synoptic overview of environment, trying to do justice to most aspects within one

paper using latest available information. Regrettably, issues related to management of water and energy could not be included here, though water pollution is discussed.

The paper is organised as follows. In Section II, we deal with the state of land use including forests and grazing land. We do not go into details of cropping pattern, but restrict ourselves to broad categories of land use. This leads us to a programme of arresting soil erosion and promoting water conservation through watershed development in Karnataka in Section III.<sup>1</sup> In Section IV, we deal with the state of livestock and fisheries, which are renewable resources. Mineral ores and their exploitation come under exhaustible resources, dealt with in Section V. This leads us to Sections VI and VII, respectively on state of industrial pollution and urban environment in Karnataka. In dealing with these issues, we also comment upon official response to environmental issues in respective sectors. Environment is too serious a matter to be left to official bureaucracy alone. Environment lobbies and NGOs have also played an important role in alerting officials and people at large about environmental problems. This will be dealt with in the concluding section.

### II Land Use, Forests and Pastures

Agriculture constitutes the major use of land both in Karnataka and the country as a whole, but more so in Karnataka. Taking together net sown area and current fallows, it accounted for 59.1 per cent of total geographical area in 1958-59 and 56.9 per cent in 1995-96 in Karnataka, as against 48.7 per cent and 51.3 per cent in India in the respective years. Though the proportion of land under agriculture has declined slightly in Karnataka, and increased slightly in India over these years, it still remains larger in Karnataka (Table 1). The proportion of land under forests, as per legal status (not necessarily

under actual tree cover), increased both in the state and the country as a whole, from 14.4 per cent to 16.1 per cent in Karnataka, as against 17.9 per cent to 22.4 per cent in India during the same years. In spite of our western ghats, the proportion of area under forests is thus seen to be lower than the country's average.

Permanent pastures, cultivable wastes and other fallows taken together can be said to constitute broadly common property resources used for grazing. At least as per official data, the proportion of such lands declined only slightly from 15.4 per cent in 1958-59 to 14.5 per cent in 1995-96 in Karnataka, but a little more significantly from 15.7 per cent to 11.6 per cent during the same years in India. The role of such common property resources as a source of fodder has been declining over the years, and correspondingly the role of fodder raised in private holdings, including fodder crops raised commercially, has been increasing. With population increase and economic development, prices of livestock products have increased significantly enough over the years to make such a shift affordable to farmers, though this would have certainly affected landless labour and marginal farmers who have little or no land of their own as a source of fodder. Irrespective of trends as seen from official data, common property resources appear to have declined both in quantity and also in quality and productivity. There is reason to believe that land under agriculture is underestimated and that area under grazing lands is overestimated, mainly because encroachments into the commons for cultivation are not reflected in official land use data. This was corroborated from a micro level study in Karnataka [Nadkarni and Pasha 1991].

This observation could apply equally to forests, encroachments into which are also common. This is quite apart from the fact that even unencroached lands legally under the forest department may have lost tree

cover due either to officially permitted clear felling or to unauthorised cutting and exploitation by people around the forests. There are also other factors due to which the official land use data on forests do not really report the physical condition of land. This results in errors in both directions. In Uttara Kannada district, for example, due to some legal quirk, forest land submerged under reservoirs or leased out for cultivation totalling over 1,000 sq kms was still reported as forest land in land use statistics [Reddy et al 1986:2 and 3]. On the other hand, in Shimoga, Chikmagalur and Dakshina Kannada, these statistics underestimate the extent of forest cover. This is because significant fractions of physically forested land are under the jurisdiction of the revenue department; only land under the forest department is counted as forest land in official statistics whatever its physical condition. Not an insignificant part of the increase in the area under forests in Table 1, is because of transfer of lands from the revenue department to the forest department.

With the emergence of remote sensing technologies, it was hoped that an 'objective' and 'accurate' method of delineating land cover was now available. However, forest cover statistics by different (and sometimes the same) agencies show dramatic differences that cannot be explained simply on the basis of difference in definition. For example, the state of forests reports of the Forest Survey of India have indicated that 81 per cent of Kodagu district is under forest cover, though cultivated area as per official land statistics accounts for more than 36 per cent. Forest Survey of India's own maps published at 1:2,50,000 scale for 1990 indicate only 35 per cent area under forests including scrub vegetation. In general, reliable information on forest condition at the meso-scale is still scarce [Lele et al 1998a].

The most recent and reliable estimate of forest cover – natural and artificial, dense and open – in Karnataka as a whole comes to 13 to 14 per cent of the state's geographical area [NRSA 1983; Sinha 1988]. The forest cover estimated by NRSA for India as a whole is also 14 per cent. The districtwise distribution is not reliably known for the reasons stated above, but the districts with greatest proportion of forest cover are Uttara Kannada (70 per cent), Dakshina Kannada (60 per cent), Shimoga (40 per cent), Chikmagalur (35 per cent), Kodagu (35 per cent) and Mysore (30 per cent). [Menon and Bawa 1998; Bannur and Sharatchandra 1997].

Over the years, there has been a considerable loss of forest cover in the state. Taking a long period of 1920-90 in five western ghats districts, Menon and Bawa (1998) concluded that the extent of forest loss varied from 13 to 53 per cent, due mostly to extension of cultivation and coffee plantations and very little to submergence under reservoirs (Table 2). The largest loss of forest is seen to be in Chikmagalur and Kodagu district where coffee plantations now dominate. Estimates of loss of forests in the state as a whole are available from official sources for the periods 1956 to 1981, and from 1981 to 1998 (Table 3). In both periods, extension of cultivation has accounted for the largest share among all factors, accounting for almost two-thirds during the latter period, and development projects accounting for one-third of the loss. These figures do not indicate net loss of forest area, for some of it has been compensated by increase in forest area at least in quantity (area) if not in quality.

Between 1975 and 1982, however, the extent of forest cover in the state seems to have declined by only 1 per cent [NRSA 1983] as compared to a decline of 3 per cent for the country. Subsequently, the

forest cover appears to have remained constant or even increased slightly. But this increase comes in the form of forest plantations (typically monocultural and often using exotic species) resulting from afforestation activities, while the extent of natural forests continued to decline.<sup>2</sup> Afforestation activities since the early 1980s attempted to promote mixed plantations, although with limited success [Saxena et al 1997]. The long-term trend appears to have been one of shift from closed canopy forest to open canopy forest, and from evergreen to moist-deciduous vegetation types. Standing stock may not have declined in the same proportion as forest canopy, since human use results often in disproportionate pruning of crowns [Lele et al 1998b].

The plant species composition has definitely become less 'rich' as many rare and endangered plants were lost or rendered scarce. This happened during a prolonged phase of 50 years or more up to mid-eighties, during the drive towards replacing natural forests by timber and other commercial wood plantations. The decline in wild animal populations has been even more dramatic and visible [Gadgil 1984; Daniels 1993]. At least one bird (the Great Indian Bustard) is reported to be on the verge of extinction, and the Bengal Tiger is surviving only in protected areas. The reasons for this are a disproportionate increase in forest fragmentation, erosion of habitat quality due to changes in composition and densities, and significant poaching pressures.

Forest degradation has also adversely affected the availability of fuelwood and small timber to local communities dependent on them in certain areas. The ban on green felling has reduced the official supply of commercial fuelwood and timber also. Certain species like bamboo had depleted significantly even before the ban on green

TABLE 1: LAND UTILISATION PATTERN

(Area in '000 hectares)

	Total Geographical Area	Forest	Non-Agricultural Use	Barren	Miscellaneous Trees and Groves	Cultivable Waste	Permanent Pastures and Grazing	Other Fallow	Agricultural Use
<b>1958-59</b>									
Karnataka – Area	18735	2702	804	885	370	663	1769	474	11068
Percentage	100	14.4	4.3	4.7	2.0	3.5	9.4	2.5	59.1
India – Area	293972	52675	13563	32879	5711	20610	13112	12286	143136
Percentage	100	17.9	4.6	11.2	1.9	7.0	4.5	4.2	48.7
<b>1995-96</b>									
Karnataka – Area	19050	3076	1230	801	326	444	1048	1284	10838
Percentage	100	16.1	6.5	4.2	1.7	2.3	5.5	6.7	56.9
India – Area	304863	68421	22035	18975	3657	14468	11176	9703	156428
1993-94 percentage	100	22.4	7.2	6.2	1.2	4.7	3.7	3.2	51.3

Note: Agricultural use = current fallows + net cultivated area.

Source: Karnataka at a Glance 1995-96, Directorate of Economics and Statistics; Fertiliser Statistics 1963-64 and 1996-97, FAI, New Delhi.



felling (around 1983) as the then system offered bamboo to paper mills at a nominal price and there was no incentive for regeneration [Gadgil and Prasad 1978]. The same thing happened in a number of non-timber forest species like *Cinnamomum* sp and *Myristica* sp and a host of medicinal plants (K S Murali, personal communication to Lele; FRLHT unpublished data). The overall impression is unmistakable that the long-term sustainability of these forests, especially in terms of quality is in serious doubt.

A few comments on the official responses to the forest situation are in order. Till at least the mid-eighties, afforestation efforts were mainly oriented towards meeting commercial species like timber, softwood and fuelwood, reflected in the plantations of teak, eucalyptus and casurina. Even under social forestry phase from 1983 to 1992, the focus on these species was not changed. In many cases, social forestry plantations reduced the availability of grazing lands to villagers, who had to be content with lops and tops. This led to protest movements led by NGOs like Samaja Parivartan Samudaya and led to a change of policy towards promoting mixed species plantations. Till 1992, however, the agencies of afforestation were the Karnataka forest department and such other government departments, operating in a centralised, bureaucratic, prohibit-and-police manner.

From 1993 onwards, however, there has been a visibly increased focus on the involvement of local communities in afforestation mainly under joint forest planning and management (JFPM). This is supported by a £24 mn 'Western Ghats Forestry Environment Project' funded by the UK. The progress under the scheme has, however, been rather slow due to several factors: (a) restriction of the JFPM to only 'degraded' areas, which form a small fraction of actual forest used by local communities; (b) inadequate devolution of control to local communities; (c) poor fit with social realities;<sup>3</sup> (d) problem of ensuring adequate incentives to locals; and (e) lack of enthusiasm among implementing forest staff [Saxena et al, 1997]. The number of village forest committees set up under this project up to September 1998 was only 400 in Karnataka, which compares poorly with the more than 2,000 set up in neighbouring Andhra Pradesh in a shorter time.

A clearly defined access to and exclusive control of the resource by local users may be a necessary but not a sufficient condition for sustainable management. For instance, many 'betta' lands in Uttara Kannada

where areca gardeners had exclusive access if not ownership were degraded due to indifference to regeneration [Nadkarni et al 1989; Lele et al 1998b]. 'Baane' lands in Kodagu under privatised access have all been converted to coffee plantations, and 'kumki' lands in Dakshina Kannada have in many places been converted to cashew or other plantations. This highlights the basic tension between different roles of forests, valued differently by different interest groups. Institutional innovations that enable local communities to be compensated for providing global benefits from forests, and a political environment and process committed to fairness and sustainability – both still largely missing – will be necessary for a successful resolution of these tensions.

In sum, though Karnataka has been endowed with a particularly rich forest flora and fauna and widely distributed network of pasture lands (including Amrut Mahal Kavals<sup>4</sup>), Karnataka's post-independence record of conserving them has hardly been encouraging. Forests and pastures have declined significantly particularly in quality, and regeneration efforts have had only a marginal success in addressing the problems.

### III Soil Erosion and Watershed Development

Soil erosion is a major problem affecting the state particularly in its dry or rainfed areas. According to official sources (*Indian Agriculture in Brief*, 25th ed 1994, pp 22-25), 11.4 million hectares out of the total geographical area of 19.05 million hectares, i.e. 59.8 per cent was degraded in Karnataka during the early 1990s. This proportion is more than in the country as a whole, where the problem area is 53.2 per cent. The problem area includes both cultivated and uncultivated areas. Karnataka is a pioneering state in taking up soil conservation

programmes, but only 30.6 per cent of the problem area was treated up to 1992-93. Though it is higher than in the country as a whole (20.9 per cent), there is still a long way to go. The old approach focused only on soil conservation which was not very effective. It has now given place to a more comprehensive and integrated approach of watershed development which includes soil and water conservation in dry and semi-arid areas.

Watershed development is a holistic approach to improve and develop the economic and natural resource base of economically disadvantaged and ecologically fragile regions such as the dry and semi-arid areas. Instead of an administrative region, watershed is the

TABLE 3 LOSS OF FOREST IN KARNATAKA, 1956-1981 AND 1981-1998

Purpose	Area Lost (Hectares)	Percentage to Total Area Lost
<i>From 1956 to 1981</i>		
Hydel project	41068	18.4
Direct submersion	35840	16.1
Rehabilitation of the displaced	25820	11.6
Power lines	1688	0.8
Colony roads and townships	2121	1.0
Mining	42676	19.2
Other non-agricultural use	6297	2.8
Extension of cultivation	67217	30.2
Total	222727	100.0
<i>From 1981 to March 1998</i>		
Hydel projects	5184	17.6
Irrigation projects	667	2.3
Laying of railways	359	1.2
Laying of transmission lines	399	1.4
Construction of roads	14	0.0
Mining/quarrying project	3343	11.4
Others (including extension of cultivation)	19460	66.1
Total	29426	100.0

Source : 1956-1981 : Karnataka State Gazetteer, 1982; 1981-1998 : Monitoring Report, Karnataka Forest Department

TABLE 2 : LOSS OF FORESTS IN WESTERN GHATS DISTRICTS

(Area in sq kms)

District		Extent of Forest and Scrub				Forest Loss Due to Per Cent to Total Loss		
Name	Area	1920		1990		Agriculture	Tea and Coffee	Reservoirs
		Area	Per Cent to Total	Area	Per Cent to Total			
Chikmagalur	7184	5068	71	2500	35	55.8	42.0	2.2
Hassan	6818	2205	32	721	11	81.0	18.3	0.7
Kodagu	4098	3622	88	1464	36	28.0	71.5	0.5
Shimoga	10556	6330	60	4637	44	93.1	0.0	6.9
Uttara Kannada	10251	9134	89	7806	76	92.6	0.0	7.4

Notes: (a) 1920 areas are estimated using Survey of India toposheets and hence should be considered as approximate. Data for 1990 were obtained from 1:250,000 FSI forest vegetation maps produced from interpretation of 1987, 1989 and 1991 imagery.

(b) Though tea and coffee plantations are clubbed together, area under tea is not significant. Source: Menon and Bawa (1998).



unit of area for development. At least in Karnataka, watershed development projects seek to improve all types of lands, both government and private, cultivated and uncultivated. It is not a mere soil and water conservation or forestry programme, but a strategy to increase the overall productivity of the region as a whole.

Karnataka launched the district watershed development programme (DWDP) in 19 selected watersheds, one in each district from 1983-84 onwards. In addition, there are programmes as under national watershed development projects for rainfed Areas (NWDPA), a model watershed development programme sponsored by ICAR/CRIDA, projects under rain-gauge stations, also an NGO sponsored programme like the PIDOW project in Gulbarga district. The agency, the approaches and manners of implementation of the projects differ. A unique feature of DWDP is that it is managed by a single agency – the dryland development boards, where all the concerned departments of the government are represented so as to promote integration and co-ordination. Until recently, the government sponsored watershed development projects followed a top-down approach, but people's participation is now being emphasised.

Starting from 1984, around one lakh hectares of rainfed areas have been treated every year under the programme, the cumulative total up to 1997 being 14.41 lakh hectares. The average cost of treatment per hectare worked out to be only Rs 2,825 (State Watershed Cell, 1997). The area treated so far (up to 1997) under watershed development programmes (excluding areas treated under earlier soil conservation programmes) works out to be only 7.5 per cent of the total geographical area of the state. But this is still significant considering that it is confined to dry and semi-arid tracts (which constitute about two-thirds of the total area of the state). However, there is still a lot more area to be covered.

A recent evaluation study of 20 watersheds in Karnataka based on satellite remote sensing techniques has shown some encouraging and at the same time some disturbing findings [RRSSC-STDP 1998]. The study involved a comparison between 1988 and 1996 imageries. In most of the treated watersheds, there was an improvement in agriculture, horticulture and forestry sectors; increase in irrigated area and water bodies; increase in yields; and decrease in fallows and extent of wastelands. Gullies and ravines were treated with vegetative checks to arrest soil erosion. Afforestation and gap filling activities increased biomass output as well. The

overall improvements were rated among the 20 watersheds as ranging from 7 to 27 per cent. There were also a few worrisome things like encroachments into non-arable lands, illicit cutting and unregulated grazing there. Even if non-arable areas are brought under forest cover, there was no assurance that it would remain there since people's participation and commitment in the use and management of common or public lands was not forthcoming to the desired extent. A similar need was felt in the maintenance and protection of development works undertaken. Frequent transfers, untimely release of funds and inadequacy of funds also affected the programme.

Other studies of the impact of watershed development on crop yields, income, employment, stability of yields, and water tables have shown significantly positive results [Deshpande and Nikumbh 1993; Ninan and Lakshmikanthamma 1994; Lakshmikanthamma 1997]. An economic analysis of a watershed (Mittermari) showed that after deducting all the costs including public capital investment and opportunity cost (due to grazing opportunity foregone by people as a result of the project), the internal rate of return was found to be 13.5 per cent, which is encouraging [Ninan and Lakshmikanthamma 1998]. We do not have to compare this with high nominal rates of interest; since the cash flows were in real terms. They can be compared with real rates of interest of 5 or even 8 per cent quite favourably. Besides, the benefits taken here include only the increased production in agriculture and the forestry sector, and indirect environmental benefits are ignored. If they are valued and taken note of, the rate of return would be higher still. It was also found that small farmers have shared in the gains. The lack of effective participation of people in watershed development has, however, been a constraining institutional factor in government sponsored projects. Efforts are being made now to give more voice to local level people's groups and NGOs in watershed development.

#### IV

##### Livestock and Fisheries

Almost all families living in rural areas depend directly or indirectly on livestock resources for their living. There exist strong complementarities between livestock and crop husbandry. Though in terms of value added by livestock, its contribution to national and state domestic product is now about 8 per cent and 6 per cent respectively, its economic importance is far greater than what is indicated by these figures. It is still a significant source of draught power, and

organic manure obtained from this source is needed as a supplement to chemical fertilisers. The contribution of livestock sector to total agricultural inputs, however, has been declining since the last two decades or more, thanks to subsidised chemical fertilisers and tractorisation.

The livestock population, however, has continued to increase both in Karnataka and the country as a whole, though not sharply. Total livestock (covered by livestock census, excluding poultry) increased by 32.3 per cent in India and by only 12.2

TABLE 4: (A) RESERVES OF MINERAL DEPOSITS (1995-96), (B) THEIR ANNUAL EXTRACTION (1995-96), AND (C) THE NUMBER OF YEARS FOR WHICH THE RESERVES MAY LAST AT THE PRESENT LEVEL OF EXTRACTION

Mineral Ores	Reserves of Mineral (Million Tonnes)	Annual Extraction (Tonnes)	Time Left to Exhaustion (Years)
Bauxite	28 00	69,617	402
Chromite	0.85	77,840	11
Copper	0.966	87,802	11
Dolomite	325 00	46,693	6960
Feldspar	164 64 (tonnes)	1 201	137
Fire Clay	8 44	2238	3771
Fuller's Earth	1.30	N A	N A
Gold	13 61 (tonnes)	1.45	9
Iron Ore	929.00	11,609	80
(mn tonnes)			
Kaoline	94 46	4808	19646
Kyanite	1360 (tonnes)	2.848	478
Lime stone	17,253	8 023	2150
(mn tonnes)			
Lin. Shell	NA	52 2	NA
Magnesite	1.17	26,200	44 7
Manganese	65.0	4,15,070	157
Quartz	26.8	24,412	1098
Vana-dium	20,387 (tonnes)	NA	NA

Notes: \* Time left to exhaustion, is obtained by dividing reserves by annual extraction both taken in same units  
NA – data not available.

Source: Department of Mines and Geology, Government of Karnataka.

TABLE 5. PROPORTION INDUSTRIAL UNITS WITH POLLUTION TREATMENT PLANTS (Per cent)

Industries	As on March 31, 1991	As on March 31, 1996
<i>For water pollution control</i>		
Large industries	65.8	73.2
Medium industries	65.0	67.6
Small industries	NA	62.7
<i>For air pollution control</i>		
Large industries	33.8	73.2
Medium industries	33.5	69.1
Small industries	NA	64.5

Source: Annual Reports of Karnataka State Pollution Control Board (KSPCB), 1990-91 (pp 8-10) and 1995-96 (p 13).

per cent in Karnataka between 1961 and 1990. Though Karnataka accounts for 6.2 per cent of the total area of the country, its share in the livestock population of the country was only 5.2 per cent in 1990. There is thus a little less pressure of livestock population on land in Karnataka than in the country as a whole. The density of livestock per hectare of land taking only forests, agricultural land including current fallows, pastures, cultivable waste and other fallows, was only 1.38 in Karnataka in 1990 (14th livestock census) whereas it was 1.71 in India as a whole.

The population of sheep and goats is 37 per cent of total livestock in Karnataka, which is slightly more than 35 per cent for India as per the latest livestock census (14th). The population of sheep actually declined slightly (by 8 per cent) in absolute terms in Karnataka between 1960 and 1990, but the population of goats increased by 34.3 per cent, which was much more than the rate of growth in total livestock (viz., 12.2 per cent) noted above. The role of goats as a source of milk has declined relatively sharply; they are used mainly as a source of meat.

Growth in milk production has been much more spectacular than growth in the number of female bovines. The latter (over 3 years of age) increased only by 26.1 per cent between 1961 and 1990 in Karnataka, while production of milk increased by a phenomenal 160 per cent between 1976-77 and 1995-96. Cows accounted for 54.9 per cent of total milk production in 1995-96 (indigenous cows 35.4 per cent and crossbred cows 19.5 per cent), and buffaloes contributed 44.76 per cent. The share of goats is a negligible 5 per cent [GOK 1995-96]. The present per capita per day availability of milk at 192 grams, though higher than earlier, is still lower than the ICMR norm of 250 grams. Much of the increase in milk production has been achieved through a push to commercialisation of the dairy sector, involving a shift from CPRs as a source of fodder to crop residues and commercial fodder and feeds. The role of CPRs in animal husbandry remains important mainly for the poor and for indigenous cattle and small ruminants.

The growth of poultry has been more spectacular than that of livestock, but less so in Karnataka than in India. The total number of poultry increased by 77.4 per cent in Karnataka between 1961 and 1990, and by 141 per cent in the country as a whole.

Livestock pressure on land has been a traditional source of worry to environmentalists and foresters in India. Forest

policy in India since its early days has sought to regulate this pressure. There is evidence of such pressure having an adverse effect on regeneration capacity and composition of forests, as seen from a case study in Haliyal division (Uttara Kannada) in Karnataka [Rai 1985]. While livestock is allowed to grow, and is promoted even in poverty alleviation schemes, pastures and other common lands to support them are shrinking as noted above. Northern Maidan seems to be facing this problem more acutely than other regions as seen from an analysis of village grazing lands in Karnataka [Nadkarni 1990]. This is tried to be made good by using crop residues and other commercial fodder. Since cows of local breed and small ruminants continue to depend on common lands, an increase in such livestock may call for some measures for regulating grazing like rotational grazing and for sustainable management of pastures. It is difficult, however, on the whole to establish that either in Karnataka or India, there is overpopulation of livestock. In fact, human population has increased much faster and there has been no serious scientific investigation to support such a generalisation [Mishra 1995:258].

Coming to fisheries, world fisheries are in a state of crisis and India and Karnataka may be no exception. 'Fish have never been more popular as sea food, nor more threatened as marine wildlife... Scientists warn that fish population and marine ecosystems are in serious trouble' [Samudra July 15, 1996:15]. This is because 70 per cent of the world's commercially important marine fish stocks are overexploited, and modern fisheries are enormously destructive. It is estimated that about one-third of their fish catch is wasted. Marine biodiversity is under threat because of them (ibid: 15). Modern technologies, moreover, opened up fishing even during the monsoons, which has led to overexploitation. There have been protests in India against the opening of the fisheries sector to multinationals and foreign vessels [Kurien 1995]. They do not confine to deep sea fishing and intrude into coastal zones reserved for country boats. On the whole, fishery managers are oriented more to maximising commercial exploitation and hardly evolve strategies for sustainable exploitation. Even the regionwise or countrywise data necessary to monitor current exploitation in comparison with sustainable fish catch or with regeneration, are hardly gathered and published. Giving greater scope to country fishermen and preventing or regulating wasteful practices could mean both greater income and

employment to the fishermen and also sustainable exploitation of fisheries.

Fisheries contribute only 71 per cent to state domestic product in India, which is not very different from 77 per cent at the national level. However, it is a source of livelihood to many fishermen particularly in the coastal districts of Uttara Kannada and Dakshina Kannada. Inland fisheries provide seasonal and subsidiary income and employment, but their role also is considerably less in Karnataka than in states like Kerala and West Bengal.

The state has a coastal length of 300 kms, 27,000 sq kms of continental shelf and 87,000 sq kms of exclusive economic zone (EEZ), with about 3.03 lakh marine fishermen living in 202 fishing villages. Marine fish catch increased in the state from 1.61 lakh tonnes in 1980-81 to 2.23 lakh tonnes in 1996-97, an increase of 39 per cent. This can be compared with the estimated total resource potential of 4.25 lakh tonnes per annum in the EEZ and the annual catchable potential at 0-50 fathom depth range is estimated at only 2.7 lakh tonnes. [GOK 1997:10-11]. In the country as a whole also as against the actual level of exploitation of marine fish or 2.71 million tonnes, the potential available for exploitation is 3.92 million tonnes. All of this potential cannot, however, be considered as available for sustainable exploitation. Regrettably, estimates of annual rate of regeneration of marine fish and of what can be considered as sustainable exploitation are not available.

The sources of inland fisheries in Karnataka are 4,695 major tanks, 21,801 minor tanks, 61 reservoirs and around 9,000 kms of rivers and canals. The maximum waterspread area of tanks and reservoirs is about 4.15 and 2.16 lakh hectares respectively [GOK, 1997]. Only 87,675 fishermen are reported to be active in inland fisheries.

Inland fisheries production increased from 46,652 tonnes in 1980-81 to 101,654 tonnes in 1996-97, i.e., by 118 per cent which is much more than the rate of increase in marine fish catch during the same period (viz., 39 per cent). What is remarkable is that this increase has come about in spite of a decline in the number of tanks and shrinkage in their spread. Most of the inland fish is captured and traded in an informal and unorganised way by poor people. Since mechanised trawlers are not used in inland fisheries, the technology used is much more sustainable here. Even then there has been a worry about the survival of river fish such as mahseer, which is hunted for sport by adventure-

seeking rich and not as a source of livelihood.

The state also has about 8,000 hectares of brackish water, out of which 4,200 are estimated to be suitable for aquaculture. Of this, only 1,000 hectares are developed. At present, the average production of culture is around 800 kg per hectare. There seems to be some unutilised potential in brackish water in Karnatak. But this should be done very cautiously, without ever extending brackish water into paddy lands and contaminating ground water. It is necessary to remember that aquaculture has produced high and irrecoverable environmental costs where its expansion has been at the expense of cultivated or cultivable lands by pumping in sea water. In response to a writ petition, the Supreme Court has ordered that no further shrimp or aquaculture farms be permitted, that no groundwater be drawn for aquaculture and that no part of agricultural lands and salt pans be converted to commercial aquaculture farms [Samudra 17, March 1997:37].

## V Mineral Exploitation and Environmental Impact

As observed in the introduction above, it is a difficult task to judge what rate of exploitation of minerals is advisable to take care of the problem of depletion and reconcile the interests of the present generation with those of the future generations. It helps, however, to compare the present rate of exploitation with the reserves still available for exploitation. The number of years for which reserves will last at the present rate of exploitation can be directly computed from the above two. Table 4 here gives this picture about the mineral ores in Karnataka in 1995-96. A few minerals are approaching exhaustion within about a decade, which are chromite and copper (11 years each), and gold (9 years). The position regarding others is more comfortable. A debate is needed about whether it is worthwhile pushing exploitation of the former group of minerals to exhaustion so soon, and whether we are getting corresponding returns from it which justify such exhaustion.

Karnataka is estimated to have 1,092 billion tonnes of granite (including coloured) on site, of which 391 billion tonnes are stated to be recoverable. There is no information on the production or actual exploitation of granite, but 408,583 tonnes were reported to have been exported from Karnataka in 1992-93 (Department of Mines and Geology, GOK). Coloured granites are scarce but no

separate figures could be obtained on their reserves.

Apart from depletion, another problem with mineral ore exploitation is the adverse environmental impact it creates [Saldanha 1987]. This is also a cost to be reckoned while judging the worthwhileness of mineral exploitation. The responsibility of taking precautionary steps to avoid or minimise the impact is on the miners. Mining generally causes deforestation as the miners are most often in forest areas. Not only the mining sites, but also other sites used for dumping waste, constructing roads and colonies for miners and such other uses also take up land and lead to deforestation. Open cast mining also leads to land degradation, silting of reservoirs, tanks and rivers downstream, and landslides. There are other effects like air pollution due to dust and noise pollution, which affects the health of miners. Often the miners work in miserable conditions. Though risk to life may be reduced, risk to limbs and to their health are hardly taken care of. As a result, many workers suffer from serious debilitating diseases within a few years of their joining the mines, and some of them may be compelled to stop work. This is so not only in mineral exploitation but also in granite and other stone quarries. Few labour inspectors ever visit such sites or try to improve the working conditions of miners.

Kudremukh is one of the well known mining sites in Karnataka for extracting and exporting iron ore. Kudremukh Iron Ore Company Limited (KIOCL) was set up in 1976 and started functioning effectively from 1982. The site is estimated to have 700 million tons of weathered ore and 450 million tons of primary ore. It has a lease area of 4,000 hectares, of which 1,452 hectares are now under active mining. The ore to waste ratio is presently 2:1. It has almost all the environmental problems expected in a mining project in a hilly forest area. Heavy rainfall in the area further contributes to soil erosion and siltation washing the dug up soils down the hill. KIOCL, therefore, took up several environmental measures to minimise these problems.<sup>5</sup> One of the important measures

was to dig trenches around the hills, 10 metres wide and 2 metres deep, at the contours of 1,000, 500 and 200 metres altitude. On the upward side, trees like sisal, eucalyptus, acacia, cassia, mahogany, casuarina were planted. Fast growing trees and grass are also planted in between trenches. Tree belts up to 200 metres were created on either side of the rivers and streams. Two rock-filled dams have been built to prevent mine wash from polluting river Bhadra. A 100 metre high Lakhyda dam has also been built to contain the tailings generated from the project. The company is reported to have won several awards in recognition of the measures taken. It is hoped that other mining companies also take similar measures. The annual ore production now is 7.5 million tonnes per year.

## VI Industrial Pollution

Though policy and legislation for the control of industrial pollution may look stringent on paper, there is many a slip in execution. The implementation of pollution control in the nineties is certainly more effective than in the eighties, and far more so as compared with the seventies. Even then we cannot say that all the pollution standards are followed by all the industries. Even though pollution control boards have the powers to close down offending industries, the action is hesitant and lax particularly because of the fear of causing unemployment and distress.

It would be useful to have some indication of hard figures of how far pollution control laws are put into effect, taking the case of Karnataka. One such indication is how many industrial units have at least set up treatment plants. This can be seen from Table 5.

Though Table 5 relates to treatment plants actually in operation, they may not necessarily be operated all the while. This is done to save energy which is scarce and costly. Even where the industries actually operate the pollution control plants, all of them do not meet the standards prescribed. A recent study comparing pollution control status in Karnataka with Netherlands

TABLE 6. TRENDS OF POLLUTANTS IN RIVERS IN SELECTED LOCATIONS IN KARNATAKA

Rivers/Location	Period	Dissolved Oxygen	Biochemical Oxygen Demand	Total Coliform
Krishna at Tintini Bridge	1979-91	NT	DN	UP
Tungabhadra at Ullanur	1979-91	NT	DN	UP
Bhadra D/S of KIOCL	1979-91	NT	DN	UP
Cauvery at KRS dam (Balamurikshetra)	1980-91	UP	NT	UP
Kabbani	1987-91	NT	UP	UP

Note. NT - No trend in the parameter; UP - upward trend; DN - downward trend.

Source: CPCB Annual Report 1992-93, pp 24-26 (extracted).

showed that though in general the standards were more lax in the former, compliance was also more lax, particularly in respect of small industries [Kuik et al 1997]. What is the regulatory machinery doing about it then?

As per the annual report of Karnataka State Pollution Control Board (KSPCB) for 1995-96 (the latest available at the time of writing), only 97 prosecutions were launched under Water Pollution Act and 40 under the Air Pollution Act since the inception of the board in 1981. These cover the cases of highly polluting and also other industries. The number of industries ordered to be closed down for non-compliance was only 22 till March 1994, which increased to 76 under both Water Pollution Control Act and Air Pollution Control Act together. As a result of stricter implementation of the law among 17 industries identified as highly polluting, the rate of compliance of pollution control is reported to have improved from 27.9 per cent in 1991 to 81.2 per cent in 1996 (as seen from KSPCB annual reports for 1991 and 1996).

The extent of implementation of pollution control is reflected in ambient air and water quality. Illustrative information for Karnataka is presented in Table 6 here for water quality (information on air quality in cities is presented in the next section). It shows deterioration in water quality at all locations in regard to coliform, and either no trend or upward trend for dissolved oxygen, and a mixed picture for biochemical oxygen demand. This is hardly a rosy picture.

A major problem with pollution control boards is inadequate finance and inadequate technical staff to monitor all the industrial units. They also take on the unnecessary burden of giving technical advice or guidance and take the blame if technology suggested does not deliver the goods. There are now consultants available on pollution control implementation who can take over this work, and leave the task of monitoring and taking legal action to KSPCB.

There are still several problem areas in the state due to continued water and air pollution. A few illustrative examples are given here, separately for water and air pollution based on a districtwise report by KSPCB on the status of industrial pollution in Karnataka [KSPCB 1995].

Both rivers and the sea are polluted noticeably in Karnataka and some of the problem spots are identified as Bangalore (Vrishabhavati), Bhadravati, Dandeli, Davanagere, Harihar, Karwar, Kollegal, Kudremukh, Nanjangud, Shimsa and Srirangapatna. We take four examples here:

(i) pollution generated by a group of industries (including small) in one location; (ii) pollution generated by one or two large industrial units; (iii) pollution generated by a plantation industry (coffee estates); and (iv) marine pollution.

Peenya in Bangalore is one of the biggest industrial areas in Asia, housing many industries of various sizes including small industries. Most of them have no or inadequate treatment facilities, especially for small industries. Some 79 units let out over 5 million litres of effluents per day into the river Vrishabhavati which skirts the city on the western side and then joins Arkavati, which is a tributary of Cauvery. Vrishabhavati was a clean perennial stream only 20 years ago, and now stinks so much that it is a nuisance to neighbouring residents. It was used for recreation (picnics) by city dwellers and fishing by villagers earlier. Now, there is a fear that pollutants reach even aquifers and Cauvery. Most of the layouts near Vrishabhavati have no access to municipal drinking water and have to depend only on ground water. The authorities concerned have shown callous disregard of this problem and have not done anything to reduce the pollution. Some of the pollutants are toxic, including lead. The concentration of lead is assessed to be as high as 7.5 times the pollution standard. Other heavy metals like cadmium, chromium, mercury and nickel are also present. These metals are absorbed by crops and animals and enter food chain [Nag et al 1995].

Bhadravati is a major industrial centre in Karnataka, located on the banks of river Bhadra. There are two major public sector industrial units - Visvesvaraya Iron and Steel and Mysore Paper Mills. Though both have installed pollution treatment plants, they are not able to change the brownish colour of effluents reportedly due to non-availability of viable technology. To make matters worse, sewage water of the town and untreated effluents of smaller industrial units are also let out into the river, making it into a problem area. The air pollution caused by VISL is another dimension of the problem. There are similar water pollution problems in Harihar, Davanagere, and Nanjangud.

Plantation industry can also be a major source of river pollution. The pulp separated from coffee seeds is an organic waste, which is not found suitable for use as a fertiliser and is hence thrown into streams. As a result the BOD level in some of the streams randomly tested was found to be as high as 2,000-4,000 mg/litre as against the permitted standard of 3 mg/litre for drinking water sources.

Compared to other major coastal states, the discharge of industrial and sewage discharges into the coastal waters of Karnataka is not high.<sup>6</sup> We cannot take comfort from the fact that Andhra Pradesh, Gujarat, Tamil Nadu, Kerala and Maharashtra discharge much more waste than Karnataka. Mangalore and Karwar are two problem areas of marine pollution. Mangalore is fast urbanising and both municipal and industrial effluents are released into the sea, causing both thermal and chemical pollution. Sewage is hardly treated before being released into the sea. Industrial units further compound the problem in a region which is considered ecologically sensitive and fragile. The caustic soda factory in Karwar is a major source of pollution, releasing mercury and chlorine into the environment. Marine pollution, it is feared, may affect both the quality and quantity of fish catch.

The air pollution problem is also illustrated with a few typical examples. The stone crushing industrial units around Bangalore are a significant source of air pollution. The stone dust is known to cause silicosis, a lung related health problem. Most of these units are small and scattered and do not find it viable to install equipment to prevent or at least minimise stone dust. One of the solutions to the problem is to restrain any unit from functioning which is not able to do so. But this means discouraging small units and raises equity issues because other firms causing other forms of pollution are not similarly restrained. A cement factory near Tumkur also is considered a major source of air pollution, affecting crop yields and health of both humans and animals in the area. Though equipment to minimise air pollution is installed, the problem of irregular supply of power and low quality of coal supplied are reported to be coming in the way of effective pollution control. The same problem also arises in Gulbarga district which also has cement manufacturing units.

The state has a significant deficit in power supply. However, power generating projects also create significant environmental problems. Major hydroelectric projects can lead to submergence of forests rich in biodiversity and also of agricultural lands and settlements, raising problems of rehabilitation and resettlement. Hence more attention is given now to thermal power stations. But they also create the problem of fly ash, not only polluting air but also requiring land for depositing fly ash. Raichur Thermal Plant and also the Cogentrix Plant well illustrate this

dilemma. Though both of them have equipment to reduce air pollution, the use of waste ash continues to be a problem. There is need for further research into the use of this because of the fear that the bricks made out of fly ash develop cracks after some time. There is little demand for bricks made of fly ash, and transport costs exacerbate the problem. According to newspaper reports, research has shown some scope for using treated coal ash as fertiliser in cultivated areas. In semi-arid areas, this is reported to be increasing the capacity of the soil to absorb and conserve moisture and increase crop yields. If true, this is a promising breakthrough, illustrating how waste can be converted into an economic good while also solving environmental problems.

## VII Urban Environment

Rapid urbanisation in Karnataka, as elsewhere, has accentuated the problems of urban environment on all the three main fronts—water, air, and solid waste. Though the rate of growth of urban population has slowed down as revealed by the 1991 census, the urban environmental deterioration does not appear to have slowed down, thanks to accelerating vehicle population and inability of municipal corporations to cope with environmental problems. The major problem areas of urban environment in Karnataka are Bangalore, Hubli-Dharwar, Mangalore and Bhadravati. Gulbarga is also catching up in this regard. One prominent feature of these problems is that they are not confined to municipal limits and engulf periurban and rural areas as well, affecting not only agricultural lands but also aquifers contaminating the only source of drinking water (viz. groundwater) in such areas. We briefly present these problems—water, air and solid waste. There are other problems also like sanitation particularly in slum areas and traffic congestion, which are not dealt with here.

Karnataka has 172 corporations and municipalities of which 139 have no underground drainage and not even primary treatment plants. Among the remaining 33 municipalities, 26 have functional underground drainage facilities and only 15 have primary treatment plants [Saldanha 1992]. The bulk of the sewage water is let out on land or into streams without any treatment, polluting drinking water sources. The perception that water is scarce is yet to take hold both among the city dwellers and their representatives in municipalities and the bureaucrats manning them.

Bangalore which had a population of 4.13 million in 1991 and 4.85 million in 1995 (estimated), receives 705 million litres per day (MLD) of fresh water or 145 litres per day per capita. The supply position is much better now compared with per capita per day supply of 71 litres in 1961 and 102 litres in 1981, though this is less than the prescribed norm of 200 litres per day per capita for Class I cities as per international standards. The total sewage flow was estimated at 438 MLD (62 per cent of water received).<sup>7</sup> The water supply as given above does not include ground water exploited. Similarly, sewage put into soak pits also is not included in the sewage flow as given above. The Bangalore Water Supply and Sewage Board (BWSSB) was established in 1964 which is responsible for both water supply and sewage disposal and treatment. The main city, though not the outskirts, had a fairly well managed sewage system installed in 1950s, which has now become worn out and damaged in several places. The abuse of sewers by dumping solid waste has exasperated the problem. There are three sewage treatment plants, which are being upgraded. Their combined treatment capacity is only 346 MLD (79 per cent of sewage flow), which is being expanded to 458 MLD. The latter is slightly above the present sewage flow. There are facilities for both primary and secondary treatment. The sludge removed from the primary and secondary clarifiers is used as fertiliser and brings some revenue to BWSSB (Rs 1.04 lakh in 1994-95). There are plants to set up tertiary treatment whereby the treated water can be recycled for industrial use. The outskirts of the city and slum areas do not have satisfactory sewage system, though the main city also has problems, particularly mixing up of storm water drains and sewage lines.

The situation is even more dismal in other cities and towns. Mysore gets 112.45 MLD (as in 1997) or 148 per capita per day. It is reported to generate 35.65 MLD of sewage,<sup>8</sup> only 31.7 per cent of which is treated and that too at the primary level. Both the treated and untreated wastes are discharged on land, to keep the river Cauvery from being polluted. In the twin city of Hubli-Dharwad, the water supply is 85.35 MLD, which is 119 litres per day per capita. It generates 82 MLD of sewage. The city is yet to establish proper treatment plants, and a part of the untreated sewage is treated as fertiliser and a part let out into streams and tanks. This may have affected the quality of groundwater.

Since small industries discharge their waste water into municipal sewage or drains, it aggravates the problem of waste

water treatment. The municipalities have the burden of cleaning it up. They can charge a user fee for this service to small industries, and improve their financial resources to effectively treat waste water.

The quality of air in most of our towns and cities has worsened significantly in the last two decades mainly due to vehicular emissions. In cities like Bhadravati, industrial pollution is also an additional factor. Both Bangalore and Mysore are covered under the national ambient air quality monitoring programme. The main pollutants monitored under the programme are suspended particulate matter (SPM), sulphur dioxide and oxides of nitrogen. Bangalore has shown higher levels of SPM than standards prescribed during peak hours, though on average it is close to maximum permitted limit. (A major problem in assessing these figures is the large variation in readings both over space and time.) Only three spots in Bangalore are monitored—Anand Rao Circle, Amco Batteries, and Graphite India, but other spots are also emerging as highly polluted (e.g. Richmond Circle, Sirsi Circle, and Chord Road in Vijayanagar). Average SPM levels at Anand Rao Circle are above permitted levels. Even by the end of 1980s, an area as large as 21 sq kms in the central and south central region of the study was found to have air pollutants above limits permitted for residential areas [IISc 1990]. The situation must have worsened today both in intensity and area covered.

An indication of the impact of air pollution in Bangalore comes from a paper presented at a conference in Bangalore in December 1998 by C Rajashekara Murthy, which showed that blood samples of Bangaloreans had a lead concentration of 20 micrograms per decilitre, which is twice the permitted levels. Lead in blood beyond certain levels is feared as leading to brain damage. Another paper by H Paramesh at the same conference showed that the incidence of asthma in Bangalore among school children in the age-group of 6 to 15 years was as high as 24.5 per cent, which is attributed mainly to the air pollution (*Deccan Herald*, December 14, 1998, p4). Regrettably, similar information on other cities is not available.

Several suggestions have been made to reduce air pollution in cities—better traffic management to relieve congestion, including more roads and flyovers, stricter implementation of emission standards on vehicles, phasing out leaded petrol by the year 2005, replacement of two-stroke engines by four-stroke engines, and prohibition on diesel based passenger cars.<sup>9</sup>

Solid waste is not only a nuisance

aesthetically but also a serious health hazard. It increases rat population and spreads disease. When dry waste is not collected, it is burnt by neighbourhood people in unscientific ways releasing a lot of smoke and toxic gases in the air. Hospital waste is a particularly serious health hazard, since crows and other birds scatter the waste from the dumped sites. There have been newspaper reports that used syringes and other gadgets are recycled by unscrupulous traders.

It is estimated that generation of solid waste in major cities is around 50 kg per capita per day. The solid waste generated in Bangalore is upwards of 2,180 tonnes per day. About 8,000 workers are employed by the corporation and 5,000 more by private contractors to collect and dispose of the waste. There are about 12,500 garbage bins and 2,000 more are being added. The collection of waste is almost absent in outskirts and slums though the corporation levies all the charges – property taxes and betterment levies – on the outskirts.

The incompetence of the corporation has induced several voluntary efforts at waste collection in neighbourhood areas, backed by financial contribution and sometimes organisational help of NGOs. In such areas, the citizens are persuaded to separate dry waste from organic waste and hand them over in separate bags to the boys who come to collect the waste. But the boys have often to separate the waste themselves, for which they are provided with hand gloves. (Such voluntary efforts however are yet to spread, because of the general feeling that when citizens pay property taxes to the municipal corporation, the corporation should exercise this responsibility.) The organic waste is composted by the voluntary groups which partly finances their endeavour.

The corporation also uses organic waste for composting. But only 80 tonnes of waste per day is treated this way. The corporation no longer has landfill sites to dump waste and has to find other ways of waste disposal. Other cities also are facing similar problems. Mysore is estimated to generate about 295 tonnes of waste per day (about 0.39 kg per capita), while Hubli-Dharwar generates about 215 tonnes per day (0.3 kg per capita). The problems of Bangalore are thus much bigger both in terms of per capita waste and total waste generated. But the other cities have not created the same facility for recycling (like converting organic waste into compost) as Bangalore. There should also be concerted efforts to reduce per capita waste generated, such as discouraging plastic bags, throw-away cans

and cups, and recycling packaging material.

Hospital waste is becoming a serious problem in cities. Let alone small nursing homes, even bigger hospitals dump waste untreated. Instead of acting as healing centres, hospitals themselves become a source of disease. Bangalore alone is estimated to generate 1,400 kgs of medical waste everyday. The corporation workers handle this waste without the protection of gloves and proper shoes. A mechanism is urgently needed for collecting this waste separately from other waste and from all hospitals, nursing homes and clinics and incinerating them scientifically and letting off burnt air and gases through high chimneys. This waste should not enter organic waste used for composting.

### VIII Concluding Observations

Apathy of the government machinery towards environmental problems faced by people has since long provoked several popular movements in Karnataka. Two types of movements could be discerned: (a) those involving livelihood issues linked to people's access to natural resources; and (b) those involving health concerns, combined also with aesthetic considerations.

A major example of the former is Kusnoor Satyagraha and the struggle of the Samaj Parivartan Samudaya against taking over of common property resources like grazing lands for planting commercial species required by industries. The opposition to planting of commercial species in the name of social forestry led to a significant change of policy. The earlier bureaucratic approach gave way to involving people in managing 'waste lands' or grazing lands and in reforesting them with mixed species which people desired. Other examples are protests by fishermen and other local people against marine pollution by Caustic Soda Factory and MRPL pipeline, protests against development projects in ecologically fragile areas such as in the western ghats and the coastal district of Dakshina Kannada. Such projects could deprive the local people of their access to forests, their paddy lands and arecanut gardens, apart from affecting drinking water in some cases. Shivaram Karanth, one of the most eminent writers in Kannada, was in the forefront of some of these movements, particularly in rallying people against the Kaiga Nuclear Power Plant in an ecologically fragile region of Uttara Kannada. SPS led a struggle against river pollution by Harihar Polyfibres.

An example of the second type of popular protest is the struggle against a further

denotification of 30 acres of what has remained of the well known Cubbon Park in Bangalore, an important lung space for the city. It forced the 92 year old Justice Nittur Srinivasa Rao to join the protest in the street, in which he was accompanied also by eminent persons like Girish Karnad. Even DM Nanjundappa, deputy chairman of the state planning board, issued a public statement against the denotification. This protest succeeded in making the state government withdraw the denotification. There were similar protests against the construction of a film complex at Sankey Tank in Bangalore, which would have destroyed many trees and habitat of birds in the city.

There have also been constructive movements like the voluntary efforts at waste collection and recycling in Bangalore referred to above, which, however, are yet to spread wider.

While popular movements can force government machinery to shake off its apathy and also make people environment conscious, they are not by themselves a solution to environmental problems. Their major limitation is that it takes time to organise them and the damage may be done in the meanwhile, though some of them emerged quickly enough to stall official moves as in the case of Cubbon Park and Sankey Tank. Such organisation may be more difficult in rural areas with scattered villages. It is necessary to take care of environmental problems on a more institutionalised, regular, automatic basis instead of relying on occasional knee-jerk reactions. Tightening up of environmental legislation and its stricter implementation is called for, combined with economic disincentives and incentives to make compliance more automatic. A wider sensitisation to environmental concerns is also necessary among city dwellers, medical personnel, municipal councillors, government officials and political leaders, more than among the rural masses.

### Notes

[This paper is prepared by M V Nadkarni for Ecological Economic Unit, Institute for Social and Economic Change (ISEC), Bangalore, making use of inputs from Sharachandra Lele, K N Ninan, Syed Ajmal Pasha, B G Kulkarni, G S Sastry, Ramakrushna Panigrahi and S Manasi of Ecological Economics Unit. This is part of a more comprehensive Karnataka Development Report 1999 (in progress) initiated by P V Shenoi at ISEC.]

- 1 The issue of water management and irrigation is tackled in a separate chapter of the Karnataka Development Report 1999 (in progress at ISEC).
- 2 Between 1987 and 1997, 63,071 hectares were afforested in the state (which is only a little over 2 per cent of area under forests as per



- official land use data). Of this, the bulk of 36,477 were afforested by Karnataka forest department, 10,371 hectares under joint forest management (1992 to March 1998), 7,989 hectares by Mysore Paper Mills, 5,513 hectares by Karnataka Cashew Development Corporation, 1,889 hectares by Karnataka Forest Development Corporation and 833 by Dryland Development Board (which co-ordinates and undertakes watershed development projects).
- 3 Though reservation for women and scheduled castes and tribes is provided for in the constitution of village forest committees, caste rivalries can pose a problem. Moreover, even farmers with exclusive access rights on forests under traditional institutional systems like 'baanes' and 'bettas' have the same access and rights to forests under VFCs. This can create bitterness and conflict. The JFM structure is unable to distinguish between sections with different levels of dependence on the forests.
  - 4 Under the erstwhile princely state of Mysore, there was a network of pasture lands ('kavals') maintained particularly to promote a species of bullocks (Amruth Mahal) prized highly for sturdiness and draught power. They were administered by the animal husbandry department. Many of these kavals have now remained only in name, being heavily encroached upon.
  - 5 The measures stated in the text were as reported by KIOCL officials, and as published in their brochures.
  - 6 In million litres per day, the waste water discharged into the sea in descending order of the states is as follows: Andhra Pradesh - 2,466 (of which 2,116 are from aquaculture), Gujarat - 566; Tamil Nadu - 378; Kerala - 151, Maharashtra - 80; Karnataka - 43; West Bengal - 22, Goa - 12; Pondicherry - 6, Orissa - 1 (Source: Central Pollution Control Board, as published in CSO 1997).
  - 7 This seems to be an underestimate since about 80 per cent of water received is expected to flow into sewage.
  - 8 See note 7 which is applicable here too.
  - 9 Diesel is significantly subsidised and produces more carbon monoxide. While there may be some justification for diesel-based heavy public transport on social grounds, there is none for light motor vehicles.

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MANAGER



# Reaping the Whirlwind

## Nizam and the Khilafat Movement

Margrit Pernau-Reifeld

*Around 1918 the Nizam of Hyderabad, urgently needing support for his efforts to resist British overlordship, cultivated contacts with the north Indian leaders of the Khilafat movement. What the prince did not bargain for was the eventual spill-over into his state of the populism – anathema to him – of the national movement, in which the Khilafat movement had merged.*

THE princely states of India have often been characterised by their 'fly-in-amber-quality' [Jeffrey 1978], a beautiful image indicating that their internal structure was frozen long ago, perhaps with the advent of the British, perhaps even before that. Like a showpiece in a museum, they embodied the past and had no living relation to the present. Rather than as a depiction of reality, however, this image should be seen within the framework of the 'Ideologies of the Raj' [Metcalf 1995]. The states, like the villages, were supposed to constitute the real India, the 'Indian India', fundamentally different from British institutions and ideas, eternal and unchanging.

Thomas Metcalf has shown how this creation of a difference came to gain precedence over the original liberal notion of fundamental equality and how it pervaded the relationship between the colonial power and the colonised in the 19th century. This difference was not neutral; it implied Indian inferiority. Carefully preserved, the princely states were nevertheless held to embody the dangers of oriental despotism. The British never tired of pointing out how easily the native rulers succumbed to the urge to abuse power and revert to unchecked autocracy unless held back by the strong hand of the Resident, thereby providing a living illustration of the need for continued imperial rule.

At the same time – and it is important not to separate these two strands of argumentation – the states had become the focal point of orientalist legitimisation of government. Not only were the princes the 'natural leaders' par excellence; they were thought to provide for the emotional wants and needs of the people through their style of governance in a way the British themselves could never hope to do.

"But, if western influences are less in evidence in Indian India than in the India of the British, there is much to relieve the monotony of life in an Indian state. Even to watch your Maharaja riding on an elephant through the bazar is more

entertaining than the sight of a pale-faced collector in his car" [Barton 1934].<sup>1</sup>

Any change in the princely states, even the recognition that change had taken place, that it was perpetually taking place, endangered this quality of 'eternal Indian-ness', a fiction the British and the princes were both keen to preserve. In the 20th century the states were much less isolated from the changes taking place in British India than is commonly supposed, and their involvement was in no respect limited to the discussions of the Chamber of Princes and the Round Table Conferences, which have received ample attention from historians [Ramusack 1978, Ashton 1982, Copland 1997]. The study of the Khilafat movement in Hyderabad<sup>2</sup> – a movement strangely out of sync with the fly-in-amber quality and therefore largely ignored – allows for two interesting observations.

(1) The fly was not separated from its surroundings by walls of amber. If (to change the metaphor) we compare politics to a game of chess, Hyderabad politics and British Indian politics were played on different boards, but largely by the same players, and a gain of position in one of the games affected the other one as well. Power was convertible: strong allies in British India affected the position of the Nizam vis-a-vis the British and his own nobles; internal policies in Hyderabad might make it worthwhile for British Indian politicians to woo him further or, on the contrary, might dampen their interest in an alliance. Some of the moves the Nizam made on the British Indian chessboard can be understood only in relation to the meaning they had in Hyderabad; on the other hand actions in Hyderabad – both by the ruler and the colonial power – were more often than not taken with an eye to British India.

(2) The fly was very much alive and moving. Between 1914 and 1921 the Nizam was offered the position of the leader of the Indian Muslims both by the British and by members of the British Indian Khilafat movement. This standing was a new source of legitimisation and

thereby of power. Mir Osman Ali Khan, the seventh Nizam thought it possible to use it in addition to the traditional ideology, which was based on patrimonialism.<sup>3</sup> But as in a game of chess the move of a single figure affects the positions and values of all the others, this new source of legitimisation, founded on the leadership of a popular movement, could not be used without changing the whole system. The system did change.

### I The Indirect Rule System

The relationship between the Nizams of Hyderabad and the British was based primarily on the treaties of 1798 and 1800, whose function at the time had been to found and stabilise a military alliance between two independent powers of different strength. Though never repudiated, these treaties very soon ceased to reflect the political reality. But insofar as the standing of a collaborating elite depended not only on its acting in accordance with the interests of the colonial overlord but also on the power it could command vis-a-vis its clients and subjects [Robinson 1986], both the British and the ruler had an interest, in the ordinary course of events, to hide the actual extent of the subordination to which the states were being submitted. The treaties allowed, by their very existence rather than by virtue of their contents, recourse to the fiction of a relationship based on the mutual consent of free partners.

More important for the actual relations were the rules and regulations which evolved from precedents and the general clause that conferred on the colonial power the duty to prevent misrule in any part of the subcontinent and the right to take the necessary action. Not a clear-cut vassality but a vague submission of the Nizam to the British Crown, not suzerainty but a paramountcy which escaped all definition other than the ominous dictum of the Butler Report that paramountcy must remain paramount, were the essence of indirect rule.<sup>4</sup> The result was a very flexible system,

which permitted non-intervention whenever the British did not want to intervene but made reversion to a much stricter system of control possible when they thought the need arose.

In Hyderabad, the approbation of the colonial power via the Resident was necessary not only for the succession to the Nizam's throne but, at least since the time of Sir Salar Jung I, for the appointment of a prime minister. This increased the dependence of state policy on the colonial power as it was much easier to remove a recalcitrant minister than a ruler protected by treaties. Moreover it created a permanent source of friction between the Nizam and his minister, a friction which allowed the Resident to step in and mediate whenever he chose to.<sup>5</sup> Together with the 'lending' of some senior British administrators, ostensibly to ensure the upkeep of the standards of administration in the key areas of finance, revenue and police, this proved the main prop of British power in the years preceding the first world war.

With the outbreak of the war, however, the British shifted their priorities. The military and financial support the Nizam could extend to the war effort and his supposed stand as the leader of the princes and the Muslims were now deemed important for the interests of the empire as a whole. When, therefore, Mir Osman Ali Khan proposed in November 1914 to dismiss his prime minister – Salar Jung III, grandson of the famous minister – the British acquiesced and renounced, for the first time in over a century, to their claim to have a successor appointed immediately.<sup>6</sup> Faridoon Mulk, a Parsi gentleman who was known for his administrative skills as well as the ability to steer clear of conflicts between rival parties<sup>7</sup> and who had already been responsible, during Salar Jung's prime ministership, for most of the daily administrative work, was confirmed in his responsibilities. The 'lent' officers, too, retained their posts. Naturally enough, the Nizam resented this check on his power.

In February and March 1918, Mir Osman Ali went on a trip of some weeks to Delhi, Aligarh and Bombay. As soon as he returned, he dismissed all his British advisers without previous warning, and when urgently summoned to an interview with Resident Stuart Fraser insisted on his treaty rights to do so.<sup>8</sup> While declining to enter the field of treaty rights, Stuart insisted that it had long been customary for the British to be consulted in everything that concerned the lent officers, and that "friendly custom was a thing apart from treaty".<sup>9</sup> If the Nizam insisted on the

dismissals, the British would have to interpret this as an unfriendly act, apt to raise doubts on his loyalty. Mir Osman Ali understood the hidden threat and reinstalled his 'advisers'.

Without even considering whether the Nizam's aggressiveness was politically motivated, the British put it down to the influence of flatterers and bad advisers. "The Nizam, it seems, has behaved like a naughty child who away from his nurse at a party has had his head turned and gone back home full of foolish ideas, determined to assert his independence – only to sober down and repent of his outburst on again coming under the influence of his mentor. We should, I think, leave the nurse to deal with the child."<sup>10</sup> More than treaties and usage, this imagery of the child ruler and the Resident as his fatherly friend decisively shaped the relations between a prince and the paramount power. It takes more political skill to decline the 'help' of a powerful friend than to argue on legal delimitations of reciprocal rights and obligations.

Mir Osman Ali, however, was no longer ready to act according to this script. Instead of submitting, he attacked the conduct of the Resident, calling it undue interference in the internal affairs of his state. The British, on their part, came to the conclusion that they had reached a point at which the continuation of non-interference might well endanger the whole structure of indirect rule – which, although 'indirect', was nevertheless always meant to be 'rule'. The war being almost over, the British could safely opt for more formal ways of control – either a return to the system of the dual head of administration through the appointment of a minister or the establishment of an executive council in whose constitution and composition they would have a leading say.

This was the situation at the eve of the Khilafat movement. The Nizam stood in urgent need of allies. He certainly could not find them among the old nobility of his state – some of whom would have preferred the rule of his half-brother Salabat Jah and had perhaps even been involved in an intrigue to effect a change of rulers,<sup>11</sup> while others deeply resented his continuous interference in their financial affairs.<sup>12</sup> In some other situation, the classical expedient of elevating newcomers and ruling through them would have been enough, but under the given circumstances newcomers could not wield sufficient power to enable the Nizam to resist the colonial power. The 'check to the king' could not be countered on the Hyderabad chess-board. Mir Osman Ali had to look to the

British Indian game for new figures and resources.

## II Indian Muslims' Leader?

To understand the emergence of the Nizam as the leader of the Indian Muslims, it is necessary to move back in time to the beginning of the world war. When it seemed likely in August 1914 that the Ottoman empire would side with Britain's enemies, the British were worried because of the possibility of a general flaring up of pro-Turkish sentiments in India. They were even more afraid of the possibility of their losing the loyalty of the army, which had an important contingent of Muslims. Hoping that the word of the Nizam as the greatest Muslim ruler of the subcontinent would carry weight with his brothers in faith, the viceroy appealed to him:

"I accordingly call upon Your Highness to stand forth as the spokesman and leader of the Mahomedans in India and to declare that England's cause is both right and just."<sup>13</sup>

The Nizam hesitated. On the one hand, the offer greatly enhanced his position vis-a-vis not only his countrymen but also the colonial power, and Mir Osman Ali would have been the last person to refuse additional power. On the other hand, he had to keep in mind the internal situation of the Hyderabad state: the Arab soldiers and radical Muslims who had caused much unrest in the capital city when the reference to the Turkish sultan had been omitted during Friday prayers in the great mosque would surely not take kindly to his siding with the khalifa's enemies.<sup>14</sup> It took all the persuasive powers of the Resident to make the Nizam issue a manifesto rejecting the idea that the conflict between Great Britain and the Ottoman empire was a holy war:

"I repeat and reiterate that in the crisis before us the Muhammedan inhabitants of India, especially the subjects of this state should, if they care for their own welfare and prosperity, remain firm and whole-hearted in their loyalty and obedience, swerve not a hair's breadth from their devotion, to the British government, whose cause I am convinced is just and right; keep sacred the ties which bind the subject people to their rulers; and lastly, that they should in no case allow themselves to be beguiled by the wiles of anyone into a cause of open or secret sedition against the British government."<sup>15</sup>

In acknowledgement of this declaration and of his financial help during the war, Mir Osman Ali was awarded the traditional

title of 'Faithful Ally of the British Government' in 1917, and in January 1918 he became 'His Exalted Highness',<sup>16</sup> a title which granted him an exceptional position of precedence among the Indian princes, none of whom was more than a simple 'His Highness'. This precedence made it easier for him to argue that Hyderabad should not be subjected to the exercise of paramountcy on a par with the other states. At the same time these titles implied in express terms a renewal of the 1914 offer and order to emerge as the leader of the Indian Muslims.

As the Resident observed in his speech on the occasion of the awarding of the title, the fact that the Nizam was the ruler of the greatest Muslim state in India and "the unity of Islam – that catholic tie which creates a bond of brotherhood between Mahomedans wherever they may dwell – have long given the Nizams of Hyderabad an influence among their co-religionists which reaches beyond the border of the premier state... The Nizam with far-seeing realisation alike of the true interests of his co-religionists and of his duty to the king-emperor, was content with no passive role of loyalty but at once boldly stood forth as the leader and spokesman of Mahomedan India".<sup>17</sup>

The first months of 1918 witnessed a situation which might appear classic – the colonial power trying to build up a prince as a bulwark against developments in British India which might endanger the empire, the prince looking for means to shake off the British shackles – were it not for the appearance of a third party, also interested in the Nizam's prestige as a Muslim ruler but offering him the role of leader and figurehead of a young Muslim nationalism. It is almost certain that during this trip to Bombay, Delhi and Aligarh the Nizam established contact with some leading figures of what Francis Robinson called the 'Young Party' [Robinson 1974]. Two of them – Zafar Ali Khan, a former classmate of Shaikat Ali, now editor of the influential newspaper *Zamindar* of Lahore [Minault 1982, Hasan 1994] and Zulqader Khan – had long-standing contacts with Hyderabad. Zafar Ali was a former civil servant of Hyderabad; Zulqader Khan, the son of Server ul Mulk, private secretary to the former Nizam, had even been a judge of the Hyderabad High Court.<sup>18</sup>

Both these worthies had been expelled from the state in 1909, when the Resident had taken offence to some articles lampooning the then finance minister, Casson Walker.<sup>19</sup> Significantly, immediately after his trip, the Nizam made an effort to bring

them back to Hyderabad but was prevented from doing so by the British.<sup>20</sup> Nevertheless, he kept in contact with them through Abdullah Khan Khasmandi.<sup>21</sup>

The first result of these new connections was a press campaign in north India, probably engineered by Zafar Ali and partly paid for by the Nizam.<sup>22</sup> The topics covered were those close to Mir Osman Ali's heart: the rending of the province of Berar and indignation against the practice of forcing lent officers on the state and the autocratic powers of the Resident. More important, however, were: one, a plea for the conferring of the titles of 'King of Hyderabad' and 'His Majesty' on the Nizam (which would put him almost on a par with the king-emperor) not as a recompense for services rendered or in recognition of his premier position among the princes but as a special boon to the Muslim community of India;<sup>23</sup> and two, the conferment of the title of 'Mohi ul Millat wad Din' (Reviver of the community and the faith) on the Nizam by the 'UP Muslim Defence Association' in October 1918.<sup>24</sup>

Already, in June 1918, the Amritsar-based newspaper *Vakil* had claimed that "thanks to the present Nizam... the signs of improvement are visible in the spiritual and moral life of Muhammedans, and their condition is gradually regenerated. It is, therefore, their duty to offer him the title (literally gift) of Muhi ul Millat wad Din".<sup>25</sup> About a month later, 'Sitara-e-Hind' suggested that the ulema of India "should be invited to the next annual meeting of the Nadwat and that they should formally propose the bestowal of the title Muhi ul Millat or Muin ul Millat wad Din".<sup>26</sup> The importance of this title of course lies in the fact that it enabled the Nizam to base his claim to speak for all the Muslims not on a British instruction, as hitherto, but on the popular opinion of north India. Not only was the Nizam freed from the odium attached to a collaborator; he could even redefine his position in a way to serve not the needs of the British, as hitherto, but his own.

Even after it is granted that the Nizam had an interest in cultivating the contact with Zafar Ali Khan and through him with Shaikat Ali, the question of what induced the other side to cultivate the alliance remains open.

Notwithstanding the image of splendid princely isolation in the 19th century, Hyderabad had from the beginning been deeply involved in the Aligarh movement. The state and private donors, most prominent among them the Nizam and Salar Jang I, had at times covered up to 30 per cent of the budget of the Aligarh college<sup>27</sup>

in acknowledgement of which there had been plans to build a museum on the campus named after the Nizam and call the large dining room Salar Manzil.<sup>28</sup> Students from Hyderabad had been sent the long way northward to Aligarh and alumni of the college were employed in high posts in the Nizam's administration.

The influence of the government of Hyderabad and the Nizam personally among the trustees of the college had always been high, and most of the men who took a leading part in the politics of the 'old party' were in some way or the other connected with the state of Hyderabad.<sup>29</sup> The endeavour of the 'young party' to win the Nizam as their ally might perhaps be seen as one among several moves to grab the reins of power from the old party.<sup>30</sup>

Secondly, the Nizam still represented an immense source of patronage, providing funds for projects<sup>31</sup> as well as attractive jobs outside the direct reach of the British Indian administration.<sup>32</sup> Moreover, the national movement had not yet begun to turn against the Indian princes in the name of democracy, and the prestige they wielded during the first world war era was still great. For some years – approximately 1918 to 1920 – it seemed as if the emerging Khilafat agitation would unite not only Hindus and Muslims but nationalists and princes as well.

### III

#### Khilafat Agitation in State

Within the limits imposed on a 'faithful ally' who could not risk an open breach of this alliance – not yet at any rate – the Nizam tried to impress the requests of the Khilafatists on the colonial power. In March 1920, when the precarious position of the Turkish sultan and khalifa had become apparent, he wrote a long letter warning Lord Chelmsford, the viceroy that owing not only to the influence of the Muslim ulema but also to certain statements by dignitaries of the Church of England, the conflict between the British and the Ottoman empire might become a 'conflict between the Cross and the Crescent within the empire'. In the face of considerable opposition, the Nizam went on, he had done all he could to make the peace celebrations a worthy event. But now it was the turn of the government to accommodate the Indian Muslims in an area in which their indignation was not only dangerous but also unjustified:

"I also think their resentment, which has a strong religious basis, is not less provoked by what they consider will be a breach of faith on the part of the British government

if the pledges given during the war were not fulfilled. No doubt is left of the solemnity of these pledges after what has been authoritatively stated by the premier and other distinguished statesmen in the House of Commons...A combination of religious frenzy and indignation at breach of faith will be of an intensity the evil consequences of which may present a political situation of the gravest possibilities."<sup>33</sup>

In spite of the prominence given to these actions of the Nizam in the historiography of Hyderabad, the Khilafat movement in the state was limited neither to the exchange of these diplomatic missives nor to be a spontaneous imitation of events in British India. Once we move beyond the limited area on which the resident reported, however, the material becomes very scanty. Nevertheless, it seems possible to trace some of the lines which link the movement to the political developments of the 19th century.

Hyderabad had a long Wahabbi tradition, which dated back to the 1830s, when a brother of the Nizam was involved in a conspiracy against the British [Regani 1963, 1986]. The Deoband movement was based on support from the princely states to a much lesser extent than Aligarh; nevertheless, as early as 1876 there existed a group of donors in Hyderabad, which formalised into an association in 1895. The members of the association included princely employees, a publisher of religious books and a religious teacher [Metcalf 1982].

At the same time, there must have been a spread of pan-Islamism in the state. The 'khutba', which may be taken as an indicator of change in this field, was read in the name of the Mughul emperor until 1858. After this date, at the instance of the British, it was read in the name of the Nizams themselves. On the eve of the first world war, however, reading the khutba in the name of the Turkish khalifa seems to have been a practice of some standing. The exact date of this second change is not known but it might well be connected with the two years that Jamal ud Din al Afghani spent in Hyderabad after his expulsion from Egypt in 1879 [Keddi 1968].<sup>34</sup>

Given the scarcity of source material, it is only through biographical material that an insight into the turn-of-the-century political and ideological movements which later merged into the Khilafat agitation is possible. Maulvi Abdul Qayam is found collecting money for the victims of the Balkan war as early as in 1898 and some time later for the Hijaz railway construction fund.<sup>35</sup> This tradition was taken up by his

son, Abdul Basith, who took part in the organisation of the Turkish relief fund and was leading the Hyderabad Red Crescent Society in 1912.<sup>36</sup> The fact that the Anjuman-i Khuddam-i Kaaba, too, had a branch in Hyderabad<sup>37</sup> indicates further that even before the world war and Gandhi's first national campaigns the princely states had become quite permeable to British Indian influence.

Qayam was a close friend of Aghornath Chattopadhyaya, the father of Sarojini Naidu, who on the invitation of Salar Jang I in 1878 had moved from Bengal to Hyderabad, where he had taken a leading part in the foundation of the Nizam College.<sup>38</sup> He and Qayam were among the first members of the Indian National Congress in Hyderabad. Here they were soon joined by Keshavrao Koratkar, lawyer by profession and president of the Arya Samaj since the turn of the century, who supplied contacts to the leading politicians in Maharashtra.<sup>39</sup> The Congress, at this stage, proved to be the meeting ground as well for the pan-Islamist ventures as for secular nationalism and for the movements propagating communal consciousness among the Hindus.

Political activity in Hyderabad tended to take the shape of educational ventures. In 1907 the Marathi-speaking community of Hyderabad, which was probably the most politically active part of the country until the late 1930s, decided to found an Anglo-Vernacular High School. Not surprisingly, Keshavrao is to be found in the forefront of this movement. He was seconded by Waman Naik, who donated not only Rs 35,000 for the construction of the school but also land worth another Rs 60,000. The outcome was the Vivek Vardhini High School, which provided the rallying point for the Marathi speakers in the capital city.<sup>40</sup>

Since the beginning of the century, the idea of having an Urdu-medium university had been in the air [Mayhew 1912]. The idea was strongly voiced at the First Education Conference in 1915, where the leading part was again played by Abdul Basith – together with Muhammad Murtuza who had worked with him in the Red Crescent Society and Mir Akbar Ali,<sup>41</sup> another protege of Qayam and editor of the newspaper *Sahifa*<sup>42</sup> (which was to receive financial assistance in 1918 for carrying out a press campaign in favour of the Nizam and the Khilafat movement). The conference and its organisers received the patronage of Akbar Hydari – then educational secretary of the Nizam, later prime minister of Hyderabad – who was married to a niece of Badruddin Tyabji and who throughout his life cultivated the

contacts to the Bombay financiers of the Congress.<sup>43</sup>

So now the stage was set for the Khilafat movement. The first meeting took place on March 16, 1920 at the grounds of the Vivek Vardhini High School – the choice of venue already indicating who the supporters were – and assembled about 15,000 persons. Khilafat Day was observed by a hartal in Hyderabad city, in which at least the Muslim shops took part. All the communities joined in a meeting the next day, which boasted 25,000 participants. The meetings were presided over in turn by Waman Naik, Keshavrao, Mir Akbar Ali and one Muhammed Asghar, who had qualified in Oxford for the barrister's calling and to have belonged to the circle round Abdul Basith.<sup>44</sup> At this stage the Nizam seems to have got the idea that this popular agitation, which he had planned to use for his own aims, might outgrow him and become unmanageable. He therefore issued a firman on April 4, 1920 requiring prior permission for meetings.<sup>45</sup> Nevertheless, the next three meetings still numbered 10,000 to 12,000 persons each.

The terms of the Peace of Sevres, announced on May 20, reduced the sovereignty of the khalifa to the Turkish heartland of his empire and deprived him of the control of the holy places of the Hijaz. This British had earlier passed this information on to the Nizam together with an invitation to assist them in combating the agitation. Knowing that to decline such an 'invitation' would be as dangerous as to refuse their 'help', the Nizam immediately issued an order forbidding all demonstrations without further ado. A few days later the leadership of the British Indian Khilafat movement resolved on a campaign of non-cooperation, to which Gandhi and his followers agreed shortly afterwards. On the face of it the rupture between the Khilafatists and the Nizam had now become inevitable, and for some time it seemed as if both sides were really bent on this rupture.

What provoked Mir Usman Ali's resistance was not the aims of the movement nor its struggle for the khalifa, nor its anti-British impetus, which weakened the colonial power, but its methods – in which he very rightly saw a possible threat to this own government usurping the resident's prerogative, as it were, the Nizam for once took up the role of adviser and wrote to Lord Chelmsford:

"So long as it [the Khilafat movement] had not passed out of sober reasoning and judicious restraint it was entitled to my sympathy. As a Mussalman ruler it is but natural that I should feel the break-up of a Muhammedan power, but it is impossible

for me to countenance proceedings that have avowed intentions of resistance, euphemistically called 'passive', to British authority – indeed against all authority ...The position, as it strikes me, calls for action in two directions; one is to put down lawlessness or incitement to lawlessness with a strong hand, and the other is publicly to champion the appeal to the Allied Powers...for reducing the severity of the Turkish peace terms."<sup>46</sup>

The leaders of the Khilafat movement, however, took cognisance primarily of the prohibition of meetings in Hyderabad and the sharp condemnation of these methods. Understandably, they reacted with indignation – some of them, however, trying to keep a back door open by attributing the Nizam's move either to British pressure or to the influence of Sir Ali Imam, who in the meantime had been appointed president of the executive council in Hyderabad.<sup>47</sup> When some north Indian newspapers started wondering aloud whether under these circumstances Mir Osman had not forfeited his right to the title of *Muhi ul Millat wa Din*, Mir Osman answered with an angry firman stating that those who had awarded him the title had not acquired the right to lay down the law for his comportment as the Nizam:

"I am totally at loss to comprehend why others should try to meddle in the affairs of my state, in the best interests of which, both political and general, I deemed it fit to issue prohibitive orders regarding the Khilafat meetings...They must not forget what 'Hafiz' says: 'Politics are best known to the emperors don't worry yourself about them, being but a beggar'.<sup>48</sup>

These certainly were strong words. But throughout his political life the Nizam was known for his occasional outbursts of strong words, not always matched by action. Therefore it is not too surprising that in less than two weeks time this firman should have been followed by another one expressing heartfelt sympathy for the aims of the Khilafat movement, giving an assurance of help and deploring 'the false impression among the Muslims in other parts of India, who thought that I felt no sympathy for the present deplorable condition of the Islamic countries and of the holy places of Islam' when "for reasons of state and in view of political expediency it became necessary for me recently to issue a series of firmans regarding the Khilafat question".<sup>49</sup>

This firman brought an enthusiastic reply from Zafar Ali Khan: "My faith in Your Exalted Highness has remained unshakably firm amid the stress and storm created around your august personality by forces inimical to Islam, and I assure Your Exalted

Highness that Muslim India looks up to you even now as the beacon of Islam in India and trust that you will exert your sovereign influence to bring about a change in Lloyd George's Turkish angle of vision."<sup>50</sup>

Even if the next communication of Zafar Ali became more pressing – urging the Nizam, as it did, to decide "once for all whether Muslims of India...are entitled to approach the Sovereign of Hyderabad in accordance with the constitution of Islam"<sup>51</sup> – the bonds between the Khilafatists and the Nizam did not break definitely. As late as 1921 Shaukat Ali addressed an appeal to the princes, and more specifically to the Nizam, to the effect that he prayed to God that "He may give them courage to co-operate with us, that they may lead us and that we may follow them".<sup>52</sup> At the same time, Zulqader Khan, by now awarded the title of Zulqader Jang did a stint as home secretary in Hyderabad.<sup>53</sup>

#### IV

#### Aftermath of Agitation

Although the Khilafat agitation passed out of the realm of practical politics with Turkey itself divesting the khalifa of his temporal powers in 1922 and abolishing the Khilafat in 1924, it had become too powerful a symbol to lose its attraction for all. The Ali brothers, in particular, continued to search for ways and means to restore the institution, its binding force for the Muslim world, and not least, their once-predominant position.

From 1924 dates a connection between Muhammad Ali and the 'grand mufti' of Jerusalem. After his brother's death in 1930, Shaukat Ali took over and in 1931 organised a 'world Muslim conference in Palestine [Chawla 1985] with the aim of offering the Khilafat to king Fuad of Egypt – who after favouring the project for a while declined for reasons of internal politics – or restoring it to the former khalifa, Abul Majid.<sup>54</sup> These preparations were viewed with nervousness by the Turkish government. The British, who wanted neither to risk and open conflict with Turkey nor a rekindling of Muslim agitation in India,<sup>55</sup> managed to play down the pan-Islamic aspect of the conference and to reduce the agenda to the less contentious issues of the Hijaz railway, the endowment of waqf for the holy cities and the establishment of an Islamic college in Jerusalem.

It is less known, but perhaps not less important, that Shaukat Ali had at the same time tried to link the family of the Nizam to his pan-Islamic ventures. In August 1931 he visited Hyderabad,

ostensibly to collect funds, in reality to act as marriage broker for the alliance of Mir Osman Ali's two sons, then touring Europe, to the daughter and the niece of the former khalifa. Although the Nizam consistently denied that the marriages had pan-Islamic implications, such implications could not have passed unnoticed by him, especially as the son of the heir apparent of Hyderabad would also become the legal heir of the former khalifa and thereby a potential claimant to the 'khilafat'. However, apparently he had no intention of using this new strand of legitimacy in the immediate future.

When Shaukat Ali nevertheless urged Muslims of Bombay to "give princes enthusiastic reception to mark importance of link between Europe and India" and in newspaper articles drew attention to 'khilafatist aspect of alliance', the Nizam reproached him with 'breach of confidence'<sup>56</sup> (which at least shows that there had been confidential discussions related to this aspect) and shortly afterwards withdrew his financial support.<sup>57</sup>

On the whole, the Nizam showed himself quite willing to take up the role of leader of the Indian Muslims – offered to him on different occasions and on different conditions, both by the British and by the north Indian 'khilafatists'. The legitimisation of his government implied in the statement that he represented the Muslims and could speak on their behalf as well as the potential for agitation he was convinced he could command from now on came to occupy an important place in his struggle with the colonial power. In the Nizam's mind, however, the use of these patterns of argumentation should and could be limited to his interaction with the British. Never did he realise that these same arguments might provoke a change in the relations between him and his subjects, basing government on the principle of representation of the people and approval by them and acknowledging a right to political participation.

By reaching out for the support of parts of the British Indian national movement, the Nizam transcended Hyderabad as his frame of reference and got involved in a political game whose rules he understood but imperfectly. Originally, he had hoped to borrow some chess figures from the larger board and to move them freely on his own, thereby countering the British 'check to the king'. Soon, however, he had to realise not only that the figures tended to develop a life of their own but that events on the big boards over which he had no control – such as the breaking up of the Hindu-Muslim unity of the Khilafat movement – increasingly impinged on his state.

Perhaps neither the British Indian influence nor the rise of populist elements could be avoided in the long run. But by basing his government on the representation and the support of the Muslims who in Hyderabad constituted a minority of not even 20 per cent, the Nizam certainly chose the most dangerous course for his state.

*Postscript:* It is known that the Nizam entertained the fond hope that the Indian Muslims would come to his aid in his conflict with the government of independent India in 1947-48 over the status of Hyderabad state. What contribution to this hope, if any, was made by the experience of the Khilafat movement and his family's potential claim to a succession to the Khalifat movement and his family's potential claim to a succession to the khalifa will remain a matter of speculation so long as the Nizam's private papers are not opened for research.

### Notes

[For their valuable suggestions I should like to thank Dietmar Rothermund, Gail Minault, Narayani Gupta and Mushirul Hassan. Mir and Begum Moazzam Hussain, as always, gave generous encouragement, even where our reading of the past differed.]

1 The fact that Barton, resident in Hyderabad

from 1925 to 1930, was certainly one of the British representative in the 20th century who put up the toughest fights against all forms of 'bad government' gives a certain unintended irony to the quotation.

- 2 Hyderabad, remnant of the Mughal empire in the Dekkhan, had entered into a subsidiary alliance with the East India Company at the end of the 18th century, relinquishing the right to external policy by treaties. The same treaties, however, guaranteed the internal autonomy of the state and the ruler, an autonomy which was successively eroded in the course of the 19th century. The treaties nevertheless were not revoked until 1947. The state was governed by a Muslim ruler and a composite nobility, which was held together by common subscription to the tenets of Moghul-Persian court culture. Mir Osman Ali Khan, the seventh Nizam, had ascended the throne after his father's death in 1911. See Permau-Reitfeld (1992).
- 3 The concept of patrimonialism is, of course, Max Weber's [Roth and Wittich 1968, 1978]. For an extensive discussion of the notion and the possibility to apply it to the Indian context see Blake (1979 and 1993), Rosel (1985).
- 4 The repeated attempts of the Chamber of Princes to induce the British to define their paramouncy – and thereby limit their possibilities of intervention in the states' internal policies to a clear-cut number of cases – had led to the appointment in 1928 of a committee under Harcourt Butler to inquire into the exact nature of the relations between the states and the British. The disappointment with Butler's final report was one of the reasons

why the rulers opted for an all-India federation at the first round table conference, hoping the federal constitution would bring them the desired definition of paramouncy

- 5 This is the reason for what Schwerin called the 'the Nizam's proverbial jealousy of his minister' [Schwerin 1980].
- 6 Confirmation of Nawab Salar Jang Bahadur as minister of the Hyderabad state and his subsequent resignation of the post, specially the letter from Pinchey (resident) to Wood (political department), 26.11.1914, R/1/1118 (residency records), IOLR, London
- 7 A biographical sketch tracing his rise from the position of tahsildar to virtual prime minister is to be found in Rao (ND).
- 8 Hyderabad Affairs 1919, Fraser (resident) to Holland (political department), 4.4.1918, Enclosure 1, Narrative of Events, R/1/1/635
- 9 Hyderabad Affairs 1919, Fraser (resident) to Holland (political department), 4.4.1918, Enclosure 2, R/1/1/635.
- 10 Hyderabad Affairs 1919, W.G Neale (political department) to J Maffey (private secretary to the viceroy), 9.4.1918, R/1/1/635
- 11 The Hyderabad Conspiracy Case, R/1/1/1100.
- 12 Jang and Shahjahanpuri (1980), Hyderabad Affairs 1919, Fraser (resident) to Wood (political department) 4.1.1919, R/1/1/635; Ibid, Note Holland (political department) 17.1.1919; for the summing up of the relations between the Nizam and the different branches of the Paigah family see also: Restoration of the Paigah Estates in Hyderabad, 1925, R/1/1/1464.
- 13 Quoted without date in Appendix IV to the letter from the Nizam to the viceroy, 20.7.1918,

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- MSS Eur/E264/21 (Chelmsford Collection). IOLR London.
- 4 Hyderabad Political Notebook I, 1919, pp 195-97, MSS Eur/D 798/43 (Theodore Tasker Collection). IOLR, London.
- 5 Ibid, p 197
- 6 Speech delivered by Sir Stuart Fraser at a banquet given by the Nizam in honour of his new title and HEH's reply, R/1/1/842.
- 7 Ibid, Speech Fraser (resident), 15.1.1918.
- 8 Rao (ND), p 255.
- 9 Comrade, 2.5.1914. See also publication in Comrade, 2.5.1914 of a libellous paragraph regarding the expulsion of Zafar Ali Khan, etc. from Hyderabad in 1909. R/1/1/1100.
- 10 Hyderabad Affairs 1919, Fraser (resident) to Holland (political department), 4.4.1918, Enclosure 1, Narrative of Events, R/1/1/635.
- 11 Ibid, Fraser (Resident) to Holland (political department), 5-6.4.1918.
- 12 According to the Lahore-based *Kashmiri Magazine* of 28.4.1918, the Nizam "gives Rs 225 monthly to the Paisa Akhbar, Rs 50 to the Qorash (Amritsar), Rs 100 to Al-Bashir (Etawah) and a sum unknown to the Sahifa (Hyderabad, Deccan)", Native Newspaper Reports for the Punjab, NMLR, New Delhi. Nevertheless, quite a number of newspapers which didn't figure in this list were involved like *Vakil*, *Aftab*, *Siyasat* and *Zamindar* in Punjab and *Sitara-e Hind*, *Ukhunwat* and *Dastur* in the United Provinces (Native Newspaper Reports for the UP, NMLR, New Delhi).
- 13 *Paisa-Akhbar*, 17.9.1919
- 14 Hyderabad Affairs 1919, Fraser (resident) to Wood (political department), 8.10.1918, R/1/1/635
- 15 *Vakil*, 15.6.1918
- 16 *Sitara-e Hind*, 29.7.1918
- 17 Lelyveld (1978), p 14. See also the detailed listing of Hyderabad's contributions in Ullah (1936).
- 18 Lelyveld, pp 156 and 162
- 19 Nor was the Hyderabad involvement limited to purely educational matters. Mehdi Ali Hasan, titled Muhsin ul Mulk, Sayyid Hussain Bilgrami, titled Imad ul Mulk and Mushtaq Hussain, titled Viqar ul Mulk, the leading figures in the Simla deputation of 1906, not only got their titles and substantial income from the Nizam but for years had held important posts in the administration of the state.
- 20 Robinson (1974), chapters 5 and 6.
- 21 His financial contributions had at no time been limited to Aligarh, but besides many other had extended to the colleges of Deoband [Minault, p 221] and Firangi Mahal as well (Hyderabad Affairs 1919, Report Cleveland, Director of Central Intelligence, 24.2.1919, R/1/1/635).
- 22 Among the Muslim politicians of whom Francis Robinson gives a biographical sketch in the appendix to his book (op cit), no less than 16 held appointments in Hyderabad.
- 23 Nizam to the Viceroy, 16.3.1920, MSS Eur/E 264/24 (Chelmsford Collection). See APSCACHFMAP (1966), pp 30-32.
- 24 The impression that al Afghani had only a very limited influence in Hyderabad seems to rest in the main on a communication from Sayyid Hussain Bilgrami to the government of India (ibid, p 23). As al Afghani spent most of his time there in writing polemics against Sayid Ahmad Khan, with whom Bilgrami had a close relation, it need perhaps not be taken at face value. On the other hand, in a letter dating from 1880, instructors from the *Madrassa-e Aizza* in Hyderabad address the pan-Islamist as their teacher (ibid, p 130).
- However, more research on the history of Muslim thought in the Deccan in the 19th and 20th centuries still needs to be done, before these suppositions can be substantiated or falsified
- 35 APSCACHFMAP (1957), pp 62-73
- 36 Ibid, pp 225-26, 232
- 37 Robinson (1974), p 279
- 38 Ibid, pp 226-32
- 39 Ibid, p 152; APSCACHFMAP (1966), p 88
- 40 APSCACHFMAP (1957), pp 153-55
- 41 'Jam'ia 'Usmania', in *Yadgar-e Silver Jubilee* (1936) (op cit), pp 185-87, APSCACHFMAP (1957), pp 232-33.
- 42 APSCACHFMAP (1957), p 73, APS CACHFMAP (1966), p 41
- 43 Narayan (1979), Rao (N D), pp 205-07
- 44 APSCACHFMAP (1957), pp 250-252, APSCACHFMAP (1966), pp 29-43. Question of communicating the Turkish Peace Terms to the more important Muhammadan Princes and Rulers and of inviting their assistance to combat the Khilafat agitation. Representations received from certain rulers urging the revision of the Peace Terms, R/1/1/668
- 45 Text of the firman in R/1/1/668
- 46 Nizam to Viceroy, 13.6.1920, printed in *Freedom Struggle* Vol IV, pp 33-34
- 47 *Dastur*, 8.7.1920, *Zamindar*, 3.7.1920 *Siyasat*, 25.8.1920
- 48 Translation of Extraordinary Jarida No 57 dated 13.7.1920, R/1/1/668
- 49 Translation of Extraordinary Jarida No 60 dated 26.7.1920
- 50 Quoted in Nizam to Viceroy, 12.8.1920, MSS Eur/E 264/25 (Chelmsford Collection)
- 51 Ibid, quotation of telegram Zafar Ali to Nizam, 3.8.1920, repeated in a letter to the Peshi Secretary. Measures taken to put a stop to the attacks made by the Indian Press in British India on His Exalted Highness the Nizam of Hyderabad as regards His Exalted Highness' policy with reference to the Khilafat movement, R/1/1/667
- 52 Shaukat Ali, Speech at the Rajputana Political Conference at Ajmer, 15.3.1921, quoted in Ramusack, p 63
- 53 Fortnightly reports on the internal situation of the Hyderabad state for the year 1921, report for the fortnight ending June 30, 1921, R/1/1/944.
- 54 Letter Tasadduq Hussain, 13.10.1931, letter R T Peel, India Office to Secretary to Government of India, Home Department, 20.11.1931, Foreign and Political Department, Government of India, File No F 281-N/30, Serial Nos 1-211, National Archive of India, Delhi
- 55 Letter from G W Rendel, Foreign Office, London, to Under Secretary of State, India Office, 20.10.1931, File No 538 p (Secret) of 1931 Serial No. 1-26, NAI
- 56 Telegram Resident to Polindia, 24.11.1931, Marriages of the sons of HEH the Nizam to Turkish Princesses, 1931-35, L/P and S/1/1/1207.
- 57 Letter Gibson to Watson, 26.11.1931, Marriage of the sons of HEH the Nizam to Turkish Princesses, R/2/73/102
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# Agricultural Tenancy and Interlinked Transactions – II

## Neoclassical and Marxist Approaches

Mamata Swain

*This article attempts to study the interlinked land, labour, credit and output contracts observed in Orissa in recent years. The extent of occurrence of these contracts and their modality are analysed. The applicability of the neoclassical and Marxist approaches to interlinkage is examined.*

*This article appears in two parts. The first part examined the features of tenancy contracts, causes of their incidence and persistence and characteristics of lessors and lessees in the survey area. Tenancy is not an isolated phenomenon. It is to be studied in relation to transactions in other factor markets with which it is very often interlocked. Therefore, this, the second part deals with interlinked tenancy contracts.*

### I

#### Introduction

IN underdeveloped rural areas it is very often observed that tenancy contracts are interlocked with transactions in other markets like credit, labour and marketing of crop produce. The implications of interlinking of factor markets and its repercussion on farm economy are viewed differently by the neoclassicals and the Marxists. Bharadwaj (1974), in the Marxist tradition argues that due to the interlinked nature of transactions, the neo-classical individualist market framework is not applicable to the sort of multiple exchanges observed in backward agriculture. And she suggests an alternative classical Marxist framework to explain the interlinked deals in terms of surplus extraction. Bharadwaj (1974:4) notes that "such interlinking of markets increases the exploitative power of the stronger sections because, while there could be limits to exploitation in any one market – due to traditions or conventions – or due to economic factors – the interpenetration of markets allows them to disperse exploitation over the different markets and to phase out exploitation over time as well."

For a neat exposition of Marxist interpretation of interlinkage Bhaduri's (1983a) model of interlinked tenancy and credit contract may be cited. Bhaduri argues that in backward agriculture the market forces are incipient and not adequately developed. This inadequately developed market forms the basis of pre-capitalist or semi-feudalistic exploitation. Bhaduri points out that the involvement of peasants in market transactions is not triggered by the motive of 'gains from trade' but under compulsion of subsistence consumption needs which are to be met by entering into loan transactions with the dominant

party. The simultaneous operation of two methods of surplus extraction in the form of rent as well as usurious extraction tends to increase the total claims on the peasant's produce by the expropriating class. Thus by interlinking the credit and land market, the landowner wields semi-feudalistic power over the tenant and brings the tenant under his perpetual control subjugating him to a kind of serfdom. Thus Bhaduri's view resembles the classical form where the pre-capitalist relations are a direct relationship of domination and subordination between the ruling classes and direct producers unmediated through the market and they are thus characterised by extra-economic coercion.

Bardhan (1984), a noted exponent of the neoclassical approach contradicts Bhaduri's view and emphasises that even though organised markets are not fully developed, economic propositions regarding rural transactions based on market imperfection will not be far from reality. Bardhan asserts that interlinkage reinforces the impact of imperfection in each market. Interlinked personalised transactions by their very nature act as a formidable barrier to entry for third parties and is thus a source of additional monopoly power for the dominant partner in such transactions. Interlinking of transactions in different markets is also a very effective way for the dominant party to avoid social or legal controls or charging high prices if control on prices is not uniform in all markets or prices adjust at different speed in different markets. He emphasises that the neoclassical tools to explain and study the impact of market imperfections can be used to study interlinked transactions in backward agriculture.

In contrast to Bhaduri, Bardhan does not have such a pessimistic view of interlinked contracts. In explaining the existence of

attached labourer arrangement, for example, Bardhan (1984) notes that it is "the employee's need for job security and the employer's need for a dependable and readily available source of labour supply and not feudal subordination that provides the major motivation for a predominantly market relationship between the attached labourer and his master". Thus, the relationship is viewed as symbiotic rather than a dominant-depressed class relationship. With this theoretical underpinning, in the following sections we attempt to analyse the kind of interlinked contracts observed in our study villages to examine the applicability of the neoclassical and the Marxist approach to interlinkage.

### II

#### Interlinked Tenancy and Credit Transactions

The role of tenancy as a credit system, i.e., the landlord providing production loans to the resource poor tenants to undertake cultivation has been emphasised by many starting from classical writers like Smith (1969:490), Turgot to neoclassicists like Marshall (1961:644); Braverman and Stiglitz (1982) and Marx (1974) as well. Also, a tenant receiving consumption loan from the landowner at times of need and thus tenancy acting as an insurance against hunger has been depicted by Scott (1976:46) in his moral economy approach to village production relations.

In our study villages, some of the tenants are found to borrow from their lessors (Table 1). As a result, the land, labour and credit contracts get interlocked. In Charapara a pure tenant has borrowed Rs 1,000 from the landowner to incur expenses on the funeral ceremony of his father. The interest rate charged on the loan is extremely high at 60 per cent per annum and the contract is that the

principal amount along with the interest will be repaid in terms of labour on the lessor's field. Usually when a loan is repaid in terms of labour the wage payment that is being adjusted towards loan repayment is calculated at a lower wage rate than the prevailing market rate, i.e., Rs 8 per day when the prevailing wage rate is Rs 10 per day. Thus, it involves additional implicit interest charges. It is to be noted that the minimum wage rate for unskilled agricultural labourers as declared by the government of Orissa was then Rs 25 per day.

In Harinababi a part-tenant has borrowed Rs 400 from his lessor for cultivation. Here the contract is that he will repay the loan in terms of paddy at the market price just after harvest. As the harvest price of paddy is low, an implicit interest is charged. In the non-irrigated village Sandhagaon one part-tenant and two pure tenants have borrowed from their lessors. The part-tenant had borrowed Rs 50 which he repaid in cash by selling straw. Two pure tenants have borrowed Rs 200 and Rs 300 at 60 per cent interest rate which they will repay in terms of labour.

From all the above instances it is found that the loans from the lessors are not interest free. And the interest rates charged whether explicit or implicit are quite high. Moreover, the landowners who are having additional sources of income from salary or small business other than agriculture are lending to the tenants.

In backward agriculture the interest rates charged on privately made loans are often exorbitant. Table 2 shows that the interest rate when charged explicitly is extremely high, i.e., either 60 per cent or 120 per cent, whereas the interest rate in the formal sector is only 12 per cent. The reasons for usurious interest rates prevailing in backward agriculture have been probed by many economists. The different viewpoints can broadly be categorised into three schools of thought, viz., the lenders' risk hypothesis, the default hypothesis and the theory of interlinkage.

According to the lender's risk hypothesis propounded by Bottomley (1963), while advancing loans the lender faces the risk of default and the lender has to add a premium to the opportunity cost of money to cover the likely loss of capital due to default. Once this risk of default is taken into account, the effective interest rate may turn out to be no higher than its counterpart in the organised sector. Consequently there is no real room for arbitrage and high interest rates persist unabated. But this lender's risk hypothesis has been

vehemently criticised as the moneylender is always the dominant party in the loan transaction because of his large resource base and monopoly position. In the specific power relations that prevail in village communities, it is very unlikely that the borrower can default the loan and go scotfree. Thus the lender's risk is more myth than reality and the lender is rational enough to extend loans only against collateral kept as security. And in case the borrower defaults, the collateral is confiscated by the lender.

Knowledge of this social fact prompted Bhaduri (1977) to expound his 'default hypothesis' which says that the lender deliberately raises the interest rate to cause default and confiscates the collateral kept as security. In Bhaduri's model the essence of usurious extraction lies in undervaluation of collateral. Here the concept of interlinkage creeps in through the back door, though Bhaduri (1977) has nowhere explicitly considered interlinkage in his model. In Bhaduri's schema credit market is characterised by risk of default, there is a tendency for the credit market to be interlinked with the asset market to provide insurance against risk of default [Swain 1986]. Rao (1980) questions the theoretical adequacy of Bhaduri's model on the ground that it fails to capture the essence of credit phenomenon in backward agriculture by focusing on exchange categories rather than production relations or real power relations. In Bhaduri's model the limits to credit relation are set not by personal or class power but by organised credit market. Rao (1980) in the typical Marxist tradition argues that the economic power relations between borrowers and lenders are the chief determinants of the interest rates on credit transactions in rural areas. The distinction between lenders as a group and borrowers as a group is a class distinction reflecting unequal distribution of control over the means of production and subsistence.

In our study villages different types of

linked credit contracts are observed as shown in Table 3. In village Charapara it was found that four years back an MF had borrowed Rs 800 by mortgaging 0.64 acres of non-irrigated land with a large farmer of the nearby village which he has not yet been able to repay. The condition was that when he repays the loan, he would get back his land. As long as full repayment of the loan has not been made, the lender cultivates the land and retains the crop produce as interest charged towards the loan.

By contrast, in the non-irrigated village Sandhagaon a landless pure tenant is found to advance Rs 700 to the landowner with the stipulation that he will cultivate the landowner's 2 acres of land and retain the entire crop produce until the landowner repays the loan in full. And he is cultivating the land for the last four years. The occurrence of this type of reverse usufructuary mortgage in dry land areas is also mentioned by Jodha (1981) and Srivastava (1989a). Another case of interlinked asset and credit contract is also observed in this village. A landless casual labourer has borrowed Rs 1,500 by placing his gold necklace as collateral near a large farmer in the nearby village. The market value of the necklace will be about Rs 3,000 and he is permitted to borrow up to Rs 1,500, i.e., half of its price. He is also charged 60 per cent interest rate. When he repays the loan, he will get back his necklace. Thus in an hour of need the village poor mortgage whatever assets they possess to get a loan. Whereas the landed classes are found to borrow from institutional sources like commercial banks and co-operatives against gold or land kept as collateral, the rural poor do not have such access. It is the poverty of the resource poor households that compels them to borrow from private sources even at usurious interest rates.

However, no landless poor households reported losing land due to non-repayment of loan excepting one case witnessed

TABLE 1: LINKED TENANCY CONTRACTS

Village/ Category	Sl No	Borrowing from Lessor (Rs)	Amount Repaid (Rs)	Interest Rate Per Cent Per Year	Purpose of Borrowing	Mode of Repay- ment	Years with Lessor	Lessor's Income Source
Charapara PT	1	1000	-	60	ceremonial	labour	4	C and S
Harinababi OT	1	400	-	-	cultivation	crop	5	C
Sandhagaon OT	1	50	50	-	cultivation	cash	10	S
PT	2	200	-	60	ceremonial	labour	10	C and S
PT	3	300	-	60	consumption	labour	1	C and S

Note: C - Cultivation; S - Salary.

in Charapara. In Charapara all the landless scheduled castes reported that their ancestors did not own any cultivable land. Only one higher caste widow in Charapara said that 50 years back she lost her entire holding as the moneylender confiscated all of her land due to non-repayment of loan. This agriculturist moneylender and his younger brother together had owned about 45 acres of land. Due to disintegration of joint family when the land was divided each inherited 22.5 acres of land. After their death the land was further divided among their sons. One had five sons and the other brother had three sons. Thus ultimately the landholding size of the present heirs come to less than 7 acres per household. All of their family members are settled in cities and they are now selling their land. Thus the offspring of big farmers are gradually becoming detached from cultivation. Due to population growth, Hindu law of inheritance and sub-division of landholding, the average operational holding size is gradually declining. As a result, large farmers having enough surplus to engage in usury are rarely found in the villages. Thus a Bhaduri-type exploitative moneylender is no longer found in the villages under study though in the past such a class did exist. There are many novels in Oriya depicting the exploitative character of the zamindari class [Pati 1992] but that class no longer exists.

Recently there has been a spurt of literature on interlinkage which propounds that if no interest rate is charged this does not mean an absence of usury, since there may be implicit interest charge in the form of a lower wage payment or purchase of crops at less than the ruling market price from the borrower. In order to examine this, according to the mode of charging interest we have divided private loans into three categories: with explicit interest, implicit interest and zero interest.

Table 2 shows that in the case of the landowning class a major proportion of loan is from friends and relatives, where no interest rate is charged. Usually a landowner borrows from his relatives and friends at the time of his daughter's marriage. But in the case of landless labourers and pure tenants the loans are charged either explicit or implicit interest. In Sandhagaon a significant proportion of borrowing by the landless class are charged at a zero interest rate. But the fact is that they have borrowed from a shopkeeper from the nearby village from whom they buy all their groceries. This loan from the shopkeeper may be interpreted as having implicit interest charges. Because only the regular customers of the shopkeeper are

eligible to get loans. And the shopkeeper charges higher prices, about 10 to 15 per cent higher than the prices charged by nearby town shops.

### III Interlinkage between Labour and Credit

In backward agriculture, the boundaries of the village labour market are often narrowly delimited and heavily dependent on social and territorial affinities. Personal knowledge of the employers in relation to the work capacity, reliability and trustworthiness of particular labourers plays a crucial role in hiring labour [Bardhan and Rudra 1985]. These affinities are often cemented by relationship of regular consumption credit, provision of rent-free land or homestead land and wage advances. In the absence of any developed market for credit and insurance these interlinked transactions act as an imperfect substitute and perpetuate the territorial segmentation of the labour market even in adjacent areas. In this section we will analyse loans linked with labour, employment of semi-attached labourers and farm servants in our study villages.

Table 3 shows that in village Charapara landless labourers have taken loans of Rs 1,850 against the promise of future labour in the lender's field. When a labourer repays loans in terms of labour he is paid a lower wage than the prevailing market wage rate and thus implicit interest is charged. In Sandhagaon also a landless casual labourer has taken a loan of Rs 150 which he will repay in terms of labour.

The landless class possess only their labour which they can pledge to get a loan.

Attached labourers are found only in the irrigated villages. In the irrigated villages, as agricultural operations are undertaken throughout the year and availability of labour is an acute problem at peak periods, the medium and large farmers prefer to make labour tying arrangements with the labourers by providing them land for cultivation or homestead land, so that the labourer is compelled to work for the employer when the employer is in need of his service. The labourer is paid wages for the days he works for the employer. Details regarding attached labourers are given in Table 4. The contract is usually agreed in the month of March and for one year which may be renewed after completion of the year. The landowner provides some homestead land or land for cultivation to the labourer for the period of contract, for which the labourer becomes attached to the employer. If the contract is not renewed or violated then the landowner takes back the land. The attached labourer can cultivate his own land only when his employer does not have enough work for him.

The attached labourers are paid a wage rate less than the prevailing wage rate. As the table shows, the wage rate varies from individual to individual. The wage rate increases with years of employment. The attached labourer who has remained attached for the last 30 years is receiving a daily wage of Rs 10 whereas others get Rs 8 or Rs 9 per day, as against the prevailing wage rate of Rs 12 per day. The

TABLE 2: DISTRIBUTION OF PRIVATE LOAN BY INTEREST CHARGED AND FARMER CLASS

(Rupees)

Village/ Category	Total Private Loan	Explicit Interest Charged	Interest Rate Per Cent Per Annum	Implicit Interest Charged	Zero Interest Charged
Charapara					
MF	21,800	6,000	60	800	15,000
SF	23,000	3,000	120	-	20,000
MDF	17,000	-	-	-	17,000
LF	-	-	-	-	-
PT	1,400	1,000	60	-	400
LL	1,950	-	-	1,850	100
Others	40	40	120	-	-
Total	65,190	10,040	-	2,650	52,500
Harinababi					
MF	10,200	-	-	200	10,000
SF	400	-	-	400	-
MDF	700	700	60	-	-
Total	11,300	700	-	600	10,000
Sandhagaon					
MF	3,000	-	-	-	3,000
SF	-	-	-	-	-
MDF	-	-	-	-	-
PT	12,300	1,300	60	-	11,000
LL	6,550	5,200	60	150	1,200
Others	3,000	-	-	-	3,000
Total	24,850	6,500	-	150	18,200

attached labourers reported an increase of Re 1 in wage rate over last year. In a year they work for the employer for about 300 days. When the employer does not have enough work, the attached labourer has the freedom to work for other employers. In Charapara one attached labourer is paid in kind for 200 days. The cash equivalent of paddy that he gets as wage is Rs 8.50 per day. Nowadays the attached labourers prefer to be paid in cash as cash readily buys rice from the market whereas they have to prepare chaula (uncooked rice) from paddy. In Harinababi one MDF has kept an attached labourer and he is paid Rs 300 in addition to his usual daily wage but no land is allotted to him.

The attached labourers usually borrow from their employers at the time of their need either in cash or in kind and repay it in terms of labour at the usual wage rate in which they are paid. In the table it is shown that two attached labourers have borrowed Rs 200 and Rs 600 which they have repaid in terms of labour. One attached labourer takes an advance in kind (paddy) from the employer which he repays in terms of labour.

Prior to their present employment all the attached labourers were working as casual labourers. All of them reported that their other family members (like wife or father) are working under their employers as casual labourers. Engaging of attached labourers has decreased whereas the employment of farm servants or fully attached labourers is on the increase. This is because the resident labourers are no longer interested in labour tying arrangements with landowners, as they are getting work round the year. The big farmers keep farm servants to get dependable labour at any hour of the day. The arrangements regarding employment of farm servants are discussed below.

The big farmers sometimes advance loans to some labourers to buy their loyalty and to avert their group assertiveness in collective bargaining. In this regard Bhalla's (1976) study in Haryana reveals that the landowners employ some trustworthy workers as permanently attached labourers who supervise the work of casual labourers and this arrangement works as a check on class solidarity. These workers who are willing to make required behavioural adjustments are paid wages above their marginal products as tied rent or ability rent.

Findings regarding farm servant particulars in our study villages are summarised in Table 5. In Charapara and Harinababi the medium and large farmer owner cultivators keep farm servants to get dependable labour supply at their beck

and call. Usually a big farmer keeps an attached labourer, a farm servant and a cowherd to get dependable labour supply. The table reveals that out of nine farm servants five are from tribal areas and are scheduled tribes. All of these immigrants from tribal areas have owned land (non-irrigated) in their native place. But they have migrated to irrigated areas; because their native place is droughtprone and what they produce is insufficient for their consumption requirements. Wage employment, moreover, is not available. All of them have come from one district, Keonjhar, as the first immigrant gradually brings his friends and relatives to be employed in the village.

The contract is made for one year. In the case of immigrant tribals the period of contract is from January to January as in their native place a new year starts from a festival called 'Makara' which falls in the month of January. But the local farm servants are employed from March to March when agricultural operations for kharif paddy start. The immigrant farm servants stay in the landowner's house and their maintenance expenses are borne by the employer. Also, they are paid salaries varying from Rs 1,000 to Rs 1,800 per annum. The farm servants who are associated with a single employer for many years are paid more and every year their salary increases by about Rs 100. They usually work for 10 hours a day which includes field and domestic work. Sometimes they supervise the work of the casual labourers. All the employers of farm

servants have extra income other than cultivation like professional, salary, remittances and pension, etc. The native farm servants usually take cash advances at the beginning of the contract year which they repay in terms of labour. But immigrant tribals are paid after the completion of contract period. The farm servants are given clothing twice in a year on the main Oriya festivals 'Raja' and 'Dussehra'.

In the case of the non-irrigated village Sandhagaon even marginal farmers and landless tenants who have other sources of income keep farm servants. These servants are called as 'halia' (ploughmen). The contract is made from March to March and in most cases salary is fixed on a monthly basis in contrast to the annual payment made in the irrigated villages. As the employers are salary holders they engage farm servants to undertake agricultural operations and also to supervise the work of other hired casual labourers. In Sandhagaon five out of six farm servants are immigrants from jungle areas and four of them have possessed land in their native places. They also cite the same reason as the farm servants of irrigated villages for their migration. But interestingly one of them reported that in his native place he had borrowed Rs 1,000 from a private moneylender at 60 per cent interest to buy a young bullock. In order to repay the loan he has migrated to this village to earn money. Thus, exploitation in one village has its repercussion on another village and shapes production relations in the target village.

TABLE 3. DISTRIBUTION OF COMMERCIAL PRIVATE LOAN AMONG DIFFERENT LINKED TRANSACTIONS BY FARMER CLASS

Village/ Category	Commercial Private Loan	Linked Loan	Per Cent of Total	(Rupees)			
				Linked with Tenancy	Linked with Labour	Linked with Asset	Linked with Produce
Charapara							
MF	6,800	800	11.8	-	-	800	-
SF	3,000	-	-	-	-	-	-
MDF	-	-	-	-	-	-	-
LF	-	-	-	-	-	-	-
PT	1,000	1,000	100.0	1,000	-	-	-
LL	1,850	1,850	100.0	-	1,850	-	-
Others	40	-	-	-	-	-	-
Total	12,690	3,650	28.8	1,000	1,850	800	-
Harinababi							
MF	200	200	100.0	-	-	-	200
SF	400	400	100.0	400	-	-	-
MDF	700	-	-	-	-	-	-
Total	1,300	600	46.2	400	-	-	200
Sandhagaon							
MF	-	-	-	-	-	-	-
SF	-	-	-	-	-	-	-
MDF	-	-	-	-	-	-	-
PT	1,300	1,300	-	-	-	-	-
LCL	5,350	1,650	-	-	150	1,500	-
Others	-	-	-	-	-	-	-
Total	6,650	2,950	-	-	150	1,500	-

This particular instance made the author speculate that interlinked transactions may be observed in a particular place not because of existence of poverty or unequal exchange relationship in that particular area but because of prevalence of poverty somewhere else. For example, in Punjab the employment of farm servants is on the increase and most of these farm servants are immigrants from backward and poor states like Orissa and Madhya Pradesh. Jobbers having connections with big farmers in Punjab regularly come to the droughtprone villages in Orissa and advance loans to the family members of the labourer who is contracted to work in Punjab for one year. In Punjab the labourers are given a fixed ration per week and no cash and they are compelled to work hard. Thus poverty in Orissa helps in the perpetuation of interlinked transactions in Punjab.

Likewise in our study area landowners from the irrigated villages go to tribal areas in quest of farm servants and the ex-

resident farm servants have now become casual labourers. Also the landowners are no more interested in keeping resident farm servants as they do not stay in the landowner's house and hence are not available at all times. During our survey many large farmers were found to grumble that the resident farm servants sometimes do not come to work on the pretext of illness when they are actually doing other highly paid work in marriage ceremonies. Also, marginal farmers who were tenants and are now hiring out labour in Charapara and Harinabahi have migrated to Calcutta and are employed there in unskilled manual work as gardeners, cleaners and watchmen in private companies. There they do not have any job security and the company did not pay them their full salary even once as it incurred a loss. Therefore, interlinkage is no more to be considered as an intravillage phenomenon. With overall development and with the improvement in transport and communication facilities the mobility of the depressed class has of

course increased but from one set of exploitation they enter into another at a different place and thus interlinkage has crossed village boundaries. In a vast country like India there is large scope for migration and as long as unbalanced regional development and inequality remain interlinkage will occur.

#### IV Interlinkage between Credit and Produce

In underdeveloped rural areas returns from cultivation are often low and insufficient for internal financing. Institutional finance hardly meets the credit requirements of the farmers. As a result private trader-lenders are emerging in the villages. Usually, the trader-moneylenders advance loans for the cultivation of cash crops like jute at the time of sowing or transplanting with the condition that after harvest the cultivator will sell the crop to the lender at a predetermined price irrespective of the market price. Conditions

TABLE 4 : ATTACHED LABOUR DETAILS: IRRIGATED VILLAGES

Caste	Residence	Wage Cash (Rs/Day)	Wage Kind Paddy (Kgs)	Days Working Per Year	Loan From Employer (Rs)	Amount Repaid (Rs)	Mode of Payment	Years Employed	Previous Occupation	Given by Employer		Employer's Operational Holding (Acres)
										Land (Acres)	Homestead (Acres)	
Charapara												
SC	R	8	–	300	200	200	labour	1	CL	0.24	–	16.50
SC	AV	10	5*	300	**	–	labour	30	CL	0.28	–	14.52
SC	R	9	–	300	600	300	labour	2	CL	–	0.28	11.52
Harinabahi												
SC	AV	9	–	300	–	–	–	2	CL	Rs 300	–	6.00

Notes : \* Cash equivalent of paddy is Rs.8.50 per day, he is paid in kind for about 200 days.

\*\* He takes advances in kind which he repays in terms of labour at the usual wage rate.

R: Resides in the village; AV: Resides in adjacent village.

TABLE 5 : FARM SERVANT PARTICULARS

Caste	Owned Land Nil (Acres)	Residence	Immigrant from (Kms)			Annual Salary (Rs)	Advance Taken (Rs)	Years Employed	Previous Occupation	Employer Details				
			0-50	50-100	+100					Farmer Category	Farmer Class	Operational Holding	Extra Income	
Charapara														
*1 SC	-	AV	-	-	-	1,500	300	1	DS	OC	LF	17.50	PR	
*2 SC	-	R	-	-	-	960	-	1	-	OC	LF	17.50	PR	
3 ST	5.00	-	-	-	y	1,800	-	13	-	OC	LF	14.52	RM	
4 ST	6.00	-	-	-	y	1,000	-	1	AL	OC	MDF	6.84	P; RM	
5 SF	3.50	-	-	-	y	1,600	-	3	FS	OC	LF	16.50	SE, RM	
6 SC	-	R	-	-	-	1,800	350	1	FS	OC	LF	12.00	SE, RM	
7 SC	-	R	-	-	-	1,200	1,000	4	CL	OC	LF	12.00	S, RM	
Harinabahi														
1 ST	3.00	-	-	-	y	1,400	-	2	FS	OC	MDF	5.00		
2 ST	3.00	-	-	-	y	1,200	-	1	FS	OC	MDF	5.50		
Sandhagaon														
1 SC	2.00	-	y	-	-	1,800	**	2	FS	OC	SF	4.00	S	
2 SC	1.50	-	-	y	-	1,920	-	3	CL	OC	SF	4.00	S	
3 SC	1.00	-	y	-	-	1,600	-	1	CL	PT	-	2.00	P, W	
4 SC	-	-	y	-	-	1,300	-	1	-	TO	MF	2.98	S, W	
5 SC	-	R	-	-	-	500	-	1	CL	OC	MDF	5.50	S	
6 SC	2.00	-	-	y	-	1,800	-	1	FS	OT	MF	3.00	-	

Notes : \* Both of them are working under one employer.

\*\* They take loans which are being adjusted towards their salary.

S service; P pension; RM remittance; SE self-employment; PR professional; W wage; DS domestic servant.

vary with regard to interest payment.

In our investigation only one respondent, a small farmer owner tenant in village Harinababi, reported borrowing from a trader-moneylender. He had borrowed Rs 200 from the trader for two months. And after the harvest he repaid the principal loan amount in terms of jute at the prevailing market price but towards interest he paid 2 kgs jute per principal amount of Rs 100. As the price of jute was Rs 380 per quintal, interest for Rs 100 was Rs 7.60 for two months. So the interest rate per annum was 45.6 per cent. But here the borrower is compelled to sell just after harvest when the price is low. To that extent there is further implicit interest charged.

It is to be noted that 10 years back there were many trader-moneylenders in these villages advancing loans for cultivation of jute. In 1982-83 the price of jute increased sharply to Rs 1,000 per quintal as demand for jute increased due to floods in West Bengal. The farmers expecting high price started cultivating jute the next year but the price almost halved to Rs 500 per quintal. The price of jute is volatile in nature. Gradually there is decreasing demand for jute as the gunny bags are now being replaced by plastic and paper bags. Therefore, in Charapara farmers are not cultivating jute. Moreover, almost all the cultivator households have some supplementary income like remittance income or salary income so that they no longer go to the trader-moneylenders to borrow for cultivation purposes.

In Harinababi a tenant has borrowed Rs 400 from his lessor which he will repay in terms of paddy just after harvest at the prevailing market price. As the price of paddy is quite low at harvest time, it is again equivalent to charging of implicit interest rate.

## V

### Conclusion:

It is observed that interlinked transactions are more prevalent in irrigated villages than the non-irrigated village. The tenants, attached labourers and farm servants are subject to exploitation as the interest rate charged either explicitly or implicitly is found to be exorbitant, wages paid to the workers are low and the minimum wage declared by the government is not paid to the labourers. The labour tying arrangements here are in sharp contrast to the free labour found in capitalist agriculture. The relationship between the employer and the employee is not a symbiotic relationship as Bardhan presumes. Rather it resembles a dominant and

dependent relationship where the landowning class has the upper hand. Through different contrived ways the landowning class extract surplus from the poor peasants. The modality is different from that observed in a feudalistic society characterised by extraeconomic coercion. There is considerable variation in wages with regard to status of the farm servant (resident or immigrant) and also wages increase with period of association with the employer.

The mode of exploitation is always defined with respect to a stage of historical development of a society. Bhaduri's model of interlinkage between usury and tenancy is perfectly applicable to Orissa under British rule when a 'zamindari' class with large landed estates spread over a number of villages dominated village society and were mainly a rentier class. The environment and colonial state policy then were not congenial for cultivation by this group [Padhi 1985]. Therefore, they tried to increase their hold over the peasants by combining usury with tenancy. In the changed circumstances of contemporary Orissa such explanations of agricultural stagnation are not tenable. No such class exists now. Implementation of Orissa Estates Abolition Act (1952), ceiling on land, sub-division of family holding due to law of inheritance, disintegration of the joint family system and pressure of growing population on limited land have combined to produce a levelling down in landholding size in Orissa. Accumulation of land in the hands of rich peasants or class polarisation is not at all visible.

Our analysis shows that the Marxist approach though more appropriate in explaining interlinkage than the neoclassical approach, is not sufficient and needs to be supplemented by an overarching macro framework so that the persistence of tenancy and the emergence of interlinked deals can be adequately explained. In this respect we have emphasised the migration aspect which has not been given the attention it deserves. Migration provides a solution to some of the puzzling issues like persistence of interlinkage being consistent with the development of market forces.

We emphasise that power relations do not remain constant and that with change in macro variables and other economic forces the power structure is itself changed. Thus, for example, the law of inheritance and disintegration of joint family system appear to have resulted in no large farmers having substantial surpluses, while due to improved transport and communication facilities the oppressed class has itself

migrated, giving place to another set of immigrants from remote tribal areas.

Tenancy and interlinkage can be better explained by the Marxist approach but when enmeshed in a macro framework attempting to study the changing power relation with respect to changes in macro variables like overall population growth, the unemployment rate, the rate of industrialisation, unbalanced regional development and other economic factors like migration caused by overall development. Historical antecedents and the role of the state should also be integrated to the analysis to provide a holistic view.

To sum up, our study reveals that interlinkage clearly exists in the sample villages. But it is not to be considered as a dominant set of relationship as has been suggested by some Marxist writers. The role of migration in the persistence of interlinkage is significant and needs to be emphasised and incorporated in theoretical analysis of interlinkage.

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## Back to Swadeshi?

Sudhansu Ranade

BALDEV RAJ NAYAR's article 'Business and India's Economic Policy' (*EPW*, September 1998) is interesting. His analysis of the historical factors that put Indian industry at a disadvantage vis-a-vis foreign competition (last column, p 2455) when external liberalisation was suddenly brought in simultaneously with internal liberalisation in 1991 is superb. I have never seen the case presented so clearly and concisely. Some points in the article do, however, need attention.

First, the convergence of interests between domestic industry and the Indian Left in fact began well before the 'sudden' liberalisation in 1991. By 1987, for instance, the motivated debate about the 'inefficiency of the public sector' was well under way and had gained a great of momentum. The Left had by then become all too aware of the threat looming on the horizon. I particularly remember a conference of public sector labour unions that B T Ranadive, politbureau member of the CPI(M) and backbone of the CITU, addressed in Bangalore. One of his important messages to the gathering at that occasion was that there was an urgent need for public sector workers to give value for money. We have been telling the workers, he said, about the exploitation of surplus value. From this some have concluded that 'the more we work, the more we are exploited; so why work'. But now the wolf was at the door. Ideologues at the World Bank and elsewhere had begun to bay for the blood of the 'inefficient', resource-strapped public sector; the MNCs lay in wait just outside the door. These pressures continued to increase, and the Left, which only a few decades ago was busy denouncing even the Indian public sector as being basically committed to private interests, and busy 'organising the working class' in a way that contributed a great deal to making the public sector 'inefficient' (thereby squandering a critical opportunity to give the Indian state a degree of autonomy vis-a-vis private capital), has today been pushed in desperation to in effect making common cause with the private sector.

The second thing to note is that despite Nayar's powerful arguments on the threat that Indian industry is facing from imports (p 2456, col 3), by his own account our industry is not all that concerned about the sad way in which "their profits are being squeezed by cheaper imports". Thus, Nayar later goes on to say (p 2464, col 2) that "business does not perceive a general

increase in tariffs to be necessary". While he does say something at this point about "calling a halt to further reductions" and "additional levies on specific items to compensate for the extra taxes that local business has to bear", it would seem as if, in general, according to him and the industrialists he was speaking for, the threat from imports on account of liberalised access, reductions in rates of duty, and the lack of a level playing field between domestic producers and producers abroad (on account of, say, lower rates of interest abroad, and cheaper and more reliable sources of power) has been taken care of by the increase in the price of imports that has come about because of the fall in the value of the rupee, the associated rise in customs duty, and the readier availability of imported components. If one adopts this view, as Nayar does, there would seem to be no need at the moment for him to worry about 'where consumers will come from if local industry, overwhelmed by imports, is unable to provide employment'.

That brings me to Nayar's basic concern; the threat to Indian industry from the operations of the MNCs in India. On this, I would like first of all to say that it is not at all obvious to me that the government has no choice but to cater, in its own interest, to the interests of business. The logic is indeed compelling; but only after government has first satisfied itself that storing up domestic industry is in fact "in its own interest". Whether or not this is the case at any given time or place depends on the availability of other options to keep the economy in steam; with output, employment and tax revenues on their way up. At this stage it is worth quickly recalling the strong arguments that can be marshalled in favour of external liberalisation: foreign competition is thought to be useful because of inflows of currency, capital, technology and expertise, reduced prices, improved quality, bringing new markets into being in the country, and for reaching out to markets abroad. The formulation merits close scrutiny; there are a lot of useful ideas embedded in it.

Some points that need to be noted in this connection are, first, that even if there are no sure alternatives to reliance on domestic industry, it might still be worth giving a serious try if payoffs to successful implementation are high, and there is a fair chance that they might work. In addition to what foreign investors 'directly' contribute to income,

employment, exports, revenues, growth, and prospects of long-term growth (thanks to upgradation of technology, managerial efficiency and quality consciousness), valuable gains would accrue to us to the extent that they are able to pressure domestic industry on to a higher and more sustainable trajectory; with a better ability to compete in markets abroad, and to dynamically generate and cater to domestic demand (I shall return in a moment to the possibility of an ignominious collapse). Second, as regards Nayar's formulation that "it is our industry, we must protect it", surely the consumers too are our people; not only a small handful of rich industrialists. It would be different if one were talking of, say, the weavers. Third, as regards the need to allow domestic industry time to purge itself of its weaknesses, 'which after all were but a rational response to long years of stifling controls', it has been almost a decade; we cannot keep on singing the same old song forever. I do not have any easy answer to the fact that "labour legislation basically bars retrenchment of excess manpower inherited from the pre-reform era", but we do need to force increases in productivity. Redeployment might be an alternative to retrenchment. As for infrastructural inadequacies, these will affect MNCs operating in India as well, not Indian industry alone; both will suffer equally, though of course, ideally, neither should.

As regards Nayar's point that "the state has allowed MNC imports in areas that are reserved for small-scale industry whereas Indian business is not allowed to produce in those areas", the basic aim of the government seems to be to pressure small-scale industry without a very public reversal of policy. Note for instance the careful wording of finance minister Yashwant Sinha's recent message to the small-scale sector: it was time, he said, for them to "begin gearing themselves up to face competition. As the economy continued to open up, the protection they presently enjoyed (vis-a-vis large domestic industry) would become increasingly irrelevant." In a similar vein, soon after the budget was presented, when someone complained that things had got to the stage where 'even bindis were being imported', an official spokesman replied, "That was hard to believe. If good quality bindis were being produced within the country, it was hard to see why anyone would want to import them." It is worth noting in this connection that the bulk of small-scale production in the country (if one ignores the looms) takes place in units that are far from small. The plant and machinery ceiling that stood

at Rs 7.5 lakh about 15 years ago, now stands at Rs 3 crore. Total assets of these companies are very much larger; because the limit specifically excludes the large 'standby' investments that many of the larger 'small units' have made in land and buildings.

As for Nayar's point that the MNCs seemed bent on driving out competition from the sectors they entered and that this would leave Indian consumers at the mercy of these monopolies, it is not as if our companies have all along been vying furiously with each other to give the consumer a better deal. I readily concede that we as consumers are utterly wanting in discrimination, that we are very even-handed in scattering our favours over products and services that do and do not give good value for money. I concede too that the slick image-building activity of the MNCs will tend to increase our suckerability manifold. But there is some hope for us given that the MNCs are very sensitive to potentially damaging criticism, criticism that might stick. In this context, I have been suggesting for years that a small tax should be levied on the huge amounts of money that MNCs (and large Indian companies) spend on advertising. This amount should then be entrusted to a small, carefully chosen consumer protection group; for the strategic dissemination of countervailing information (intended more to encourage industry 'self-regulation' than to augment the flow of paper in consumer courts). The results could be dramatic. Further, it would be sufficient to levy the tax on advertising expenditure at a very small rate, say, 5 per cent; and limit it to only a handful of companies. In other words, what I have in mind is a greatly whittled down version of the tax on advertising services that is now in place (to facilitate easy implementability), and a major redirection of focus.

Then, Nayar complains that it is the successful companies which the MNCs particularly seek to buy out. I am not sure what to make of this point, since they have merely been buying from those who have been willing to sell. Presumably it is those who have not been offered attractive buy-outs that make these complaints; those who might find themselves edged out. And sure enough, the article complains, "Particularly in respect of joint ventures, it appears as if the MNCs are alarmingly eager to reduce or eliminate Indian participation and to assume complete control... While establishing new business ventures MNCs initially take on local partners on an equal basis but, after having acclimatised themselves to the local economic and political situation, they reduce their partners to a subordinate position or oust them entirely." But in the very next line,

in an effort to elaborate on this, the article makes it clear that there is really no need for the rest of us to shed any tears. (I should note here that there is no reason to suppose that income growth would be adversely affected if domestic industry passed into the hands of foreign companies. Nor is the rate of growth of employment – in the economy as a whole, rather than in the organised sector alone – likely to suffer, even in the short run.) It seems the only "underlying problem is that the Indian partner has few bargaining strengths, since he lacks technology and finance and is able to only facilitate contacts with government and provide local knowledge after a while, that asset has no value".

As regards the fear that "we might find one day the top 100 Indian companies are all foreign owned. In that event India might not be able to take the kind of independent stand it is currently taking on the CTBT or the NPT", this seems a bit far-fetched. To begin with the second part of the statement, the autonomy we once had in foreign policy has already been greatly eroded with the demise of the Soviet Union. It is India's ability to influence world opinion that will now be critical, not the ownership of our industry. As regards the first half of the statement, I find it hard to believe that our industry is so very wanting in resilience. And if it is, it can hardly be worth saving.

It seems to me that the argument put forward by Nayar is, rather, geared to ensuring a more secure and steady stream of unearned income to domestic collaborators, a more satisfactory division of the spoils, after the foreign partners no longer need "contacts with government and local knowledge". With the takeover code in place, it seems unlikely to me that the foreign partner would be able to forcibly take over the partnership when the domestic collaborator is no longer of any use. The real worry, it seems to me, is that the MNC can at that point threaten to walk out and set up shop on its own, thereby driving down the asking price.

Somewhere along the way, the article points out that if competition were such a good thing the developed countries would allow more foreign competition at home. Perhaps they would; if they too did not have strong entrenched interests making out that what was good for them was good for the country. Big business, certainly, but also organised labour. It is not only in India that such coalitions between the Left and the Right are to be found.

To show up foreign competition for what it really is, Nayar emphasises that much of the foreign investment is in the consumer goods sector. Surely this only means that this sector happens to offer the largest, quickest and surest profits.

Presumably this is also the reason why Indian industry would prefer to see foreign capital 'dominate' the infrastructural sector, 'lead' the export sector, and 'supplement' (rather than competitively supplant) Indian capital in the consumer goods sector. The tribute paid by domestic industry to foreign capital, by inviting it to 'lead' the export effort, is worth making a special note of. If the much made of 'affluent middle classes' cannot generate rapidly growing markets, we will have to seek markets abroad. Or slow down even further, to a dead stop. Unless, at the urging of Indian industry, government steps up public expenditure to revive flagging domestic markets. But then someone will later have to step into to revive the government; who knows where it will end.

But the case against MNCs is not so easily dismissed. This is because, even if you can get past emotional blocks, such rebuttals are specific to the arguments that are rebutted. It is simply not possible, at least in general discussion, to anticipate and then rebut all possible arguments that could be made against the entry of MNCs. (I have deliberately not referred to their 'unrestricted entry' because entry is at present restricted; and will continue to be so in the foreseeable future.) This is a problem that one often encounters.

When a layman sets out to evaluate someone's opposition on complicated issues, like the Narmada dam, or the 'changes' that have taken place in India's China policy in recent months, or the costs of India going nuclear, it does often happen that the case as articulated by this or that responsible person turns out to be demonstrably untenable. But laymen can discover these flaws only after a very great deal of work; only then can they make sense of the issues involved. But at the end of it, someone will tell you that all you have managed to do is to rebut one particular articulation of the argument. There are many others. In short, the job may be hopeless; the war unwinnable.

One last thing Nayar quotes at one point a passage from *Alice in Wonderland* where Humpty Dumpty, in a somewhat expansive mood, tells Alice: The real crux of the issue (meaning, in this particular case, the issue of the entry of MNCs) is one of control; 'the question is who shall be master'. As a matter of fact, just before these words were uttered, Humpty had said that so far as he was concerned, he made words mean pretty much what he chose them to mean. A sceptical Alice then raised the question of whether one *could* make words mean whatever one chose them to mean. It was to this that Dumpty, tottering, and about to fall, replied airily that the only question really was who was to be the master.

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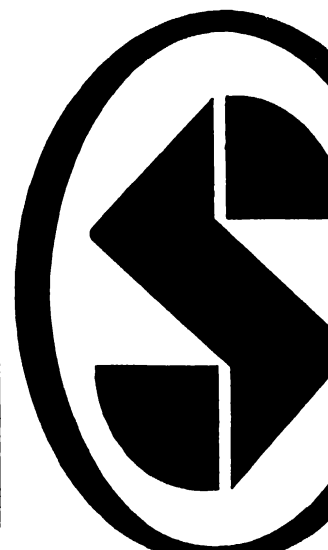
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## Informalisation and Labour Security

An assessment of policies in India and elsewhere to promote sustained economic growth and secure employment, especially in small and medium enterprises where most of the new jobs are likely to be, indicates that new variants of flexible specialisation emerging in India may have wider application. L-2  
Economic liberalisation has resulted in the growth of new industries and significant informalisation which together with rural-urban migration has made for greater vulnerability of labour. This has prompted new institutions of social security from within. How effective are they and what problems do they confront? L-10  
Neither the state nor the trade unions have adequately addressed the problems of social groups working in the informal sector. The Hamal Panchayat, which has mobilised load carriers/coolies throughout Maharashtra is an initiative in creating a broad based political alliance of the unorganised. L-19

## Programming for Power

The need to introduce competition and encourage investment wherever possible has been the driving force prompting the restructuring of the power sector. How successful has been the reform programme? 2795

## Contraceptives and Controls

While population policies have become marginally more sensitive to the needs of people, they continue to ignore serious health and welfare issues, especially of women. The introduction and promotion of injectable contraceptives is a case in point. 2776

## Networking with Care

Every country must have the necessary technological infrastructure as well as the legal framework for facilitating electronic commerce, but must also ask relevant questions before undertaking any binding international obligations. 2771

## Technology and Employment

What has been the effect of introduction of new technology in the textile sector? Case study of a composite textile mill in Mumbai. L-41

## How They See Us

More than anything else the draft of the nuclear doctrine released by the National Security Advisory Board underlines the international perception of India's big power ambitions acquiring threatening dimensions. 2782

## Productive Alliance

Workers in sugar industry, dominated by the co-operative sector and vulnerable to political pressures have attempted to forge an alliance with equally exploited sugar cultivators. L-27

## Laws and Labour

The legal framework works to discipline labour rather than empower it. How can this disempowering process be stopped to operationalise legal aspirations? L-32

## Class Consciousness

Economic globalisation creates pressures as well as opportunities for all economies and it is for the political class in each polity to spot these opportunities and mould the pressures to serve its ends. 2770

## Citizenship and Caste

Ambedkar's critique of a caste-ridden society raises some interesting questions about the limits of the theory and practice of citizenship and liberal politics in India. 2804

## Undeserved Credit?

Contrary to the view which gives enlightened native princes much of the credit for the wide spread of literacy in Kerala, it was the Christian missionaries in the region who were responsible for that transformation. 2811

## People's Care of Forests

Van panchayats, a product of the colonial times in Uttarakhand, have failed due to administrative neglect, although conceptually they are a sound initiative. 2779

## Misleading Perceptions

Is the ASEAN moving away from the principle of non-involvement in member country affairs? 2786

## Options in East Timor

A lasting solution to the crisis in East Timor can be found only through the strengthening of democratic movements in the region. 2784



## Two Sides of Same Coin

I AM aghast at the position taken by P R Ram (*EPW*, June 19, 1999) on maintaining equidistance from the BJP and the Congress. Even a brief acquaintance with the history of the Congress in the last three decades should be enough to see through its claims of being a democratic, secular party.

From 1969 onwards, under the leadership of Indira Gandhi, the Congress began to systematically lose any democratic credentials it could earlier claim, even partially. The brutal killing of hundreds of naxalites in West Bengal during 1969-72 by the state machinery needs no elaboration. Despite the populist slogan of 'garibi hatao', in practice the Congress under Indira Gandhi increasingly became a vehicle for her authoritarian rule in favour of the interests of the elite, culminating in the Emergency of 1975 and the rise of the dynasty. Later, in 1980, it was Indira Gandhi who opened the political space for hindutva by closely aligning herself with perceived Hindu interests.

The issue of economic policies and the danger that both the Congress and the BJP represent in this area deserve serious scrutiny. Economic policies are not disembodied from the nation and its people. They reflect the larger social vision of the nation and its people that the rulers have. In this framework, it is pertinent to ask as to why there is such an alarming overlap between the economic policies of the BJP and the Congress (in fact, across almost the entire spectrum of political parties).

In recent years, despite their occasionally contrasting rhetoric, the Congress and the BJP have become vehicles of the ruling elite. Both the formations reflect their interests and their predicaments. In fact, it would not be too far-fetched to suggest that the Congress and the BJP are the two faces of the Indian ruling class. The hindutva project of the RSS is simply another variant of the vision of the ruling class for the nation just as for a while the Emergency was. It is this overlap that presents us with the irony that those leading sections of the society who had enthusiastically supported the Emergency have now rallied around the BJP.

The BJP, of course, is a political wing of the RSS. But the RSS itself is no longer the petit bourgeois RSS of yesteryears. The RSS today has begun to reflect the aspirations of a larger section of the Indian upper castes and classes who are terrified

of any large-scale shift in the political, economic and social balance of power in favour of the less privileged groups in society. These sections are no longer sure that the Congress alone is well-equipped enough for that job. They want an alternative and now they have that in the BJP. The result, politically speaking, is that the Congress and the BJP are much the same party. Ram is wrong in his belief that just because the Congress, unlike the BJP, has no RSS to provide it with ideological moorings, its fascistic and authoritarian vision is somehow less dangerous. The fig leaf of secularism, programmatic or opportunistic, should not blind us to the reality that at their core both the main political formations in the country reflect the same class interests. Not surprisingly, whether it is the Mandal commission or economic policies, both parties play almost the same tune.

The history of major communal riots in the last three decades or so repeatedly exposes the deep complicity of the Indian state with communal forces, specifically Hindu communal forces. During this period, the Congress has been in power at the centre and in the states where major incidents of communal violence have taken place. While the RSS and its affiliates pose a serious threat to plurality in the country, they cannot be easily and meaningfully isolated from the larger emerging scenario. For example, in the last two decades major communal riots have taken place in Maharashtra, including the Bombay riots of 1992-93. The

Shiv Sena, which has been in the forefront of these riots, has always been a protege of the leading Congress politicians in the state. And Maharashtra is not an isolated example. In the UP and other states, the complicity of the Congress with the communal forces has been deep.

The anti-Sikh violence after the assassination of Indira Gandhi in 1984 was cynically engineered by the Congress. Later, the Congress government at the centre consistently and systematically tried to scuttle any attempt to get the guilty punished. For the first time, this violence suggested an organised, planned pogrom to threaten a religious minority in India by a political party in power. The Bombay riots were similar. The active role of the police in communal violence also reflects the crucial role of the state machinery in fanning and engineering communal violence against minorities.

That apart, in India, communal violence cannot be easily isolated from the larger issue of social violence to protect the class, caste and gender interests of the privileged. In all these conflicts, there is little to distinguish between the BJP and the Congress. In other words, the theory of equidistance from the Congress and the BJP is the necessity of the times, if we wish to even begin to explore the serious possibilities of making a democratic, secular India for the future.

VRIJENDRA

Mumbai

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All other countries	100	70	70	50

## Population and People

**I**N October will be born the six billionth child somewhere in the world; by 2050 India will be the most populous country; 4.8 billion people live in developing countries; there are 120 million people who have been classified as migrants. For decades population pundits have used the mesmerising impact of numbers as a pivot for their theses on the horrors of uncontrolled population growth. Notwithstanding the ideological arguments, the fact that the rapid increase in population is occurring in the poorest, resource-scarce countries with the lowest indices of development cannot but be a matter of concern for even those who do not subscribe to doomsday models of population explosion

Although the UN document today blandly assures us that the International Council for Population Development's new agenda is based on the "understanding that each sovereign country will implement the agenda according to its own priorities and perceptions", there is enough documentation to show that developing countries' efforts in population control have been monitored and controlled by international donor and funder agencies as well as more indirectly by vast pharmaceutical companies who see third world countries as markets for new contraceptives of questionable efficacy and safety. Between the 1960s and the 1980s these agencies either initiated, aided or were witness to some of the grossest abuses in the form of coercive practices of governments across the globe. If today UN agencies speak with a human and humane voice, they do so because of a number of developments, the most important of which has been the evolution of the women's movement and its projection of women's rights over reproductive choices. While there has been some incorporation of issues like reproductive health and women's rights, reading the advance press copy of the UNFPA's *The State of the World Population 1999*, it is easy to forget this history. And that would be inimical to consideration of the serious sociological and political issues that need to be raised with regard to population growth, people and societies.

The UN has made three projections about how the numbers will grow by 2150: the first, if fertility continues to drop until women have about two children each, world population will stabilise at 10.8 billion; the second, if the average is 2.6 children the population will quadruple to 27 billion; and, finally, if fertility drops to 1.6 children the total will be only 3.7 billion. Currently the average family size is about three from almost six children in 1969 – although of course it varies between six in some parts of the world to 1.4, below replenishment level, in some others.

While these numbers are being bandied about, the fact that a reduction in family size across communities will have an effect on various other aspects of society appears to be largely ignored. Studies have indicated that family size is closely related to other factors of class, caste, women's status and education and employment opportunities. And, even more

importantly, that the relationship is complex and not necessarily linear, varying across regions as well as castes and communities. For example, Tamil Nadu's demographic transition, with a history so different from Kerala's, came as a surprise and has been the focus of much debate. While demographers have drawn from these experiences to fashion population control strategies directed at changing these social and economic indicators in order to induce the appropriate reproductive choice, there is much less concern about the societal and psychological/behavioural changes that smaller families will effect. Studies of single-child households in China have shown that not all the changes that occur may be socially harmonious or economically benign. Moreover, over a period of time shrinking family size will mean the narrowing and perhaps breaking down of old family support systems. What will replace these structures and institutions? If the state cannot offer such support systems, they will emerge undoubtedly, as they are already doing, as private enterprises. Market logic will dictate that a large majority will have no access to these services. In poor countries, smaller families will mean a larger proportion of ageing, 'non-productive' populations which in the absence of support structures to replace traditional family-based ones, will increasingly be seen as 'burdensome' to the state. Population control strategies have not so far costed for this consequence of smaller families nor has adequate attention been paid to studying the socio-psychological transitions that are under way because of the reproductive choices people are making. Another demographic fact is the increasing flow of people out of developing countries, as the UNFPA document points out. What societal and political consequences will this have and how will geo-political developments alter these flows?

It would be easy to fault the UNFPA for its unwavering focus on controlling numbers. For all its humane concerns about food security, environment and poverty, unequal consumption patterns and so on, its agenda is not primarily the evolution of an equitable world, however distant such a vision. What emerges in consequence is the utter irresponsibility of country governments to deal with population growth realistically as an aspect of societal growth and not as an obstacle to development. Strategies have been founded on the supposedly disastrous consequence of population growth; as, for instance is the Indian population policy waiting on the sidelines for the constitution of the new Lok Sabha. There is sufficient evidence today to show that the pattern of demographic change is not uniform or linear, and it has subtle and gross consequences which vary across regions. It is imperative that we begin to see demographic change as social change and regard its engineering as social engineering in all its dimensions. Only by so placing population growth in its social perspective can we hope to deal with it creatively and humanely.

## Churning without Change

THOUGH it was not unexpected, the detonation of sophisticated explosives by the ultra left groups active in south and central Bihar during the first phase of polling in the state, resulting in the death of 50-odd persons, mostly security personnel, was a more trenchant indictment of the state of political democracy obtaining in the state than the ruckus over the alleged circulation of fake ballot papers. The credibility of the electoral process in Bihar has been severely dented over the years not only by rampant malpractices but also by the proven ineffectiveness of the state apparatus in the face of the regular poll-boycott calls given by the extremist groups. Yet elections in Bihar continue to generate excitement since the state sends the second largest number of legislators to parliament among all the states, because of which all political parties share a vested interest in maintaining the electoral facade in the state, even though they fail to address the state's basic problems in their election campaigns or when in power.

Given the volatile conditions there, Bihar is the only state where the Election Commission thought it necessary to stagger the polls in three phases. The caste arithmetic, which has largely determined the electoral outcome in the state, too has undergone a significant change for the first time since the ascendancy of Laloo Prasad Yadav in 1990. Laloo Yadav, riding the Mandal wave, had succeeded in building a broad coalition of the backward castes, the dalits and the Muslims as a bulwark against the BJP. But the Yadav-centred politics promoted by Laloo Yadav during his nine-year rule resulted in large-scale alienation of the advanced middle castes, the most backward castes and dalits. If the departure of the powerful kurmi leader, Nitish Kumar, and the formation of the Samata Party with George Fernandes was the beginning of the disenchantment with Laloo Yadav, the consolidation of diverse non-Yadav caste groups in the form of the Bharatiya Janata Party-Janata Dal (United) combine as witnessed now marks the further advance of the process. These castes together outweigh the 27 per cent Yadav-Muslim vote which till now formed the bedrock of Laloo Yadav's support. Not surprisingly, exodus from Laloo Yadav's RJD began once the BJP-JD(U) alliance emerged. The pre-poll scene in the state also saw some erosion even of the Yadav base of the RJD, with at least 12 Yadav heavyweights contesting as independents or on the JD(U) ticket. With assembly elections round the corner, this has to be a cause for concern for Laloo Yadav.

The elections in north-central and south Bihar will largely be bipolar, between the JD(U) and the RJD, and the BJP and the

Congress, respectively. Even so the role of the Jharkhand parties in south Bihar, the CPI(ML) (Liberation) in north Bihar and the CPI in central Bihar in attracting votes will be crucial in tilting the outcome in favour of the one or the other of the two main combinations in closely-fought contests. And though the ballot may send high profile leaders like George Fernandes, Nitish Kumar, Ram Vilas Paswan, Sharad Yadav and Yeshwant Sinha to parliament, the flood-affected 18 districts in north Bihar and the naxalite-run 17 districts in south-central Bihar are symptomatic of the persisting problems at the ground level. In that context, any change brought about by the present polls will be once again cosmetic.

## INDUSTRY

### Indian Business and Foreign Investment

ONE of the major preoccupations of our apex chambers of commerce and industry in recent times has been lobbying the government against the setting up of wholly-owned subsidiaries by foreign firms which already have functional joint ventures in India. The present rule on the subject says that such setting up of a subsidiary can be permitted provided the existing joint venture certifies that it has no objections to the new venture. Industry associations feel that this is not sufficient protection for the Indian partners of the joint venture and seek a ban on such wholly-owned subsidiaries.

What exactly happens when the foreign partner of an ongoing joint venture sets up a wholly-owned subsidiary? If the new venture is to develop product lines altogether different from those pursued by the existing joint venture, there is no cause for heartburn. If not, there is a problem. Except in the case of conglomerates such as GE, there would not be many foreign firms that seek to set up separate entities in India to pursue activities entirely different from one another. In the majority of cases, the new venture would duplicate the functions of and eventually replace the existing joint venture. So there is no doubt that a new wholly-owned subsidiary would go against the interests of the existing joint venture. What are the pros and cons of allowing a foreign firm to set up a wholly-owned subsidiary in product lines similar to the ones engaged in by its existing joint venture in the country?

The industry associations readily present the negative consequences. Existing joint ventures are owned by Indian shareholders, apart from by the foreign firms. Indian shareholders of a joint venture would typically comprise an Indian business house, financial institutions and individual investors. When the foreign firm sets up its new wholly-owned subsidiary, it would

shift emphasis to the new company. Using its clout on the board of the joint venture, it might even effect the transfer of the more profitable product lines to the new subsidiary, and conduct all expansion of the product line through the new subsidiary, leaving the joint venture high and dry.

Since the rule at present is that the foreign firm can apply for setting up a wholly-owned subsidiary only after obtaining a no-objection certificate from the joint venture, aren't Indian shareholder rights already protected? Industry associations point out that minority shareholders are not really in a position to influence board decisions and so the foreign partner in the joint venture is likely to get its way without much trouble. Although it is possible to cite examples of Indian partners successfully holding out against their foreign collaborators starting new wholly-owned ventures, Indian industry associations have a point when they say that minority shareholder views do get swamped in board decisions. Indian industry is pretty knowledgeable when it talks about the treatment of minority shareholders.

Apart from banning new wholly-owned subsidiaries, there could be other ways of protecting the minority shareholders of existing joint ventures. The government could stipulate that a foreign firm that already has a joint venture in the country but wants to set up a wholly-owned subsidiary should give Indian shareholders of the joint venture the option of exiting from that shareholding. In other words, the foreign firm should buy out the Indian shareholders at a reasonable price. In a functional stock market, the share price reflects the worth of the company. Shares that deliver control always go at a premium. So asking the foreign firm to offer to buy up the Indian-held stock of its joint venture at a reasonable price including a premium on the current market price is not unreasonable. In fact, such a stipulation is a necessary condition for any joint venture to find equity financing at a reasonable price. In the absence of such a stipulation, Indian investors would be hesitant to put their money into ventures that run the risk of being converted into shell companies by the foreign partner setting up, later on, a wholly-owned subsidiary. That hesitation can, of course, be overcome but only by offering equity at a discount large enough to offset the risk of redundancy arising from the foreign firm's likely wholly-owned subsidiary. The option of exit at a good price will eliminate this risk and its associated discounting effect on equity pricing of joint ventures.

Foreign investment – direct, portfolio, in joint ventures, in wholly-owned subsidiaries – augments investible resources and enhances the creation of jobs and incomes. Typically, direct investment brings with it, apart from investible resources, technology, management and

corporate governance that are superior to what obtain in the domestic economy. The economy can do with all these. Finally, foreign investment brings in newer, better products, with gains for Indian job-seekers and consumers. This applies to wholly-owned subsidiaries that might replace joint ventures as well.

A foreign firm typically plans to set up a wholly-owned subsidiary when it wants to expand the scale of operations in the domestic economy. It might want to bring in proprietary technology that it does not want to share. Or it might want tighter management. Unless it plans to enhance its operations, it makes no sense to set up a new wholly-owned firm alongside a joint venture. This expansion of activities is in the interest of Indian job-seekers and Indian consumers.

But the effects of such expansion are not universally benign. One group of Indians stands to lose out. These are the Indian partners in the joint ventures. When they are bought out, they will be left with no companies to run. The bought-out Indian partners would have with them large investible funds, which they could use to set up fresh ventures. So the only real cost of the wholly-owned subsidiary is that Indian industrialists will have to prove their entrepreneurship in new pastures.

## EXIT POLLS

### Missing the Issue

THE Supreme Court's judgment rejecting the Election Commission's proposal to ban publication or telecast of opinion and exit polls makes interesting reading. While it has indeed pleased the media, some of the observations made by the honourable judges raise certain questions that are not necessarily related to the merits of this particular case, but are nevertheless relevant.

First, while dismissing the EC's petition, the five-judge Constitution bench made it clear that it had not gone into the question whether the poll-related guidelines issued by the EC were violative of the fundamental rights of freedom of speech and expression. But was not this the main question that was raised by the critics of the EC's guidelines – the newspaper editors and others who challenged them? Why did the honourable judges choose to ignore this question when delivering the judgment? It is an important issue, since it involves a conflict between two sets of rights. On the one hand, the media claim the right to publicise views expressed to their newsmen by the voters coming out after casting their votes – a seemingly legitimate claim under the Constitution. On the other hand, the EC is apparently insisting on its right to maintain the purity of the electoral process – which it feels may get unduly influenced by exit poll surveys. Since the Lok Sabha

elections are being held in a phased manner, in different regions and over a two-month (September-October) period, publication of exit-poll results from one group of constituencies can influence the voting pattern of another group where elections are to be held later. Did the apex court take into account this possibility when delivering its judgment?

Secondly, the Supreme Court judgment has admonished the EC for issuing guidelines without having any power to enforce them. According to newspaper reports, the judges persistently asked the EC's counsel how it could have issued the order of banning the publication and telecast of opinion and exit polls without thinking about its enforcement. Addressing the EC, they were reported to have said: "Your guideline will remain a guideline. It is not binding." Cannot the same thing be said about many Supreme Court judgments? India's apex court has passed some landmark judgments setting down guidelines for protecting the rights of the citizens, particularly the underprivileged. We have heard verdicts of eminent judges directing the government to implement laws to ensure minimum wages for workers, put an end to abominable practices like bonded labour, child marriage and trafficking in human beings among other things, and protect the environment from industrial pollution. Has the Supreme Court been able to get these guidelines enforced? Whether it is the landlords in the remote villages, or the contractors in the urban areas, or the industrialists running factories – all regularly flout with impunity the guidelines laid down by the Court. Surely, the learned judges cannot be unaware of these happenings, since newspapers carry reports which describe how their judgments are being violated.

It is precisely because the EC lacks the enforcing powers that it approached the Supreme Court, hoping that the apex body would make its recommendations legally binding on the media. One could, of course, debate over the merits of the EC's recommendations. But one is a bit surprised by the grounds mentioned by Supreme Court for dismissing the EC's plea. The honourable judges presiding over the Constitution bench were reported to have said: "Even, if we direct the centre to enforce these guidelines, how will the centre impose them?" Do court judgments then have to be determined by the centre's capacity or incapacity to implement them, instead of the merits of the case?

## AID

### Impact of Sanctions

THAT sanctions have become a major tool of foreign policy and are resorted to by various countries, particularly the developed ones, in pursuit of their policy

objectives is well known. Usually sanctions are meant to penalise targeted countries for actions that adversely affect the security or economic interests of the countries imposing sanctions. Often international institutions, particularly those which the sanction-imposing countries dominate, are also involved in the implementation of sanctions. This is precisely what happened to India and Pakistan after they conducted nuclear tests in May 1998, as becomes clear from the latest Annual Report of the World Bank. Sanctions were imposed on both by eight developed countries led by the US and also through multilateral institutions. Thus the World Bank group's lending in fiscal 1999 sanctioned to India was cut to \$ 1.05 bn in fiscal 1998. The Bank's lending to Pakistan came down from \$ 808 mn to \$ 404 mn correspondingly.

According to the World Bank, consideration of lending for several projects in India was postponed because they were "deemed not to address basic minimum needs". In Pakistan's case, however, because of its "precarious financial situation and its commitment to serious reform", a structural adjustment loan was approved in January this year. Also there is said to be some easing of sanctions lately on India, enabling resumption of loans for power programmes and IFC operations.

The World Bank blames nuclear-related sanctions against India in addition to the country's political instability for its economic slow-down as reflected in the decline in its growth rate. The Indian finance minister may not subscribe to the World Bank's diagnosis in regard to the role of sanctions in the economic slow-down in the country. The fact remains, however, that the sanctions did bring down substantially the World Bank group's loan approvals. This is probably true also of loan approvals by the Asian Development Bank. Since loan approvals in one year take time to materialise as actual lending which may take years, it is possible for Yeshwant Sinha to cite facts and figures to show that not to speak of economic activity, even the inflow of funds has not been immediately affected. But that such inflow is bound to be adversely affected a year or two later goes without saying.

Further, sanctions are imposed against a targeted country with the objective of penalising it for such of its actions as the sanction-imposing countries disapprove of. Of course, it is only natural for the latter group of countries to ensure that regardless of whether sanctions are imposed individually or collectively, their own interests are harmed the least, while penalising the targeted country to the maximum. This is so when sanctions are decided against either technology transfers or financial flows.

# CURRENT STATISTICS

EPW Research Foundation

Public sector banks' gross NPAs are 16 per cent of their gross advances and net NPAs, after taking account of provision made for advances considered irrecoverable, 8.2 per cent. Among public sector banks, the nationalised banks have higher NPAs than the SBI. Priority sector advances show higher NPAs than other advances. While the NPA situation has improved somewhat in recent years, against the backdrop of growing sickness among firms the prospects are far from reassuring.

## Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82 = 100)	Weights	Sept 11, 1999	Over Month	Over 12 Months		Fiscal Year So Far		Variation (Per Cent): Point-to-Point			
				Latest	Previous	1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96
All Commodities	100.00	363.7	1.3	2.0	8.4	2.7	5.8	5.0	5.3	6.9	5.0
Primary Articles	32.30	397.4	2.9	2.7	14.9	4.6	11.3	9.3	5.5	7.0	5.4
Food Articles	17.39	471.4	3.4	3.7	18.3	7.3	15.6	11.7	4.0	9.6	9.8
Non-Food Articles	10.08	377.9	1.6	-0.5	12.7	-1.3	6.6	7.5	8.5	3.5	-1.9
Fuel, Power, Light and Lubricants	10.66	401.8	1.2	5.8	2.8	5.9	-1.1	-1.2	11.4	16.9	3.7
Manufactured Products	57.04	337.5	0.4	0.8	5.6	0.8	3.9	3.8	4.0	4.9	5.0
Food Products	10.14	348.3	1.9	-3.1	10.8	1.9	10.3	4.9	5.5	14.1	-0.7
Food Index (computed)	27.53	426.0	3.0	1.6	15.8	5.6	13.8	9.5	4.5	11.1	6.3
All Commodities (weekly average basis) (April 3-Sept 11, 1999)	100.00	358.1	0.3	4.8	5.9	2.8	7.4	6.9	4.8	6.4	7.8

Cost of Living Indices	Latest Month	Over Month	Over 12 Months		Fiscal Year So Far		Variation (Per Cent): Point-to-Point			
			Latest	Previous	1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96
Industrial Workers (1982=100)	424.0 <sup>7</sup>	1.0	3.2	14.8	2.4	8.2	8.9	8.3	10.0	8.9
Urban Non-Man Emp (1984-85=100)	350.0 <sup>7</sup>	1.2	4.2	13.1	2.9	7.7	9.0	7.2	10.2	8.2
Agri Lab (1986-87=100) (Link factor 5.89)	304.0 <sup>7</sup>	1.0	5.2	10.7	2.7	6.3	8.8	3.8	10.5	7.2

Money and Banking (Rs crore)	August 27, 1999	Over Month	Over Year	Fiscal Year So Far		Variation			
				1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96
Money Supply (M <sub>1</sub> )	1027484	10468(1.0)	149047(17.0)	55280(5.7)	57105(7.0)	150872(18.4)	119484(17.0)	97841(16.2)	
Currency with Public	176673	69 neg	26840(17.9)	7291(4.3)	4255(2.9)	23804(16.4)	13491(10.2)	13829(11.7)	
Deposit with Banks	846280	10706(1.3)	122371(16.9)	47279(5.9)	51696(7.7)	126788(18.9)	105647(18.6)	84162(17.5)	
Net Bank Credit to Govt	419643	926(0.2)	54758(15.0)	32491(8.4)	34287(10.4)	56554(17.1)	41979(14.5)	30840(12.0)	
Bank Credit to Comm Sector	497212	2704(0.5)	63712(14.7)	6848(1.4)	190 neg	57054(13.2)	57003(15.1)	31659(9.2)	
Net Foreign Exchange Assets	169986	-1298(-0.8)	26145(18.2)	5624(3.4)	5747(4.2)	26268(19.0)	32597(30.9)	23356(28.4)	
Reserve Money (Sept 10)	264679	2606(1.0)	28449(12.0)	5309(2.0)	9828(4.3)	32969(14.6)	26417(13.2)	5527(2.8)	
Net RBI Credit to Centre \$	154564	3682(2.4)	9231(6.4)	9147(6.3)	11717(8.8)	11801(8.8)	12914(10.7)	1934(1.6)	
RBI Credit to Bks/Comm Sector	24846	-4037(-14.0)	7033(39.5)	-641(-2.5)	2531(16.6)	10206(66.8)	2028(15.3)	-15557(-54.0)	
Scheduled Commercial Banks (Sept 10)									
Deposits	749844	5881(0.8)	100764(15.5)	35819(5.0)	50595(8.5)	115540(19.3)	92886(18.4)	71780(16.5)	
Advances	374746	1502(0.4)	50691(15.6)	5908(1.6)	-24 neg	44759(13.8)	45676(16.4)	24387(9.6)	
Non-Food Advances	353800	2615(0.7)	45770(14.9)	1779(0.5)	-3564(-1.1)	40427(13.0)	40790(15.1)	26580(10.9)	
Investments (for SLR purposes)	288105	5095(1.8)	43181(17.6)	33510(13.2)	26219(12.0)	35890(16.4)	28192(14.8)	25731(15.6)	
Commercial Investments and bills rediscounted with FIIs	53973	983(1.9)	14373(36.3)	5315(10.9)	7587(23.7)	16645(52.0)	12472(63.1)	4168(27.1)	

⑦ Includes Rs 17,945 crore on account of proceeds from RIBs since August 28, 1998; excluding them the year-on-year and the 1998-99 fiscal year growth of money supply would be 14.9 per cent and 15.6 per cent, respectively. Likewise, bank deposits without RIBs grew by 13.5 per cent and 15.5 per cent, respectively. \$ after closure of government accounts.

Index Numbers of Industrial Production (1993-94=100)	Weights	July 1999	Fiscal Year So Far		Full Fiscal Year Averages			
			1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96
General Index	100.00	145.2	145.1(5.4)	137.7(4.2)	143.1(4.0)	137.6(6.6)	129.0(5.5)	122.3(12.8)
Mining and Quarrying	10.47	118.0	115.7(-1.2)	117.1(0.5)	120.3(-1.8)	122.4(5.9)	115.6(-2.0)	117.9(9.6)
Manufacturing	79.36	149.0	149.2(6.3)	140.4(3.9)	146.7(4.4)	140.6(6.7)	131.8(6.7)	123.5(13.8)
Electricity	10.17	144.0	144.1(4.6)	137.8(9.3)	138.4(6.4)	130.0(6.6)	121.9(3.9)	117.3(8.1)

Capital Market	Sept 24, 1999	Month Ago	Year Ago	1999-2000 So Far		1998-99		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1998-99	1997-98	1996-97
BSE Sensitive Index (1978-79=100)	4758(47.5)	4792	3225(-17.1)	3245	4906	2783	4281	3740(-3.9)	3893(15.8)	3361(-0.2)
BSE-100 (1983-84=100)	2221(55.7)	2164	1426(-15.6)	1409	2221	1242	1890	1651(-2.7)	1697(15.9)	1464(-5.5)
BSE-200 (1989-90=100)	512(55.2)	498	330(-12.5)	322	512	289	429	380(0.8)	377(14.9)	328(-5.0)
S and P CNX-50 (Nov 3, 1995=1000)	1412(51.0)	1383	935(-15.8)	931	1423	812	1213	1078(-3.5)	1117(15.4)	968
Skandia GDR Index (Jan 2, 1995=1000)	850(19.6)	910	710	581	980	515	1015	653(-30.5)	940(1.1)	930(-4.4)

Foreign Trade	July 1999	Fiscal Year So Far		Full Fiscal Year		Variation			
		1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
Exports: Rs crore	13209	47467(8.5)	43767(6.4)	141604(8.8)	130101(9.5)	118817(11.7)	106353(28.6)		
US \$ mn	3052	11042(4.0)	10614(-7.7)	33613(-3.9)	34976(4.5)	33470(5.3)	31797(20.8)		
Imports: Rs crore	15485	60488(5.4)	57388(18.0)	176099(14.2)	154176(11.0)	138920(13.2)	122678(36.3)		
US \$ mn	3577	14072(1.0)	13932(2.6)	41802(0.9)	41449(5.9)	39132(6.7)	36678(28.0)		
Non-POL US \$ mn	2849	11313(-6.6)	12108(18.6)	35928(10.3)	32526(11.9)	29096(-0.2)	29152(28.3)		
Balance of Trade: Rs crore	-2276	-13021	-13622	-34495	-24076	-20102	-16325		
US \$ mn	-526	-3070	-3318	-8188	-6472	-5663	-4881		

Foreign Exchange Reserves (excluding gold)	Sept 17, 1999	Sept 18, 1998	March 31, 1999	Month Ago		Year Ago		Variation Over			
				Month Ago	Year Ago	1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96
Rs crore	132505	111194	125446	-499	21311	7059	8683	22935	22137	21649	-7302
US \$ mn	30433	26149	29530	-108	4284	903	173	3554	3607	5243	-3690

Notes: (i) Superscript numeral denotes month to which figure relates, e.g., superscript 7 stands for July; (ii) Figures in brackets are percentage variations over the specified or over the comparable period of the previous year. neg. negligible

## Some Aspects of Non-Performing Assets (NPAs) in Commercial Banks

I Gross and Net NPAs of Public Sector Banks (Amount in Rs crore)							IV Non-performing Assets of Public Sector Banks As Proportion to Advances (in percentages)						
End-March	Gross NPAs	Per Cent to Gross Advances	Per Cent to Total Assets	Net NPAs	Per Cent to Net Advances	Per Cent to Total Assets	Name of the Banks	Gross NPAs/Gross Advance			Net NPAs/Net Advances		
								1995-96	1996-97	1997-98	1995-96	1996-97	1997-98
1993	39253	23.2	11.8				1 State Bank of India	15.96	16.02	14.14	6.61	7.30	6.07
1994	41041	24.8	10.8				2 St Bk of Bikaner and Jaipur	12.45	13.83	11.73	6.11	7.96	7.13
1995	38385	19.5	8.7	17567	10.7	4.0	3 State Bank of Hyderabad	17.89	19.19	18.96	9.94	11.42	10.88
1996	41661	18.0	8.2	18297	8.9	3.6	4 State Bank of Indore	14.20	15.81	15.05	9.62	11.29	10.96
1997	43577	17.8	7.8	20285	9.2	3.6	5 State Bank of Mysore	14.54	16.92	17.47	8.59	10.96	10.75
1998	45653	16.0	7.0	21232	8.2	3.3	6 State Bank of Patiala	11.49	11.32	11.88	6.60	5.88	7.04
II Sectorwise NPA of Public Sector Banks (Amount in Rs crore)							7 State Bank of Saurashtra	13.50	14.79	14.83	5.70	6.05	6.57
Year	Bank Group	Priority Sector	Non-Priority Sector	Public Sector	Total		8 State Bank of Travancore	11.74	14.45	20.06	7.38	8.82	12.21
March							9 Allahabad Bank	23.98	23.93	23.18	16.00	14.84	15.09
1995	(i) SBI	6966 (52.5)	5496 (41.4)	809 (5.1)	13271 (100.0)		10 Andhra Bank	11.61	11.81	9.86	3.29	4.10	2.92
	(ii) Nat Ban	12242 (48.7)	12366 (49.2)	507 (2.0)	25115 (100.0)		11 Bank of Baroda	16.16	17.15	14.63	8.15	7.53	6.60
1996	PSBs (i+ii)	19208 (50.0)	17861 (46.5)	1316 (3.4)	38385 (100.0)		12 Bank of India	14.49	11.78	11.55	7.00	6.93	7.34
	(i) SBI	7041 (53.7)	5263 (40.1)	816 (6.2)	13120 (100.0)		13 Bank of Maharashtra	21.87	20.67	17.39	9.39	9.66	8.59
	(ii) Nat Ban	12065 (45.6)	13804 (52.2)	595 (2.3)	26464 (100.0)		14 Canara Bank	17.93	20.26	18.69	7.45	9.32	7.52
1997	PSBs (i+ii)	19106 (48.3)	19067 (48.2)	1411 (3.6)	39584* (100.0)		15 Central Bank of India	23.91	25.00	20.47	13.49	14.40	12.21
	(i) SBI	7248 (50.4)	6291 (43.8)	829 (5.7)	14368 (100.0)		16 Corporation Bank	9.67	9.92	7.60	2.26	3.63	2.93
	(ii) Nat Ban	13528 (46.3)	15049 (51.5)	632 (2.2)	29209 (100.0)		17 Dena Bank	14.70	15.10	13.73	7.30	9.38	8.28
1998	PSBs (i+ii)	20776 (47.7)	21340 (49.0)	1461 (3.3)	43577 (100.0)		18 Indian Bank	34.15	39.12	38.96	23.87	25.24	26.01
	(i) SBI	7470 (48.1)	7390 (47.6)	662 (4.3)	15522 (100.0)		19 Indian Overseas Bank	22.59	15.80	13.38	8.57	7.64	6.26
	(ii) Nat Ban	13714 (45.5)	15717 (52.2)	700 (2.3)	30131 (100.0)		20 Oriental Bank of Commerce	5.68	7.36	6.16	3.60	5.64	4.50
III Classification of Loan Assets : Public Sector Banks (Amount in Rs crore)							21 Punjab and Snd Bank	27.70	30.71	26.79	10.34	12.04	10.84
1994	124580	158967	189660	200637	239318		22 Punjab National Bank	18.74	16.31	14.50	12.70	10.38	9.57
Assets	(75.2)	(80.6)	(82.0)	(82.2)	(84.0)		23 Syndicate Bank	20.97	19.32	15.31	8.39	7.53	5.78
Sub-standard Assets	12163	7758	9299	12471	14463		24 UCO Bank	24.54	28.35	24.04	11.43	13.73	11.14
Doubtful Assets	23317	22913	24707	26015	25819		25 Union Bank of India	10.38	10.38	11.18	5.94	6.98	7.66
Loss Assets	4073	3732	4351	5090	5371		26 United Bank of India	38.00	36.20	33.50	23.28	19.20	14.10
Advances with balances less than Rs 25,000	1488	3982	3304	(2.1)	(1.9)		27 Vijaya Bank	20.36	18.73	15.21	11.90	9.56	7.60
incl in NPA	(0.9)	(2.0)	(1.4)				V Frequency Distribution of Net NPAs : Number of Banks						
Total NPAs (2 to 5)	41041	36385	41661	43576	45653		Net NPAs as a per cent of Net Advances			1995 1996 1997 1998 (End March)			
Total Advances (1+6)	165621	197352	231321	244213	284971		Public Sector Banks	1 Upto 10 per cent	2 Above 10 and upto 20 per cent	3 Above 20 per cent	2 15 6 9 9	19 17 17	17
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)		Old Indian Private Sector	1 Upto 10 per cent	2 Above 10 and upto 20 per cent	3 Above 20 per cent	na 22 22 21	3 4	1
							New Private Sector Banks	1 Upto 10 per cent	2 Above 10 and upto 20 per cent	3 Above 20 per cent	na Nil Nil Nil	9 9	9
							Foreign Banks in India	1 Upto 10 per cent	2 Above 10 and upto 20 per cent	3 Above 20 per cent	na Nil Nil Nil	30 36# 34@	6
								1 Upto 10 per cent	2 Above 10 and upto 20 per cent	3 Above 20 per cent	na 1 1 2	1 2	2

# Out of 36 foreign banks, 16 banks had nil NPAs in 1996-97 as compared with 12 (out of 30) in 1995-96. @ Out of 34 foreign banks, 14 banks had nil NPA. \* Total NPAs of PSBs for 1996 is revised to Rs 41,661 crore.

Net NPA means GPA minus provisions for the advances considered irrecoverable. Nat.Banks= Nationalised Banks and PSBs= Public Sector Banks.

Figures in brackets indicate percentages to total Source: Reserve Bank of India Bulletin, July 1999 and Trend and Progress of Banking in India, 1997-98.



EXIDE INDUSTRIES

# Higher Market Share

EXIDE INDUSTRIES (EXIDE), the country's largest storage battery manufacturer, saw a sharp increase of 45.8 per cent in net sales in 1998-99. The acquisition of Standard Industries, another battery manufacturer, has given Exide command over more than four-fifths of the automotive battery market in India. However, the rise in market share apart, there has been a sharp increase in sales in terms of volume too. While the company's installed capacity moved up by 22.9 per cent, sale of storage batteries rose by 43.4 per cent from 36,76,535 units to 52,70,383 units during the year under review. The company's performance is significant, considering that the automobile industry itself has seen a negative growth rate during this period. A major reason for the increase in sales is that most of the new entrants into the automobile sector source their battery requirements from the company. These included Honda City, Hyundai Santro, Mitsubishi Lancer, Daewoo Matiz and Tata Indica.

In addition to the above, a major part of the company's growth came from its industrial and motorcycle batteries divisions. In fact, the latter managed to attain the number one position in the market with a growth of 38 per cent.

What made matters even easier for Exide was that the price of its main raw material, lead, fluctuated on a narrow band, and thus there was no major increase in material costs during the year.

Meanwhile, for the quarter ended June 1999, Exide has notched up a further 18.6 per cent increase in net sales as compared to the corresponding period last year. Net profit too increased by 19.5 per cent to Rs 6.5 crore during the same period. Depreciation rose sharply by 28.5 per cent following the commissioning of the new plant at Hosur, Tamil Nadu, and the acquisition of Standard Batteries during the previous year.

Though the company has performed well and expects to cross the Rs 1,000 crore mark in terms of gross sales in 1999-2000, it needs to guard against a few factors. Firstly, with import of batteries being placed on Open General Licence (OGL), competition is expected to increase in the replacement market where Exide has a strong position currently. Moreover, the import content in the company's raw material, which is already high, has in-

creased from 53.5 per cent in 1997-98 to 56.9 per cent in 1998-99. Though lead prices were relatively stable in 1998-99, this may not be true in the current year.

The company now plans to embark on a Rs 70 crore modernisation programme at its three plants in order to reduce costs and become more competitive vis-a-vis other players like Amara Raja Batteries. The modernisation programme comes at a time when APC of the US, a leading player in the global UPS (uninterrupted power supply) market, reportedly plans to source all its requirements for batteries from Exide. In fact, the American company has already placed an order of 40,000 such batteries per month and is interested in entering into an agreement with Exide. The latter, however, has decided to first put the supply logistics in place before entering into a long-term supply agreement.

Exide is also expected to launch at least four new products in 1999-2000, which will cut across all categories of batteries produced by the company.

The company's shares presently quote at around Rs 274 on the bourses, discounting its 1998-99 earnings by a comfortable 25.3 times, thus reflecting the high investor fancy for the scrip.

## INDIAN HOTELS

# Corporate Restructuring

A drop in foreign tourist arrivals affected the performance of Tata group company Indian Hotels in 1998-99. This was mainly due to the impact of an economic slow down, as the hospitality industry is usually one of the first to be affected. Room occupancies were under pressure, particularly in the luxury segment.

While income from operations declined by 1.1 per cent over 1997-98, the company's operating profit fell by 2.8 per cent over the same period. Though interest expenses and tax provision were lower by 8 per cent and 3.9 per cent, respectively, an additional provision for tax provision in respect of earlier years amounting to Rs 10 crore led to a drastic fall in the company's bottom line (lower by 13.6 per cent). In spite of earnings per share diving from Rs 30.6 to Rs 26.4, the company decided to maintain the dividend rate at last year's level of 85 per cent.

Keeping in view its poor performance, Indian Hotels undertook a major corporate restructuring exercise during the year under review. Under this programme, the company's operations were regrouped

under five strategic business units (SBUs), namely, Luxury Hotels division, Leisure Hotels division, Business Hotels division, Air Catering Services and the International Operations division. All the hotels forming part of the Taj group, which the company manages, across the country and outside have been grouped under the different business units with a focus on the customer for each segment. All these segments are supported by strong central groups such as sales and marketing, finance, projects, operational standards, legal affairs, etc. According to the company, the new structure is not only expected to impart greater dynamism and customer focus across the Taj group of hotels, but also enhance customer satisfaction and improve profitability of the company on the whole.

Meanwhile, Indian Hotels recently entered into an agreement with Pune Industrial Hotels for the purchase of Blue Diamond Hotel, Pune, and Hotel City Inn, Baramati. Both hotels can be classified as business hotels and renovation work is expected to begin this month. While Blue Diamond Hotel is a 120-room 5-star unit located between the airport and city centre, Hotel City Inn is a 34-room unit meant for business travellers. Until the agreement is formalised, the Kirloskars (original owners) will continue to manage and operate these hotels.

In another move, the Taj group's St James Court Hotel, the favoured London haunt of Indian politicians and businessmen, will get a new name and become part of an international hotel chain soon. Though Indian Hotels will continue to run the 370-room hotel, it will hand over key functions, including marketing, sales and public relations, to the giant Crowne Plaza chain. The company's decision to become part of this chain comes at a time when it is looking closely at its international properties which have been producing indifferent returns for several years. The St James Court has just about been breaking even.

The situation has not improved in the current year, with increased competition and a further drop in foreign tourist arrivals.

## IPCA LABORATORIES

# Export Growth

IPCA Laboratories (IPCA) has been in the news in the past for its Bachchan connection. In 1998-99 while the company's net sales rose by 15.2 per cent over the



Financial Indicators	Exide Industries		Indian Hotels		IPCA Laboratories	
	March 1999	March 1998	March 1999	March 1998	March 1999	March 1998
<b>Income/appropriations</b>						
1 Net sales	64450	44206	58930	59565	31611	27430
2 Value of production	65754	45547	58930	59565	31598	28084
3 Other Income	282	543	3283	2259	196	191
4 Total income	66036	46090	62213	61824	31794	28275
5 Raw materials/stores and spares consumed	35013	25266	8399	8037	13540	11257
6 Other manufacturing expenses	3529	2287	7135	7413	5376	6508
7 Remuneration to employees	5908	3908	11144	9934	2971	2549
8 Other expenses	8448	6468	14476	14780	5112	4173
9 Operating profit	13138	8161	21059	21660	4795	3788
10 Interest	5075	3299	2317	2519	1502	1241
11 Gross profit	7933	4607	17798	19638	2920	2630
12 Depreciation	3397	1996	3384	3242	703	610
13 Profit before tax	4536	2611	14414	16396	2217	2020
14 Tax provision	550	275	2500	2600	75	75
15 Profit after tax	3986	2336	11914	13796	2142	1945
16 Dividends	1407	1015	4257	4218	691	688
17 Retained profit	2579	1321	7657	9578	1451	1257
<b>Liabilities/assets</b>						
18 Paid-up capital	6100	2883	4512	4512	1250	1250
19 Reserves and surplus	25448	17090	84435	76768	13831	12451
20 Long-term loans	32712	24302	17842	19731	7181	9110
21 Short-term loans	4329	11425	NA	NA	3000	NA
22 Of which bank borrowings	4329	11425	NA	NA	3000	NA
23 Gross fixed assets	55471	47286	66567	58148	15384	13316
24 Accumulated depreciation	11699	8337	19890	16691	3604	2905
25 Inventories	17134	15651	2297	2033	8165	7371
26 Total assets/liabilities	79468	72280	123147	116487	29952	27068
<b>Miscellaneous items</b>						
27 Excise duty	17235	12313	NA	NA	1925	1742
28 Gross value added	19353	11528	31818	34777	7044	6549
29 Total foreign exchange income	2236	1811	35666	39892	15241	13883
30 Total foreign exchange outgo	18459	14515	2958	3471	7130	6092
<b>Key financial and performance ratios</b>						
31 Turnover ratio (sales to total assets) (%)	81.10	61.16	47.85	51.13	105.54	101.34
32 Sales to total net assets (%)	93.97	79.36	55.18	58.97	125.13	120.25
33 Gross value added to gross fixed assets (%)	34.89	24.38	47.80	59.81	45.79	49.18
34 Return on investment (gross profit to total assets) (%)	9.98	6.37	14.45	16.86	9.75	9.72
35 Gross profit to sales (gross margin) (%)	12.31	10.42	30.20	32.97	9.24	9.59
36 Operating profit to sales (%)	20.38	18.46	35.74	36.36	15.17	13.81
37 Profit before tax to sales (%)	7.04	5.91	24.46	27.53	7.01	7.36
38 Tax provision to profit before tax (%)	12.13	10.53	17.34	15.86	3.38	3.71
39 Profit after tax to net worth (return on equity) (%)	12.63	11.70	13.39	16.97	14.20	14.20
40 Dividend (%)	35.00	32.00	85.00	85.00	50.00	50.00
41 Earning per share (Rs)	10.83	8.10	26.41	30.58	17.14	15.56
42 Book value per share (Rs)	71.20	56.84	197.13	180.14	113.30	101.61
43 P/E ratio	25.29	NA	20.11	NA	8.99	NA
44 Debt-equity ratio (adjusted for revaluation) (%)	116.28	148.31	20.06	24.28	50.71	71.68
45 Short-term bank borrowings to inventories (%)	25.27	73.00	NA	NA	36.74	NA
46 Sundry creditors to sundry debtors (%)	41.55	67.66	60.34	72.34	30.57	27.71
47 Total remuneration to employees to value added (%)	30.53	33.90	35.02	28.56	42.18	38.92
48 Total remuneration to employees to value of production (%)	8.99	8.58	18.91	16.68	9.40	9.08
49 Gross fixed assets formation (%)	17.31	NA	14.48	16.27	15.53	12.42
50 Growth in inventories (%)	9.48	NA	12.99	15.97	10.77	22.91

NA: means not available.

previous year operating profit increased by 26.6 per cent. However, the rise in the company's bottom line was restricted to 10.1 percent following a payment of Rs 3.2 crore towards a voluntary retirement scheme implemented during the year. Moreover, there was a sharp rise in interest (up 21 per cent) and depreciation (higher by 15.3 per cent).

A significant part of the company's turnover comes from anti-malarials, while almost half of its formulations are based on price-controlled drugs. Tablets/capsules account for 44 per cent of the company's turnover. Basic drugs/intermediates bring in another 33 per cent, while orals/liquids and injectables contribute 12 per cent and 9 per cent of total sales, respectively.

During the year, the company consolidated its presence in the bulk drugs and drug intermediates market in the US and Europe. The company's export growth has occurred despite a slow down in international trade due to the south-east Asian and Russian turmoil.

Meanwhile, for the first three months of 1999-2000, the company's sales and income from operations increased marginally by 1 per cent over the corresponding period last year. While financial cost declined by 14.8 per cent, depreciation was higher by 20.3 per cent over the same period. Net profit improved by 15.1 per cent to Rs 7.9 crore as compared to Rs 6.82 crore in the first three months of the previous year.

The company's stock presently quotes at around Rs 154 on the bourses, discounting its 1998-99 earnings by 9 times.

## Larsen & Toubro

Engineering conglomerate Larsen & Toubro (L&T) has performed well in the first quarter of 1999-2000. While net profit improved by 10 per cent over the corresponding period last year, the company's net sales were higher by 8.3 per cent. This was despite a sharp increase in interest charges (up 133 per cent) following the commencement of commercial operations of the company's cement plant at Awarpur in Maharashtra and also due to the increased level of activities. While depreciation increased marginally, provision for tax was higher by 20 per cent. L&T's order book position for the quarter stood at Rs 2,257 crore, indicating an increase of 4 per cent over the same period last year. The total order backlog for the company at the end of June 1999 was Rs 6,563 crore.

# Globalisation and National Politics

D N Ghosh

*Economic globalisation creates pressures as well as opportunities for all economies and it is for the political class in each polity to spot the opportunities and learn to mould the pressures to serve the particular country's needs and interests.*

IN the process of transition from feudalism to capitalism, the 'satanic mill' of the uncontrolled market mechanism, as Karl Polanyi analysed it in his *The Great Transformation*, was wrecking the relationships between economy and society. Society was emerging as an adjunct of the market, with social relations getting embedded in the economic system. The process of globalisation has reactivated the 'satanic mill' with ferocious intensity. The pursuit of economic efficiency with the combination of an unceasing stream of new technologies and unfettered market competition has relegated to the background the social costs of such growth: fractured social institutions, anarchy and uncertainty.

Writing as a political scientist, from the vantage point of a former supporter of the New Right, John Gray highlights, in a passionate polemic,\* the dehumanising social impact of laissez-faire in a globally integrated economy. Globalisation has been characterised by him as the great American project, holding the key to future global prosperity. As the world's dominant political and military power and home of the world's largest MNCs, the US engineers the forces of globalisation and displays missionary zeal to spread it across the globe.

UK, New Zealand and Mexico are selected by Gray for special case studies. These countries set about harnessing the explosive potential of technology and the vast resources of MNCs but had to pay a very heavy price. The unleashed free market has destroyed the stability of post-war welfare capitalism and undermined social cohesion, sweeping away the family, proletarianising the middle classes, weakening intermediary institutions and associations, and contributing to "an astonishing growth of economic inequalities of all kinds". Neither the US nor the western world has escaped from these perverse social consequences which Gray

lays at the door of globalisation. An ever-widening list of countries are falling victim to the delusion that globalisation would usher in a new dawn. The misery of a few of these has been documented by even the staunchest advocates of globalisation. No country is anywhere near the paradigm of the 'post-historical' society which Fukuyama spoke of.

With powerful rhetoric Gray pleads for a regime of global governance for emancipation from agony and anarchy associated with global free marketism. An international order may bring some measure of public governance over private power, but this is a distant utopian dream. Such a regime could only be established by the world's great economic powers acting in concert, with the US providing the leadership. With her global reach over enterprises and markets in other countries, the US would prefer to assert herself through controlled interventionism and enforcement of standards and regulations consistent with her interests. The world economy can function only so long as its institutions are underwritten by an effective global power and the US fulfils this role admirably. She owes it to the world, as Lester Thurow argues in his book *Future of Capitalism*, to keep herself fully strengthened all the time to act as its policeman to prevent global anarchy.

Globalisation is an open-ended process influenced continually by tectonic forces and developments in the areas of technology and communication and affecting different economies in different ways, reordering modes of production and relationships within different polities. It is not an unmitigated curse, "a turn in the history of servitude" as Gray characterises it, nor is it endowed with a 'human face' needing a bit of "cosmetic surgery on one cheek and a trinket in an ear" as Jagdish Bhagwati puts it in a recent column in *The Financial Times* ('Cheap Liberal Talk', August 17, 1999). Those who believe in the 'Washington consensus' and those who decry it as the 'American project' swing between

the hallucinatory visions of a free unfettered market and the horrors of regulation evils. Economic globalisation creates pressures as well as opportunities for all economies and it is for the political class in each polity to spot the opportunities and learn to mould the pressures to serve its own country's needs and interests.

Admittedly MNCs, the standard bearers of globalisation, have their own agenda; they look for a borderless world, an indispensable sine qua non for their continued expansion, growth and diversification. Their interest lies in breaking down the political boundaries of states and converting the ruling political class in each to their way of thinking. They have to resort to multifarious stratagems, some subtle, some brazen, but all with the sole objective of persuading the ruling political class that globalisation be viewed as the technical prerequisite of economic growth. MNCs bring new technologies, innovative products and sophisticated management practices and create strong pressures for supportive policies for a certain kind of deregulation and privatisation for their uninterrupted working. What is crucial for their agenda is the delinking of politics from the economy, a change in the nature of the political process itself. In many poor and developing countries, the ruling political class surrenders to such pressure and rationalises the loss of national control over the economy and the legitimacy of the political regime in the name of national interest. Political stability, for those economic agents active in a global environment, comes to signify the continuation in power of those interest groups in the polities who accept as inevitable the increasingly widening gap between formal and effective sovereignty in the management of their national economies.

The nature and character of the political class is of decisive significance in countering the consequences of free market policies and at the same time creating conditions for technological and economic transformation of the national economies. Even Gray, for all his anti-American rhetoric, concedes that "no political reaction against the consequences of free-market policies will be effective that does not grasp the need for technological and economic transformations" that globalisation can and is able to harness. Some of the social evils and economic deficiencies which evoke raging passions are attributable not to globalisation but to inadequa-

\* *False Dawn: The Delusions of Global Capitalism* by John Gray, Granta Books, London, 1998.

cies and deficiencies internal to the polities. These have to be accepted candidly and transparently by the political class. It is not free markets that have caused the crisis of the welfare state but internal weaknesses and deficiencies which have bred self-perpetuating interest groups. Nationalist rhetoric and ideology have become the rallying point for those interest groups who rush to find foreign scapegoats to blame for their own impotence. Dominant interests and institutions which have stakes in old intellectual obsolescence look for ways to shield themselves from change: they do not like being shaken out of cosy comfort, the privilege of enjoying the umbrella of political patronage is too dear for them. All these are hallmarks of a polity whose horizons are limited and is seen to love and embrace stagnation as a way of life.

The political class has to assume necessary moral authority and leadership. It must know how to discipline itself and also accept the responsibility of persuad-

ing the entrenched domestic interest groups to change their focus to fulfil their roles and expectations in a globally integrated economy. It cannot abdicate its responsibility under cover of nationalistic or ideological rhetoric. It has to find ways of creating and nurturing an ambience for responsible and enlightened political activity and resolving the antinomy between polity and economy, between the logic of global expansion of economies and the socio-economic compulsions within national boundaries in the interests of the polity. This dilemma cannot be resolved within a system of fixed beliefs and a set of precise goals, nor within the parameters of any ideological framework, where everything is known, determined and certain. In polities torn between the increasingly undeniable dependence on an internationalised economy and the desire to control their collective fate, global interdependence can be made to turn to national advantage only through a process of adaptive and flexible political activity.

the WTO calling for agreement among the member countries to permanently put a moratorium on customs duty on electronic transmissions. However, due to lack of unanimous support in the subsequent G8 meeting, the US proposal could not be adopted in the Second WTO Ministerial Conference held in May 1998 at Geneva. Nevertheless, a Declaration on Global Electronic Commerce was adopted by the ministers under which it was agreed to continue the duty free status of electronic transmissions for one year only subject to automatic review thereafter. The Declaration also authorised the General Council of the WTO to establish a comprehensive work programme to examine all trade-related issues relating to global e-commerce, taking into account the economic, financial and development needs of developing countries. Accordingly, the General Council of the WTO established a Work Programme on e-commerce on September 25, 1998.

#### WTO WORK PROGRAMME:

The Work Programme broadly defines the term 'electronic commerce' to mean production, distribution, marketing, sale or delivery of goods and services by electronic means and to include not only examination of all these aspects of e-commerce but also specifically examination of issues relating to the development of infrastructure for e-commerce. Under the programme, the General Council of the WTO itself is required to examine trade related issues of a cross-cutting nature as also all aspects concerning the imposition of customs duties on electronic transmissions. There are a number of other specific issues which, however, have been assigned under the programme to various WTO bodies. Though these are described in the related WTO document, it may not be out of place to outline the same here in some detail to enable the readers to appreciate the wide scope and coverage of the Work Programme on the one hand and the complexities of issues involved on the other. It goes without saying that these issues need to be addressed properly before member countries can decide to enter into any binding obligation. The issues were assigned to various WTO bodies as follows:-

#### (1) Council for Trade in Services

The Council for Trade in Services shall examine and report on the treatment of electronic commerce in the General Agreement on Trade in Services (GATS) legal framework. The issues to be examined shall include:

## COMMENTARY

# WTO Work Programme on Electronic Commerce

## A Developing Country Perspective

C Satapathy

*Electronic commerce is an area where, at the present stage of its development, there are many more questions than answers. Before entering into future binding obligations in this area, the developing countries, including India, need to carefully consider the implications of such commitments.*

DURING a purely informal discussion, a high ranking WTO official once wondered aloud as to whether all member countries really understood the full implications of proposals they were called upon to accept. He went on to suggest that no member country should contract a future binding obligation without knowing what it applies to. Though the suggestion was made on condition of strict anonymity, it was a very valuable suggestion based on years of experience of witnessing a large number of multilateral negotiations from a position of neutrality and objectivity. Particularly the developing countries, with rather limited resources and smaller delegations, may not often be in a position to analyse and understand the implications

of what they are being asked to agree to at multilateral negotiating tables. Electronic commerce is especially such an area where at the present stage of its development "there are many more questions than answers". As such, before entering into any future binding obligations in the area of e-commerce, the developing countries need to be even more cautious regarding the implications of such obligations.

Initially, the US and EU had reached an agreement on December 5, 1997 to work towards a global understanding to continue the "current practices not to impose duties on electronic transmissions". Subsequently on February 19, 1998, the US had presented a market access proposal to

- scope (including modes of supply) (Article I);
- MFN (Article II);
- transparency (Article III);
- increasing participation of developing countries (Article IV);
- domestic regulation, standards, and recognition (Articles VI and VII);
- competition (Articles VIII and IX);
- protection of privacy and public morals and the prevention of fraud (Article XIV);
- market-access commitments on electronic supply of services (including commitments on basic and value added telecommunications services and on distribution services) (Article XVI);
- national treatment (Article XVII);
- customs duties;
- classification issues.

## (2) Council for Trade in Goods

The Council for Trade in Goods shall examine and report on aspects of electronic commerce relevant to the provisions of GATT 1994, the multilateral trade agreements covered under Annex 1A of the WTO Agreement, and the approved Work Programme. The issues to be examined shall include:

- market access for and access to products related to electronic commerce;
- valuation issues arising from the application of the Agreement on Implementation of Article VII of the GATT 1994;
- issues arising from the application of the Agreement on Import Licensing Procedures;
- customs duties and other duties and charges as defined under Article II of GATT 1994;
- standards in relation to electronic commerce;
- rules of origin issues;
- classification issues.

## (3) Council for TRIPS

The Council for TRIPS shall examine and report on the intellectual property issues arising in connection with electronic commerce. The issues to be examined shall include:

- protection and enforcement of copyright and related rights;
- protection and enforcement of trademarks;
- new technologies and access to technology.

## (4) Committee for Trade and Development

The Committee on Trade and Development shall examine and report on the development implications of electronic

commerce, taking into account the economic, financial and development needs of developing countries. The issues to be examined shall include:

- effects of electronic commerce on the trade and economic prospects of developing countries, notably of their small and medium-sized enterprises (SMEs) and means of maximising possible benefits accruing to them;
- challenges to and ways of enhancing the participation of developing countries in electronic commerce, in particular as exporters of electronically delivered products: role of improved access to infrastructure and transfer of technology, and of movement of natural persons;
- use of information technology in the integration of developing countries in the multilateral trading system;
- implications for developing countries of the possible impact of electronic commerce on the traditional means of distribution of physical goods;
- financial implications of electronic commerce for developing countries.

It may be seen from the above listing that the issues identified under the WTO Work Programme on e-commerce are wide ranging and raise many questions in relation to this new but rapidly growing mode of commerce. The reach of the agenda under the WTO Work Programme also goes far beyond the initial US-driven proposal to impose a permanent moratorium on customs duty on electronic transmissions, though the US proposal no doubt remains the core issue for consideration.

### IMPLICATIONS OF US PROPOSAL

The OECD report titled 'The Economic and Social Impact of Electronic Commerce' examines some of the relevant issues in the context of the future of e-commerce. It notes that continuing US dominance in the sphere of electronic commerce in the global market is creating competitive concerns and suspicions in other countries. The OECD report points out that out of the estimated \$ 26 billion electronic commerce last year, four-fifths are attributable to the US. This disproportionately high US market-share is not likely to reduce beyond two-thirds of the total expected market worth \$ 1000 billion in the year 2005. It also notes that the US lead reflects lack of growth of the market in Europe and Asia caused by high costs, consumer attitudes and barriers to competition. Slow development of e-commerce in Europe and Asia are also attributed to high telecommunication cost, slow liberalisation and insufficient transmis-

sion bandwidth. The US consumers are more used to distance shopping on account of being used to mail order sales. The OECD report doubts that e-commerce will replace traditional forms of retailing. E-commerce is likely to be more pronounced in dealings between one business and another rather than in retail transactions involving consumers. At the most, it may become another channel for retailers like mail order rather than a new dominant mode of commerce. The report finds little evidence that products sold on the Internet are cheaper. It goes on to say that e-commerce is expected to cut distribution costs by 5 per cent and yield efficiency gains of 0.75 per cent of GDP, but these savings could lead to low consumer prices only if there was significant competition.

These findings leave one in no doubt as to why acceptance of the US proposal to put a permanent moratorium on customs duty on electronic transmissions worldwide is going to primarily benefit e-business originating from the US to the largest extent both in the short and the medium run. This is of course no argument for other countries not to develop their market share of e-commerce. It was argued in an earlier paper<sup>1</sup> that with adequate legal framework in place and rapid technological advances in the field of secure electronic transmissions, global e-commerce is destined to grow in leaps and bounds and create new opportunities for trade in future which no nation can afford to miss. Every country needs to have the necessary technological infrastructure in addition to the legal framework for facilitating electronic commerce, preventing computer misuse and ensuring data protection to be able to take advantage of growth opportunities in the area of e-commerce. There is absolutely no dispute that every country, whether developing or developed, has to set its house in order to quickly grab the new opportunities and become a prominent player in the fast growing arena of e-commerce.

However, when it comes to undertaking any binding obligation every country must ask the necessary questions as to what are the short-term and long-term implications of such obligations. Moreover, each country must bargain for securing maximum advantage for its national trade before binding itself to some obligations that provide greater market access to others. It is in this context that the core proposal of the US in the area of e-commerce is worth examining in some detail as also some of the other important issues relating to e-commerce.

On the face of it, the US proposal looks straightforward and asks the member countries to agree to continuing indefinitely their current practice of not imposing customs duty on electronic transmissions. The proposal, however, has several implications which need deeper analysis. It is not at all clear what is sought to be covered under the phrase 'electronic transmissions'. It is significant that the US proposal is not limited to not imposing customs duties on 'goods' traded digitally. Does it, therefore, imply a wider coverage than 'goods' and include 'services' as well? In fact, a legitimate doubt regarding classification has arisen in the context of electronic transmissions of the content of books, audio CDs, films, computer software, etc. These products, when delivered on physical media, have all along been classified as goods and charged to customs duty or exempted from it depending on the prevalent tariff at national borders of respective member countries. However, these products are now capable of being digitalised and transmitted through the Internet. Some argue that since these products are like goods, the corresponding electronic transmissions should be classified as goods, but many others may not agree to this proposition and the classification issue for customs duty purposes for these products remains far from settled. There is, however, no doubt that various other products which are not in the nature of goods but are clearly 'services' can easily be transmitted in digitalised form. Examples include legal advice, medical opinion, travel tickets, financial services, telecommunication services and a host of others.

Generally, customs duties are imposed on goods at the international border and one may be misled to believe that the US proposal is limited to exempting customs duties on only such electronic transmissions which can be classified as goods, but one suspects this may not be so. There are instances of imposition of customs duty on services and products whose classification as goods is not undisputed. Electricity is one such product, which may not be strictly classifiable as goods, but has been subject to customs and excise duty in the past either at the time of import or at the time of production. The US itself charges customs duty on ship repair charges, based on the extent of value added, when a ship arrives at US port after being repaired at a foreign destination. Some view such a levy to be in the nature of customs duty on services and not on goods. As such, from the US proposal it cannot be concluded that it is limited to imposing

a moratorium on customs duty only on electronic transmissions that can be classified as goods. It can very well be interpreted to include services.

It is well known that the developed countries have little dependence on customs duties. Bulk of their revenue comes from direct taxes and from domestic taxes such as VAT, etc. Many of these countries impose VAT type of taxes both on goods and services, whether domestically produced or imported. On the other hand, the developing countries are more dependent on revenue from customs duty, particularly import duties. A moratorium of the kind proposed by the US which is limited to customs duties alone may allow the developed countries to tax import of goods and services through VAT type of taxes, whereas developing countries would be denied the freedom to levy customs duties on imported goods and services. In effect, such a moratorium will have negligible effect on the revenue sources of the developed countries but will secure duty free market access to their products in the developing countries.

In times to come, developing countries would have to progressively impose taxes on services if they do not already have a VAT system of taxation. Normally, in respect of goods, an additional duty of customs is levied on imports at the same rate as the duty on domestic production. In the case of import of services, unless a similar customs duty equal to domestic service tax is imposed, domestically produced services are likely to suffer a tax disadvantage. By agreeing to the US proposal, developing countries will have to give up the option of imposing customs duty on services imported through electronic transmissions.

Moreover, tax systems as well as various WTO agreements dealing with goods and services are required to be technology neutral. Tax exemptions cannot be given to a product merely because it is delivered through a particular mode of transport. The US proposal is found wanting against this general principle. It seeks to exempt electronic transmissions from duties which will create tax inequity against similar products delivered in physical form. Such a proposal, if accepted, would create a bias in favour of electronic delivery and cause diversion of trade to the electronic mode. While this may increase the volume of e-commerce significantly as projected in various studies, it will reduce the tax-base apart from resulting in inequity. Though the diversion of trade in products such as books, audio CDs, films, software, etc. may not result in erosion of the tax base

significantly, the tax base is bound to be reduced to a very great extent if services transmitted electronically are also exempted from duty, considering the projection of explosive growth of e-commerce encompassing trade in services. Member countries who are looking for newer sources of revenue in the services sector need to worry about this aspect.

The proposal of the US for a moratorium on customs duty indefinitely into the future also needs to be examined in depth. There is no doubt that the present state of technology makes it difficult for taxing authorities to levy and collect duty on electronically delivered products. Apart from the difficulty in classifying electronically delivered products, there are questions regarding place and time of sale, location of the tax payer, jurisdiction of taxing authorities, etc. which have no satisfactory answers at the present time. A moratorium on taxing such products would merely avoid these questions, but on that ground alone indefinite moratorium on taxes for all time to come may not be warranted. Human ingenuity and technological advances may offer solutions to some of these questions in the future. It is significant that the much talked about recent US legislation, namely the Internet Tax Freedom Act, provides for only a three-year moratorium on e-commerce tax. It is not known why the US is pushing for an indefinite tax moratorium at the WTO forum when domestically it is happy with a mere three-year tax moratorium. Moreover, the Internet Tax Freedom Act of the US also allows taxation of Internet access if such taxes were generally imposed and actually enforced prior to October 1998.

A federal Advisory Commission on Electronic Commerce has also been set up in the US "to think up good reasons to tax electronic commerce". Governor Michael Levitt who is on the commission argues that e-commerce is siphoning state sales tax revenue. The commission is required to address the issues related to Internet taxation and send their recommendations to the US Congress by April 2000<sup>2</sup>. A study conducted by Ernst and Young estimates that \$170 million taxes were not collected on Internet sales in US in 1998. To arrive at this low figure, they had excluded 80 per cent e-commerce which were between businesses and hence not taxable, 63 per cent of household sales which involved intangibles such as travel and financial services or exempted products such as groceries and 60 per cent of taxable sales which were substitutes for purchases from mail-order or tele-market-

ers that did not pay taxes anyway. The study is believed to underplay the loss of taxes in Internet sales. However, in a significant statement Joseph Crosby of Ernst and Young has said that taxes on electronic commerce would clearly be needed eventually to level the field<sup>3</sup>. The OECD ministerial conference of October 1998 had also reached agreement that indirect taxes on e-commerce should be levied on the basis of where they were consumed though there was yet no agreement on definition of 'place of consumption'. OECD clearly plans to tax Internet commerce.<sup>4</sup>

Since most of the developed countries have either nil or very low customs duties on imports, agreeing to a moratorium on customs duties on electronic transmissions is not going to give any further advantage to the developing countries. It is the developed countries who are going to gain greater market access by such a measure. Before considering such a moratorium, the developing countries should at least bargain for a regime under which their software and other services transmitted digitally are not subjected to domestic levies like VAT, etc. on import at the other end. They also need to protect their future right to levy duty and taxes on e-commerce when it becomes technologically feasible.

#### THE DIGITAL DIVIDE

Before one looks at the specific issues under examination by different WTO councils and committees, it is worthwhile to reflect upon another general issue. It concerns what the US Department of Commerce itself calls the 'digital divide'. Victoria Shanon writing about her near-Netherlands experience in a farmhouse at Lauzerte in southwest of France, where she temporarily became an Internet have-not, wonders "how people in the hinterlands – often without reliable phone systems, modem-equipped computers, or money even – were going to be able to reap the rewards of a wired world".<sup>5</sup> Citing reports of US Department of Commerce, Victoria Shanon says that the digital divide is significantly widening between the white and black population, between the rich and the poor, between the urban and the rural (even at the same income level) and between higher and lower educational levels. US Commerce Secretary William Daley writes in the report that "we should not only care, but we should be alarmed by this news". The digital divide is obviously going to be even wider when we think of the have-nots in the developing world. Some thought, therefore, needs to

be given to the question as to who is going to benefit and how much from the growth in e-commerce, notwithstanding the numerous claims and assumptions that e-commerce would put small and medium enterprises at par with the largest and hasten the pace of development.

The 1999 Human Development Report states that with less than 5 per cent of world population, the US has more computers than the rest of the world combined. It also has 26 per cent of the world's Internet users compared to 1 per cent in South Asia with 20 per cent of the world's population. The report calls for a tax on information sent through the Internet so that the proceeds can be used for providing expensive equipments in poorer countries.<sup>6</sup> The suggestion could not have come at a more inappropriate time for the US with its proposal for a duty-free environment for all electronic transmissions pending at the WTO.

It is not anyone's case that Internet or e-commerce is the cause of the digital divide. It is natural that the use of the Internet is highest among the urban, affluent and educated in the more developed economies. They also have access to more advanced computers and telecommunication services at a lesser cost. And many in the less developed world, who are privileged and can afford the technology, are also in the club. Joe Rogaly speaks of "a global crust, a topping that unites the affluent, wired, literate elite of our species, while leaving the rest of the population where it always was, at the bottom".<sup>7</sup> That may be a drastic viewpoint, but the fact remains that the capacity of developing countries in particular to participate in e-commerce depends on a well functioning and modern telecom infrastructure, satisfactory supply of electrical power, access to hardware, software, servers, access to telecommunications at low prices, etc. as has been pointed out by the WTO Secretariat itself.<sup>8</sup>

#### ISSUES BEFORE WTO COUNCILS AND COMMITTEES

There are a number of issues the General Council of WTO as well as the Council for Trade in Services, Council for Trade in Goods, Council for TRIPS and Committee on Trade and Development have to resolve under the Work Programme on e-commerce.

As far as the Council for Trade in Services is concerned, it has to deal with a number of issues. While it is the general view that all electronically delivered services will be subject to the discipline of GATS, there is no common understanding among the

WTO members that all electronically delivered products should be classified as services. Similarly, there is no common understanding as to whether customs duties can be applied to services or not. Some WTO members are keen that irrespective of their classification as goods or services, all electronic transmissions should be made duty free for all time to come. They are also not prepared to discuss the impact of domestic taxation on e-commerce as such taxes would fall outside the purview of WTO negotiations. But these are important questions and definite answers are required as to whether electronically delivered products are goods or services, and whether services can be charged to customs duties especially if the developed countries are charging such services to comprehensive VAT, sales tax, etc. under their domestic tax laws.

From the perspective of developing countries, the issue of enabling them to effectively participate in e-commerce through liberalisation of market access is equally important in the context of Article IV of GATS. They need to have better access to technology relating to telecommunication, encryption and secure transactions. Some countries have restricted export of state-of-the-art encryption technology to the detriment of the interests of developing countries. Development of physical infrastructure and human resources as well as assessment of revenue and other fiscal implications of e-commerce for the developing countries need special attention.

Whether application of competitive safeguards and access to and use of public telecommunication networks can be automatically extended to Internet related services are also of importance since the Internet includes both public and private networks in its ambit.

As far as the Council for Trade in Goods is concerned, it is also concerned with the classification of electronically delivered products as goods and the question of extending duty-free treatment to such products. It is clearly in the interest of the developing countries not to agree to an indefinite moratorium on customs duty on electronic transmissions till a clear picture emerges regarding classification of such products and till it also becomes clear how such products are going to be treated for tax purposes in the developed countries. A temporary moratorium may, therefore, be desirable at this juncture till such issues are settled and till a way is found to levy duty and taxes on such products.

There are additional questions relating to customs valuation, licensing, origin



determination and exchange control in relation to not only goods delivered electronically but also in relation to goods delivered physically but ordered and paid for electronically. The state agencies need to know the details of payments made and not solely depend on the buyer voluntarily disclosing the payment details, paying duties and subjecting himself to various regulations. Even in the US, few consumers pay the appropriate tax voluntarily on \$93 billion mail-order catalogue sales.

Developing countries with exchange control mechanisms in place would also have to devise ways of allowing electronic money transfers to facilitate electronic purchases and yet maintain controls in place. Specification of standards in relation to e-commerce and determination of jurisdiction in which a consumer can get relief in the event of receipt of a sub-standard product pose entirely different issues. A recent ruling by the New York City Supreme Court has increased concern for all e-commerce businesses which now face potential law suits in any area from which their web sites can be accessed.<sup>9</sup> A proposed revision to the EU Convention which would allow a consumer to sue a supplier company in the consumer's home country has also attracted lot of criticism. WTO is perhaps the right forum to work out a way of protecting the interests of distantly located consumers without making e-commerce difficult for small and medium enterprises.

The Council for TRIPS is concerned with essentially three areas – copyright, trademark and access to technology. However, it appears to be totally dependent on the work done at the WIPO in the first two areas. Ease of replication in the electronic medium poses greater challenges to the world community for protection and enforcement of copyright and trademarks. The WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty seek to respond to the advances in the information and communication technologies on the creation, production and use of literary and artistic work, performances and phonograms. Work is also going on at WIPO on the protection of audio-visual performances, databases, rights of broadcasting organisations and management of copyright and related rights in the digital environment. WIPO has also recently produced a report titled 'The Management of Internet Names and Addresses: Intellectual Property Issues' and its Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications is working on the use of trademarks on the Internet.

The developing countries are often used by multinational companies to get software, drawing and design work done at a fraction of the cost they would incur in the developed countries. Such work done by 'body shopping' generates enormous revenue for such companies but the amount remitted to the developing countries does not exceed a small percentage over and above the low wage paid to the professionals. The intellectual property right for the product designed also invariably does not remain in the developing countries. WTO forum can perhaps be utilised to ensure not only full remittances for products designed in developing countries but also to secure intellectual property rights for such products to the actual designers in the developing countries.

The Committee on Trade and Development is particularly required to examine the developmental implications of e-commerce and its impact on developing countries. It is recognised that the pace of evolution of e-commerce is beyond the capacity of many developing countries and, therefore, it is a central issue as to how the developing countries, including the least developed, can benefit from e-commerce. Several assumptions are being made in this regard, such as that e-commerce would have positive effects on growth and development by making economic activities efficient and would promote a balanced development of the global economy. Similar assumptions are being made that e-commerce would enhance the participation of developing countries in the multilateral trading system, would empower the less developed countries as it empowers individual consumers and would substitute for the movement of natural persons.

The developing countries suffer from weaknesses in human and physical infrastructure including telecommunications, computer technology, energy and financial resources. Telecommunication facilities including fax and Internet facilities are expensive, unreliable and urban-centred. Developmental assistance including access to technology and training on fair terms as well as foreign investment would be needed to empower developing countries to be able to participate in e-commerce. These issues cannot be resolved by merely agreeing to create a duty-free environment for electronic transmissions.

In addition to the specific issues before different WTO Councils and Committees, the General Council is also required to play a central role under the Work Programme on e-commerce. It is hoped that the General Council will coordinate

the work of the subordinate bodies and pay attention to some of the general issues that require intergovernmental co-operation.

Many believe that e-commerce should be allowed to remain market driven without any bureaucratic controls imposed by national governments. However, since e-commerce operates in a borderless world, there are concerns that there must be suitable national and international laws to facilitate e-commerce by recognising paper equivalence of electronic documents and contracts. There is also need for internationally recognised certification service providers. International co-operation is also necessary for coping up with computer-related frauds such as hacking, malicious falsification or erasure of data, software attacks and software thefts, etc. Similar co-operation is also necessary for ensuring data protection and privacy.

It also needs serious reflection as to whether national governments should merely enact framework laws to facilitate e-commerce and leave the rest to market forces and businesses to self-regulate themselves or there should be governmental intervention to regulate e-commerce to the extent that may enable timely prevention and detection of cyber crimes and frauds. Such frauds may relate to sale and purchase of goods, services and securities etc, or they may even relate to electronic payments, money laundering, economic espionage, national security and spread of material detrimental to public morality, etc. Other issues such as transfer and sale of technology, creation of infrastructure and encryption standards merit serious consideration. There are also questions relating to levels of encryption required for secure electronic transactions necessary for smooth running of businesses on the one hand and the contrasting need of the public authorities to be able to decipher, monitor, detect and prevent criminal activities on the other. These are important issues which also need to be addressed under the WTO Work Programme.

The growth of e-commerce has thrown open so many questions that apart from the WTO, several other international organisations are dealing with various aspects relating to it. For example, UNCITRAL is dealing with legal issues, UNCTAD is dealing with developmental issues, Basle Committee on Banking Supervision is dealing with electronic payment systems, UN/ECE is dealing with trade facilitation issues, WIPO is dealing with intellectual property rights and domain names and ICC is dealing with uniform commercial code. OECD is deal-



ing with taxation matters on its own and in addition, with privacy and security matters in collaboration with AEPIC, with access to infrastructure, telecommunication and issues of inter-operability in collaboration with ITU and with technical standards in collaboration with ISO and ITU. There is need to coordinate the activities of these organizations and the WTO so that there is no duplication of work and the interests of developing countries are taken into account while dealing with different aspects of e-commerce.

### Notes

[The views expressed here are personal.]

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## Population Growth and Coercive Controls

### Case of Injectable Contraceptives

Vineeta Bal  
Laxmi Murthy  
Vani Subramanian

*While policies aimed at controlling population have become marginally more sensitive to people's needs, they continue to ignore serious health and welfare issues, particularly of women. The case of injectable contraceptives, their development, promotion and use, illustrates this.*

ACCORDING to estimates of the United Nations Population Division, India's population crossed the one billion mark on August 15, 1999. Sources at the ministry of health and family welfare, however, have projected the 'event' to occur sometime in May 2000. With the United Nations Population Fund (UNFPA) co-ordinating a sustained media campaign, October 12, 1999 has been identified as the day on which world population will cross the six billion mark. The rising panic about the population 'explosion' as the cause of all misery – from poverty to environmental degradation, informs policy-making and public opinion at the national and international level.

International development agencies as well as the government of India (GOI) have consistently implemented top down programmes disguised under different names and schemes. They have been called maternal and child health (MCH)

programme in association with family planning programme (FPP) in the early years, family welfare programme (FWP), integrated child development scheme (ICDS), MCH and nutrition services. In recent years, following the International Conference on Population and Development (Cairo, 1994), the government has been pressured to shift from 'demographic imperatives' to women's reproductive health. Yet, the resultant reproductive and child health (RCH) strategy is yet to result in a paradigm shift away from the target oriented perspective of bringing down numbers.

The percentage of use of spacing methods of contraception is low in India. Sterilisation accounts for more than 70 per cent of contraceptive use. Only about 6 per cent users resort to hormonal contraceptives with less than 10 per cent amongst these (i.e., <1.0 per cent of the total users) using injectable hormonal contraceptives,

and the rest using oral pills [UNFPA 1998]. Over the past two decades the thrust on using provider-controlled, injectable contraceptives is gradually increasing and user-controlled methods like the diaphragm have disappeared from the FWP.

The global picture of use of injectable contraceptives is interesting to note. Except for Indonesia at 15 per cent and Thailand at 12 per cent, the use of injectable contraceptives is very low (3 per cent) in developing countries. By comparison, 36 per cent rely on voluntary female sterilisation, 25 per cent on intrauterine devices (IUDs), 12 per cent on oral contraceptives, 9 per cent on vasectomy and 6 per cent on condoms. In the developed world, where freedom of choice can be maximally executable, barring South Africa and New Zealand, surveys do not mention injectables, or else include them among 'other' methods indicating a very low percentage of usage [Population Reports Series K, No 5, 1995]. Significantly, in South Africa, the proportion of users is high (27 per cent) among the black population as compared to whites (3 per cent).

Against this background some recent events are noteworthy. In December 1998, a high powered meeting on 'Improving Contraceptive Choices in the National Family Welfare Programme' was hosted by the Institute for Research in Reproduction, Mumbai. The agenda was to seek approval to introduce injectable hormonal contraceptives like Net En (chemically known as norethisterone enanthate) and Depo Provera (depot medroxy progesterone acetate) in the National FWP. In addition to the Indian experts, those from several neighbouring countries had been invited to share their views and experiences with injectables. Representatives from several international agencies including WHO, NGOs like Family Planning Association of India and women's organisations were invited. Additionally, the pharmaceutical companies marketing these products in India were also part of the meeting. Representatives from women's groups and health activists though largely outnumbered, managed to raise concerns about the hazardous nature of these injectables, and the inadvisability of their mass use. Despite their protests, the outcome of the meeting was to recommend the introduction of injectables, albeit in a phased manner.

Taking into consideration the available infrastructure at Primary Health Centres, the need for counselling, screening and appropriate back-up for medical intervention, injectable contraceptives should

preferably be introduced selectively in suitably equipped centres and hospitals. It is stressed that the introduction should be gradual and with emphasis on good clinical practice and rigorous post-introduction surveillance of the side effects and patient care [ICMR 1986].

From this cautious recommendation, it is apparent that the apprehensions of women's groups and health activists about introducing injectable contraceptives in the FWP have been acknowledged.

#### HAZARDS OF HORMONAL INJECTABLE CONTRACEPTIVES<sup>1</sup>

Progesterone is one of the female reproductive hormones and its regulated presence along with the hormone oestrogen, is essential for successful pregnancy. Net En and Depo Provera are contraceptives used as depots of progesterone (or its chemical relatives), injected in the woman. The duration of the contraceptive period offered is 2-3 months and a repeat injection is necessary to prolong contraceptive effect. Continuous rather than cyclical or periodic presence of progesterone is one of the major causes for various side-effects and problems associated with the usage of injectable contraceptives. Side-effects of injectables are also related to the fact that a very high dose of hormones is delivered by the injection. In addition, drug accumulation is another factor contributing to the severity of side-effects.

Menstrual chaos, which can take the form of heavy bleeding, spotting, irregular bleeding or a complete absence of bleeding for several months, is the most common and the most unacceptable side-effect of these contraceptives. In the largest clinical trial done by the ICMR on Net En, 43.5 per 100 users had discontinued Net En by the end of two years due to menstrual disturbances and this was the single major cause for drop outs in this study [ICMR 1986]. Menstrual disturbances seriously affect women's lives and contrary to the belief expressed by many men, even the absence of regular menstruation is a cause of great worry for women. Other relatively common side-effects are headache, dizziness, weight change, mood changes, depression, decreased libido – all of which can worsen a woman's sense of well-being and drastically alter her quality of life.

Additionally, there is an increased risk of developing atherosclerosis (thickening of blood vessels), thromboembolism (development of a blood clot at unexpected sites resulting in a heart-attack, stroke, etc), osteoporosis (loss of bone density resulting in increased frequency of bone

fractures), etc. There is also a potential risk of development of cancer, based on the toxicity testing studies in animals. Return of fertility after discontinuing injectables is not immediate or predictable. In fact, in the ICMR study, 26-49 per cent of ex-Net En users in different categories failed to conceive even at the end of one year. The risk to progeny in case of failure of the injectable, or its accidental use has also not been satisfactorily ruled out [Saheli report]. In addition to medical risks, there are certain problems which are peculiar to developing countries like India. ICMR had conducted one of the largest trials on Net En (Phase III trial) in a supervised manner where the best possible conditions are expected to be available. However, the results highlight the problems associated with the use of these drugs when used on a large scale in Indian conditions.

To begin with, the issue of informed consent is a crucial issue. The potential for abuse inherent in injectables is manifested in several ways – when a woman is unaware that she is being injected, or when she is unaware that the injection is a contraceptive, or even when she is unaware of the potential risks and hazards of the drug. The experience of the health camp in Patancheru, Andhra Pradesh in 1985, where women were unaware that they were part of a trial, and had no knowledge of the risks involved, was in fact the impetus which led to several women's groups and individuals filing a public interest litigation in the Supreme Court asking for a stay on the clinical trials of Net En.

ICMR studies (1986) have shown a high rate of failure in the first six months of the trial and this could not be easily explained by ICMR. The rate of discontinuation in the Phase IV trial was also very high in the urban as well as rural settings. Most of these discontinuations took place within the first six months suggesting that lack of counselling might have been a contributory factor for the discontinuation. Almost 90 per cent of the subjects had either excessive bleeding or absence of bleeding (amenorrhoea). Additionally, there was a considerable delay in the return of fertility. Only 50-72 per cent of the women had conceived one year after the discontinuation, with a median time 7.8 months. In contrast, fertility returned faster (average 3.7 months) and in more women (83.6 per cent) discontinuing the IUD.

If these drugs are to be used in the national FWP the problems and potential hazards would increase manifold as health services in small towns and at district level

are almost non-existent in large parts of the country. Inadequate health services would adversely affect screening procedures, proper training in administering injectables, proper monitoring of side-effects as well as dealing with complications or emergencies due to use of injectables.

There has been an attempt to build a consensus around the desirability of injectables. In September 1999 a meeting was organised in Delhi by Pariwar Sewa Sansthan, on the theme of 'Increasing contraceptive choices' with a special focus on injectable contraceptives. Social marketing of injectables and distribution through NGOs was proposed as a more acceptable alternative to mass use through the NFWP. Representatives of women's organisations present at the meeting raised questions about this approach, and also critiqued the inadequate and shoddy data presented on use of Depo Provera which was part of the post-marketing surveillance (PMS) advised by the Drug Control of India.

If the ideal efficacy rate cannot be achieved, if the range of complications is high, if the delay in the return of fertility is much beyond what has been reported in other studies what are the putative advantages of the injectable contraceptives? The answer lies more squarely in the non-scientific issues. First, according to the population control lobby, population growth is the root cause of poverty and this article will not go in the details of countering the argument here. Secondly, provider controlled methods are easy to use in programme which is focused on bringing down the birth rate. Thirdly, repeated injections provide a better opportunity to the pharmaceutical companies interested in developing technology-oriented methods which fetch more financial benefits. The disadvantages of the injectable contraceptives to the women recipients are not the disadvantages for the population control lobby or for the foreign aid agencies or the governmental machinery.

#### CAMPAIGN AGAINST INJECTABLE CONTRACEPTIVES

Women's groups and health activists in India have been campaigning against the use of injectable contraceptives over the past many years. Injectable progesterone derivatives were developed in the 1950s. Schering AG in Germany was first with the production of Net En, while Upjohn Co began manufacturing Depo Provera. Toxicological studies conducted on these drugs showed their carcinogenic potential

on experimental animals like rats resulting in the withdrawal of the drugs from the market. The history of Net En and Depo Provera runs parallel to a large extent. The Federal Drug Authority (FDA) in the US denied approval for use of Depo Provera as a contraceptive in the US during seventies. Although the Toxicology Review Panel of the World Health Organisation (WHO) declared Net En safe for introduction in 1981, in 1984, the Federal Health office of Germany decided to restrict the use of Net En only for those women who do not tolerate any other method of contraception. At this time, USFDA was still unwilling to grant approval for the use of Depo Provera as a contraceptive. Thus, it was quite apparent that for many years, injectables were considered unsafe for use on women. The pharmaceutical companies involved in the manufacture of these contraceptives were trying their best to get injectables licensed in the country of manufacture in order to carry out large-scale marketing in the developing world and the pressure was mounting on the agencies like WHO and USFDA with passing years.

Attempts to introduce injectables in India were met with stiff opposition from women's groups and health groups. In 1985, a court case in Mumbai filed by the government, in which Women's Centre and Medico Friend Circle were interveners, stalled the move by a private practitioner to import Depo Provera. In 1986, public attention was focused on the unethical trials of Net En on poor rural women in Patancheru, Andhra Pradesh. Lack of informed consent, technical issues related to the hazardous nature of the drug, as well as issues related to safe service delivery became the grounds for a public interest case. The concerns raised have not been addressed till date, and the case is still pending in the Supreme Court. The fact that Net En was registered in India in 1985 by the Drugs Controller and approved for import and use by private practitioners, was kept a closely guarded secret and became known only in 1994, when Net En was officially launched in India for 'social marketing'. Depo Provera was also approved by the Drug Controller in 1993 and launched for 'social marketing' in 1994. However, permission for introduction of injectables in the NFWP has not been granted till date.

After giving permission for social marketing, the Drug Controller had 'advised' the drug company to conduct PMS on both Depo Provera and Net En but the reports available are extremely sketchy and the follow-up of three months is too

short to provide any useful data on long-term hazards. The issue of return of fertility remained completely unanswered in this small trial based on a few hundred users. Additionally, in spite of the manufacturers providing a budget for monitoring women for osteoporosis, the doctors conducting the trials did not feel the need to evaluate the effect of Depo Provera on bone density. This goes to show the inappropriate design and follow-up methodology adopted for the PMS! If injectable contraceptives are to be introduced on a larger scale two points need to be considered. One, a safe health delivery system with a regular follow-up and adequate medical infrastructure is necessary for routine use of injectables. Second, if women have to consider spacing methods like injectable contraceptives as safe and reliable, return of fertility has to be ensured. If PMS is not going to take care of many of the unanswered problems, their utility is debatable and the motives of Indian licensing authorities, the pharmaceutical lobby and aid agencies also become questionable.

The government may have officially withdrawn the 'target-oriented' approach of family planning, but the pressures of coercive population control have not changed. Amendments to the Panchayati Raj, Co-operatives and Municipalities Act in 1992 by the Rajasthan government, so as to disqualify anyone with more than two children from contesting election to local self-governing bodies is a very clear example of the newer disguised version of the 'target-oriented' family planning approaches. Haryana has already emulated the Rajasthan government's policy. Another such bill sought to be introduced, the Delhi Population Bill, 1999 goes further

by seeking to disqualify those with more than two children from being allotted a house under the government housing scheme, from availing of any loan facility, from drawing ration through the public distribution system and from being appointed in government establishments or public sector undertakings. These are a clear reflection of the undemocratic measures governments are willing to take to control population growth.

As long as the belief prevails that population cannot be controlled without a system of incentives and disincentives, the delivery of contraceptives will not be done in an environment that is woman centred, information giving and allowing free choice. And with hazardous, provider controlled contraceptives like injectables the potential for abuse and damage to women's health is tremendous.

The report by Saheli *Enough Is Enough: Injectable Contraceptive Net En - A Chronicle of Health Hazards Foretold* talks about many of these issues, chronicles the history of injectable contraceptives and the campaign against them. It also outlines the interlinkages between pharmaceutical companies, government, scientific bodies and international funding agencies to understand the impact of hazardous contraceptives on the lives of women. Released on the occasion of World Population Day on July 11, 1999, the report serves as a timely reminder of the price women have to pay in the game of controlling numbers.

## Notes

- 1 This article is based on and reflects the work of Saheli, Delhi, an autonomous women's group active in the campaign against hazardous contraceptives for more than 15 years.

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# Van Panchayats in Uttarakhand

## A Case Study

Rakesh Agrawal

*A product of colonial times, the van panchayats in Uttarakhand, though lawfully empower the residents living on the outskirts of reserved and protected forests to nurture trees and consume forest products, paucity of financial resources and negligible participation of women are some of the reasons for the failure of the panchayats to sustain and spread in many villages.*

LIKE most institutions in India, van panchayats too were created by the British. And like other institutions this too was created to solicit people's support to pursue the Britishers' exploitative colonial policy. It is a well known fact that, prior to the British conquest, all forest in the country, including that in Uttarakhand, belonged to people. They had an inalienable right to manage and utilise forest resources. However, with the advent of the colonial forces, a systematic commercial exploitation of the forest in India began and, "by around 1860, Britain had emerged as the world leader in deforestation" [Gadgil and Guha 1992:118]. Indeed, colonialism proved to be the 'ecological watershed'.

In Uttarakhand, the large-scale commercial exploitation of the forest started with the Gorkha defeat in 1815 and the establishment of the British rule thereafter. 'To demarcate villages' boundaries so that the forests could be separated from the agricultural land, the first ever settlement was carried out by Trail in 1823. This was called as the Great Measurement in which the sole right of state in uncultivable land was recognised. This set up the process of slow but steady usurpation of people's rights by the state.

By middle of the 19th century the government realised the huge commercial potential of the inaccessible forests in the country, even these restricted rights were not tolerated. Little wonder, the 1865 Forest Act established the state monopoly on the forests in the country. Then, the 1878 Forest Act obliterated centuries of customary use by people and almost all the useful forests were declared state property by putting them either under reserved or protected forest categories. People faced formidable shortage of fodder, fuelwood and timber. Soon, they were rebelling all over the hills [for detail discussion see Guha 1991].

People in the hills also decided to put an end to all kinds of co-operation with the government in the management of the forests. Faced with changeable resistance and a violent mass movement, especially during the first world war when the demand of timber had shot up, the government began to ponder over the question of soliciting people's support in managing the forest and continuing their colonial aims. The government was immediately forced by the wide-ranging campaign to burn forests controlled by the forest department (FD) in the summer of 1921 that paralysed the administration.

*The Forest Grievances Committee for Kumaon:* As a result, in the same year, a Forest Grievances Committee under the chairmanship of P Wyandham (the then commissioner of Kumaon division) was constituted. Thakur Jodh Singh B Negi, MLC Garhwal, R G Marriot of the Indian Forest Service, and Pandit Lachmi Datt Pande representing Almora were other members of the committee. The committee's terms of reference were focused on three major questions: (i) What are the difficulties experienced by those who live in and near forests as a result of their existing system of management? (ii) How can these people be best interested in conserving and managing the forests? and (iii) How can their co-operation with the FD be encouraged and secured? The committee toured in Almora from May 16-27, 1921, and in Garhwal from May 28 to July 19, 1921. It examined 5,040 witnesses either in person or by representatives [FGCK 1994:162-79].

The committee looked into the grievances suffered by people because of the so-called scientific forestry introduced by the British. Nevertheless, it also praised the contribution made by the FD, at least in generating employment [FGCK 1994:165]. It felt that the most important problem faced by villagers was the ban

imposed on lopping by the FD, and the committee proposed to remove all restrictions on the lopping of oak and kokat trees except from the regeneration area in reserve forests. Similarly, it proposed to remove restriction on grazing animals including goats from the same areas [FGCK 1994:168-70].

The committee recommended the formation of village forest committees or van panchayats. However, the actual formation of these van panchayats took another 10 years. In 1931, the van panchayat regulation was constituted under the District Scheduled Act of 1874 that paved the way to the formation of van panchayats in British administered Kumaon division. In the princely state of Tehri Garhwal it did not apply, although the area had come under commercial management right since 1865.

*Management of van panchayats:* The van panchayats were allotted the area lying outside reserved and protected forests. Clearly, van panchayats were formed on those forests which were neither 'reserved', nor "protected" (as under the 1878 Act). The 1921 committee had put them under class I (non-commercial) forests. To form a van panchayat, a gram sabha should apply to the divisional commissioner for the formation of a van panchayat in the gram sabha. The application has to be signed by no less than the two-thirds (now one-third) of the adult population of the gram sabha who have been living in the villages under the gram sabha for not less than 10 years.

The managing committee of a van panchayat consists of 5 to 13 members elected by the local population. Each household is the member of the van forest in the village. The election is informal by raising hands not by secret ballot. The members elect their own sarpanch for a period of five years who is eligible for re-election for three terms. The managing committee is supposed to meet at least once in three months. The subdivisional magistrate is designated as the van panchayat officer. He is assisted in his work by van panchayat inspectors who are also from the revenue department. The decisions in van panchayat meetings are taken by a two-thirds majority of the management committee. The quorum of a van panchayat is two-thirds of its membership, including nominated members and sarpanch. The village patwari, village level workers, van panchayat secretary and representatives of the divisional forest officer are eligible to participate in the meetings but they cannot vote on any issue.

*The function of van panchayats:* Followings are the functions of van panchayats: (1) to check indiscriminate felling of trees and tempering of fencing by villagers; (2) to ensure the equitable distribution of forest products amongst the members; (3) to earmark sylviculturally fit trees for felling; (4) to prevent encroachment on van panchayat lands; (5) to fix boundary pillars and to maintain them; and (6) to carry out the direction of the deputy commissioner or subdivisional magistrate regarding the administration of these forests.

In the discharge of its functions a van panchayat can levy up to Rs 500 with the prior approval of the deputy commissioner. A van panchayat can seize cattle and the offending cattle can be impounded. In this respect van panchayats enjoy all the powers under the cattle trespass Act, 1871. Van panchayats can also forfeit weapons of the offenders.

*Financial powers of van panchayats:* Following are the financial powers of van panchayats: (1) van panchayats can sell the grass and fallen twigs for the firewood, and stones and slates to local people; (2) resin tapping and felling of trees can be taken up with the approval of the FD; (3) Auction of trees up to an estimated value of Rs 5,000 can be undertaken with the approval of the divisional forest officer; (4) auctions above Rs 5,000 are conducted by the FD with the approval of the conservator of forests.

The FD charges all expenditure incurred in resin tapping from van panchayat forests. On revenues other than resin, forest departments, charges 10 per cent as administrative expenditures. On resin tapping, it keeps 40 per cent of total earnings. In fact, "only 40 per cent of the proceeds from sales go into panchayat accounts and even these can be spent only with government's (i.e., the deputy commissioner) permission" [Somanathan 1991:23]. Thus, this money is not readily available to the van panchayats for development works such as roads, schools, hospitals in the village.

The van panchayats in general do not have women members. They do not prepare any working plan and no forest management is practised. However, the responsibility of preparing working plan for van panchayat forests rests with the FD under the Van Panchayat Act of 1976 though no progress has been made in this direction so far. Encroachment of the van panchayats and pilferage of grass, fodder leaves, fuel, timber, etc., is common. The sarpanch imposes fines on the recalcitrant persons. These fines are supposed to be

realised by the sub-divisional magistrate but the system seldom works.

#### VAN PANCHAYATS IN UTTARAKHAND: CURRENT SCENARIO

The 1931 United Province Forest Act classified forests in three categories: reserve, civil-forest and panchayat. The FD has its exclusive control over reserve forests while civil-forest and panchayat forests fall under the jurisdiction of the revenue department. According to the data of state forest department, 65 per cent of the total geographical area is covered by forest – a highly controversial data, and canopy cover is hardly 40 per cent. Forest under van panchayats cover 4,69,326 ha that is 13.63 per cent of the entire forest cover (34,46,655 ha) of the region.

It would be pertinent to point out here that van panchayats are formed on revenue forests only, i.e., on civil-forest forests, and the reserve forest under the FD cannot be part with. After the formalities of forming a van panchayat is over, the civil-forest forest lying under that particular (and under the jurisdiction of the revenue department) becomes the van panchayat. In fact, there are 15,166 inhabited villages in Uttarakhand but van panchayats are only in 4,891 villages (by March 1996).

Secondly, in Uttarakhand the maximum concentration of van panchayats is in Kumaon division. The reason behind it was that when the 1831 Act was passed. Tehri Garhwal was a princely state that included the present Dehradun and Uttarakashi districts as well and the Van Panchayat Act had no effect there. In fact, the first van panchayat in Tehri-Garhwal came into existence only in 1991. In 7,009 inhabited villages of Kumaon, there are 3,056 van panchayats and in 8,157 villages of Garhwal there are only 1,811 van panchayats.

*Problems faced by van panchayats:* Less than one-third villages in Uttarakhand have opted for van panchayats. It seems that formation of van panchayat in one village has not inspired others to follow suit. They face many administrative, financial and management problems. Some of them are listed below:

The biggest problem faced by them is that of security. Because of the lack of finance, they are unable to post a guard and fence the forest which are subjected to illegal grazing, felling of trees and encroachment. Lack of women's participation in most van panchayats. In Uttarakhand, women are responsible to carry fuelwood and fodder from forests, and they know forests more than men, still their participation in van panchayats and its decision-making process

is negligible as a result fodder and fuelwood yielding species are neglected and commercial ones are encouraged; Scarcity of water in most panchayats that has hampered afforestation and nursery raising activities;

Lack of people's participation in guarding and maintaining forests;

Encroachment, uncontrolled grazing and illegal cutting of trees;

Paucity of financial resources. Most van panchayats are reeling under severe financial drought. The sarpanch of a van panchayat cannot withdraw and spend more than Rs 50 at a time. The money earned by them is deposited with the district treasury that is never available to them at the time of need; and

Dual control of forests and revenue departments over them. While the revenue department has the administrative control, the FD exercises technical control over van panchayats. This has hampered their working severely.

In 1993, the government of Uttar Pradesh through an ordinance tried to introduce a new set of regulations, called 'Panchayati Van Niyamawali, 1993', having 59 points. Amongst others, it reduced the percentage of villagers required for setting up a van panchayat from one-third to 20 per cent, inclusion of three women members in a MC of seven and four in that of nine and keeping at least 50 per cent of the net income of van panchayats on the betterment of the forest. It also provided the opening of a bank account in post offices to keep the remaining 40 per cent amount. However, the 'Niyamawali' is yet to be implemented.

*Case of a woman-dominated van panchayat:* In the remote valley of Kalpeshwar Mahadev, one of the 'panch' (five) Kedars – a lesser known pilgrimage in Chamoli district – lies within the 245 hectare forest belonging to the van panchayats (forest panchayat) of the two gram sabahs – Urgam and Bharaki – is very dense. This van panchayat is one among the very few women-governed and a very well managed van panchayats in Uttarakhand.

*History:* The Bharaki-Urgam van panchayat was established in 1951. The area was beyond the proposed motor road which was connecting Karna Prayag to Joshimath and it already had quite a dense forest. However, several people, who were aware of the possible danger the proposed road could bring to the area, wanted to keep the forest intact. So, a proposal was mooted and soon, the required one-third majority was obtained. "In fact, some other people who sensed the opportunity available to exploit the

massive forest wealth also supported the formation of van panchayat", says Rajendra Singh, up-sarpanch and the only male member of the van panchayat's management committee.

Eventually, the well wishers of the forest had the upper hand. But this was not without struggle. Initially, van panchayat was in the hands of men and some unscrupulous sarpanches went ahead with their plans of exploiting the forest wealth. However, already a protest movement was shimmering in the valley. Under the charismatic leadership of Bauni Devi, the village 'Mahila Mangal Dal' had waged a struggle to uproot the coal making kiln in the village. "That 'bhatti' (the kiln) was burning down hundreds of trees and creating a havoc in the village", says Bauni Devi. One fine day, all the women of the six villages gathered and stormed the bhatti.

Then, the sarpanch who was hand-in-gloves with timber smugglers, was planning to cut 450 green trees to sell them. A charged Mahila Mangal Dal decided to stop it. A train of about 200 mules was on the way to the village. En route itself, the contractor had to face the wrath of the women of the area who forcibly stopped the mule train and thrashed the contractor. Sarpanch had to apologise. Eventually, he was forced to leave.

**Area:** The total area of van panchayat is approximately 245 ha. There are five revenue villages lying under its jurisdiction - Bharaki, Bheta, Urgam, Kyari and Salana. The average altitude ranges from 1,800 to 2,200 metres.

**Species:** The forest is covered by tens of thousands of trees, mostly with local species like 'Bauni' or oak (*Quercus incana*), *Prunus amara* (chuli or local apricot), 'Buransh' or Rhododendrons, and *Cedrus deodara* (deodar). Chir pines is covered hardly 10 per cent of the area at the lower slopes.

**Management:** There are 13 members in the managing committee (MC), including the sarpanch, Bauni Devi. All, but one (the upsarpanch) are women and three are dalits. Meeting of the MC is held regularly every month. Every sixth month an open general body meeting comprising all members of the van panchayat is also held. In these meetings, usually the issues raised are: opening and closing of the various parts of the forest, issuing of fallen trees to the members, afforestation and raising of nursery, protection of the forest and its co-operation with the gram panchayat.

**Rules governing van panchayat:** With the consent of the villagers, the van panchayat had passed elaborate rules to

manage the forest. Forest lying within the periphery of each revenue village, is divided into two compartments which are opened each year alternatively for cutting grass. Grazing is allowed during rainy season. Cutting of green trees is strictly prohibited but fallen twigs and branches can be collected for fuelwood purposes. On the basis of need, members are issued dead trees for building purposes.

**Income and expenditure:** Today, this van panchayat is one of the richest in Chamoli district with a cash reserve of Rs 2,93,085 as on May 26, 1998. Main sources of income include: permits of dead trees issued to members, auctioning of grasslands to members; lodging charges from pilgrims staying in the guest house constructed by the van panchayat and from fines imposed on members and outsiders for the violation of rules. Main items of expenditure: on the maintenance of the guest house, nursery raising, salary to the guard and on afforestation.

**Benefits to members:** Each household is able to meet fully and completely its biomass requirements of fodder, fuelwood and fruits. The members also get enough wood for building purposes. Also, the entire valley is highly rich in terms of biodiversity and there is an abundance of water resources.

**Encroachments:** During 1981-82, some outsiders, with the help of the forest department, had cut down 475 green trees and the van panchayat till date has not got its royalty.

**Guarding and protection:** There is no barbed fence or any other physical structure protecting the forest. "We don't need artificial means of protecting forests as everyone in the area is so involved with the forest that they themselves protect it", says Govindi Devi, a dalit member of the MC. Even though, a guard on the monthly salary of Rs 600 is appointed.

**Afforestation and nursery raising:** There are two areas of about 12 ha each where afforestation has been carried out by the van panchayat. During 1997-98, a nursery containing about 20,000 saplings, mainly of fruit yielding trees, was also raised.

**Co-operation with gram panchayat:** The 'gram pradhan' is also a woman. Thus, for the first time both the institutions are governed by women. This has yielded in a high degree of co-operation between them. "Being women, we understand our problems better and conducting these institution successfully, has given a lot of confidence and generated self pride among women", says Saraswati Devi, pradhan of Urgam gram panchayat. As an example, last year, the gram panchayat decided to

expand the village school building on its own and raised Rs 35,00 from the villagers. The van panchayat also decided to chip in and contributed Rs 10,000 for the cause.

**Transparency:** Last but not the least, the functioning of the van panchayat, first time under women, has become more transparent and the common villagers are not afraid even to censure an erring sarpanch. Although income and expenditure of the institution is made public with a statement put on the public board, earlier this year, without any prior permission of the MC, Bauni Devi spent Rs 50,000 on the guest house of the van panchayat. The villagers got enraged and she was forced to make this expenditure public in a general body meeting organised in July this year.

In a nutshell we can say that key changes after women started to manage Bharaki-Urgam van panchayat have been: a more transparent working system of the managing committee, close co-operation with the gram panchayat and a more active and more responsible governance that ensure a fuller participation of people.

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# Reinforcing Insecurity

Gautam Navlakha

*More than anything else the draft of the nuclear doctrine released by the National Security Advisory Board underlines the international perception of India's big power ambition acquiring threatening dimensions.*

THE release of the draft of the nuclear doctrine by the National Security Advisory Board (NSAB) on August 17 is said to be a 'natural' fallout of the nuclear explosions that took place last year. It is claimed that Pokhran II declares the government of India's commitment to acquire nuclear arsenal and therefore a nuclear doctrine must follow. And if there is a nuclear doctrine it must believe in the notion of mutual assured destruction or else it makes no sense to acquire n-weapons. This in turn means ensuring that the arsenal must be of such magnitude as to offset the chances of their being destroyed. This, in turn, throws up the need to protect the nuclear arsenal. In short there is an entire chain of requirements that accompany nuclear arms and the theory of deterrence.

There are two issues that must be kept in mind. In the first place nuclear arms are not ordinary weapons but pose a threat to all living creatures and therefore have no capacity to enhance security. In fact it is just the opposite. Indeed supporters of n-weapons cite the presence of n-arms with the five big powers to justify their stance. This holds true for others who will find justification in India's acquisition. After all what is sauce for the goose is sauce for the gander, too. In addition India's nuclear weapons programme would invite nuclear arms targetting of India by China and other n-powers, which the Indian people can do without. And secondly, there is nothing pre-ordained about translating capability into deployable arsenal. The NSAB could as well have declared freezing the n-weapons programme linking it to a time-bound framework for global nuclear disarmament. The political spin-offs from this would have been incalculably greater; it would have replaced the agenda of nuclear non-proliferation with n-disarmament, in line with country's declared policy, reduced perceptibly tensions with the neighbouring countries, enhanced the diplomatic profile of the country, to mention just few good things. The fact that nuclear disarmament is technologically an achievable goal means that a nuclear rollback is feasible and it is a proposition which civilised governments

ought to pursue. Which is to say that there is nothing natural or security-enhancing about enunciating a nuclear doctrine of 'deterrence', minimum or elastic. Therefore, the excuses offered that in the 'given' situation it is logical for the government to spell out 'its' nuclear doctrine is as good as saying that the NSAB did not explore other possibilities. It does not mean that there were no other options available.

Such pragmatism is propagated to mask the despicable reality of their hegemonic enterprise which will be at the cost of the life, liberties and security of our people. If the argument is that this was not their brief then the NSAB ought to have rejected such straitjacketing. If they agree with such a blinkered perspective then the entire business of national security that dislocates people from the centrality they occupy in a democratic republic should be thrown into the dustbin. Sadly, such is the power of self-delusion that the impudent claim of chairman of Atomic Energy Commission that India is capable of making a neutron bomb is lauded as achievement rather than condemned for its anti-people enterprise. (A neutron bomb kills people while allowing physical structures to remain intact.) There were worldwide protests against the Jimmy Carter administration in the US when it announced plans to make a neutron bomb for precisely this reason. However, all this is an attempt to introduce a similar policy pursued by the US vis-a-vis erstwhile Soviet Union, namely, of bleeding Pakistan white through a debilitating arms race.

What was earlier whispered about "finishing for once and for all the menace posed by Pakistan" now threatens to be a matter of public policy. Members of the NSAB and politicians have openly argued in seminars that an economically beleaguered Pakistan can ill-afford an arms race and therefore by increasing military expenditure by 1 per cent of the GDP, which they claim, Indian economy can easily absorb unlike economically much weaker Pakistan, India can tackle Pakistan without much trouble. This outlandish idea gains in credibility, from the pronouncement of the president of the Republic and

the demand from the media 'specialists' for increasing allocations for the 'Armed Forces of the Union' under some of the most specious and misplaced arguments. But all that pales in comparison to what the NSAB now advocates. This incredible doctrine was undertaken without the bother of a comprehensive strategic thinking. Indeed it has not taken place either before or after the nuclear bomb explosions in May 1998. And yet the NSAB proposes to lead us down the road of ruin through yet another round of ad hocism so common to the GOI's security perspective. Whether or not the nightmare scenario becomes a reality the fact that such ludicrous ideas can be touted in this day and age signal a regression in the conduct of public affair.

In the wake of the Kargil imbroglio the spurt in demand for increasing military expenditure was explained away as the need to provide proper equipment for the soldiers. The real and simulated pathos was used to argue that there was need to increase expenditure to 3 per cent of the GDP from which it had fallen over the last 10 years and unless this is reversed ill-equipped soldiers will be no match for the 'intruders'. Figures of Rs 10-15,000 crore are floated without hesitation. A new corps is being set up after Kargil and will be headquartered in Ladakh. This will man the Kargil heights at a cost of Rs 10,000 crore. In addition to the raising of new divisions for this corps or in lieu of this, the strength of other formations will be augmented. There is a move to raise 20 battalions of Assam Rifles and 12 battalions of Rashtriya Rifles, altogether 30,000 personnel, roughly the number required for the new mountain corps in Ladakh. In tandem the vacation of the armed intrusion from the Indian occupied part of the disputed territory with the help of US became a 'victory'. The destruction of a slow moving reconnaissance plane killing 16 Pakistanis was projected as a warning and the mark of Indian military preparedness. All this only reinforces international perception that the two neighbours are irredeemably irresponsible.

The six page draft<sup>1</sup> offers 'no first use' against the non-nuclear countries, "punitive retaliation" against "threat of use" of n-weapons (given that the response time between India and Pakistan is 3-5 minutes, only gambling with people's lives is possible), and declares that the minimum deterrence that it speaks of "is a dynamic concept related to the strategic environment, technological imperatives and the needs of national security". These Doctor Dolittles, nevertheless, carry on to add that the "actual size, components, deploy-



ment and employment of nuclear forces will be decided in the light of these factors". This makes minimum deterrence so elastic that it becomes definitionally a self-defeating exercise. The venerable NSAB claims that this minimum deterrence will be based "on a triad of aircraft, mobile land based missiles and sea based assets". This would require an additional expenditure of Rs 10,000 crore annually. Missiles are a spin-off from the space programme – the launch vehicles for satellites can become launching vehicles for nuclear warheads. Their cost would be roughly Rs 1,500-2,000 crore annually while the acquisition of aircraft and submarines including n-subs (within the logic of minimum deterrence the second strike capability can be best insured with the n-subs) would require Rs 5,000-6,000 crore annually. One of NSAB members in an attempt to damage control recently wrote in *The Hindu* (August 28) that "there is no real prospect that India will be able to build a sea-based arsenal in near future..." If so why even mention it. To this must be added special equipment to store them, and a special force estimated to be up to 50,000 to protect them. Again, having brought the nuclear warfare close to our borders soldiers must be provided special protective gear. All this will cost no less than Rs 2,000-3,000 crore annually. Presumably everything has been taken into account. Except for the people. Since n-warfare would be brought closer for our people they need shelters and medical facilities all across the country. But even ordinarily our government is incapable of securing the lives and liberties of the people therefore the NSAB dutifully leave people to their own device. They can always argue this was not part of their brief although leaving people vulnerable to thousands of years of radiation deaths presumably is. It is also remarkable that there can be 'national security' in which people do not figure although a proposal which can annihilate them can be discussed with clinical equanimity. Would our resources suffice to enable the government to acquire such life destroying capabilities? The sheer fact of entertaining such ambition implies trying to realise a nightmare, having failed to provide a life of dignity for our people. Given that this draft was released on the eve of general elections, by the National Security Advisor, the victory for the ruling dispensation will be touted as endorsement for this suicidal policy. And the total cost of conventional and nuclear build-up would be a staggering Rs 20,000-25,000 crore. This is more than the amount allocated by the central government for education, health, employ-

ment generation and social welfare.

The government's military expenditure on the 'Armed Forces of the Union' have consistently been close to 3 per cent of GDP. (See *EPW* May 7 and 14, 1999 for details). Although comparing the military expenditure to GDP is misleading because India's GDP has increased at a much faster rate over the last 15 years therefore maintaining military expenditure at 3 per cent of GDP actually amounts to a stupendous increase in wasteful expenditure. And if the draft Nuclear Doctrine becomes a policy then the acquisition of n-arsenal will push the expenditure from Rs 15,000-25,000 crore. It is interesting that Japan's defence expenditure fell just below 1 per cent of its GDP in the past few years. This does not mean any real cutback in the allocation. Rather given that the size of the GDP rose the allocations required remained high although in terms of GDP it showed a fall. Again the 3 per cent of GDP that is bandied about in India is something arbitrarily arrived at. It is not some international norm nor is it something that has been worked out after careful analysis and debate. It is apparently something bequeathed, hidden from the public and the parliament, and therefore considered a tradition beyond scrutiny, a matter of blind faith. For practitioners of realpolitik such loyalty could professionally be hazardous. And yet if it is passed off as some well-thought-out norm it is because defence is a holy cow which few dare to critically examine. And it is prone to misuse as the unwritten and hidden strategic doctrine which for all these decades has remained the monopoly of a secretive security regime which remains unaccountable to the public and parliament. Therefore, in its very essence the whole enterprise shrouded in mystery is reactionary and antithetical to democratic governance.

Besides if bleeding heart chauvinists are concerned about the plight of the soldiers then they should worry about the use of the 'Armed Forces of the Union' against our people which made the Indian forces the busiest 'peacetime force' in the world for over 25 years and has earned for it the dubious reputation of behaving like an occupation force against our own people. It is this that takes away between 30-35 per cent of the total real expenditure incurred on the military behemoth in India. And real savings can be realised through democratic resolutions of the conflicts in which 55-60 per cent of the 'Armed Forces of the Union' are deployed. If to this is added the wastage (such as for the main battle tank) and delay (such as for the advanced jet trainer) and inepti-

tude (such that soldiers alive are declared dead even when they are not) then there enormous savings possible to cut military expenditure and secure a life of dignity for our people.

The fact that in the already beleaguered Pakistan are present forces which are equally chauvinistic and reactionary and unmindful of the interests of the people should not distract us from the reality that India given its physical size, diversified economy and military might should behave with restraint and responsibility and not as a neighbourhood bully. Having introduced the nuclear genie renewing a debilitating nuclear arms race would jeopardise the freedom and welfare of the entire subcontinent. The danger of Pakistan's collapse and its consequence is just one aspect of this scenario. There is the real danger too that the arms race will strangle our own economy, enslave our own people under the weight of competitive jingoism unleashed inside the country as well as between neighbouring countries. Whereas we can act arrogantly against Pakistan it is doubtful our economy can withstand adversarial relationship with China or for that matter a freeze in ties with the US or EU. The pursuit of regional power enterprise is also out of question without the approval of the US. The price extracted for this will be high and even then will make us as safe as Indonesia no sooner the dictator Suharto became expendable and the regime had to accept a referendum in East Timor under the auspices of UN, in order to be bailed out. An enterprise of this kind would anyhow legitimise intervention by international busybodies. Given the dependence of our economy on capital inflows and technology, the relative small size of our market does not allow much room for Indian policy-makers to manoeuvre. If it is sought to be used as a bargaining chip, since the caretaker government had obligingly offered to talk to the US administration it is a dangerous diplomatic game of bluff and bluster because there is much of make believe in Indian strategic community which believes and reinforces self-delusion. And no matter what the size of our nuclear arsenal it will never be enough to allow any strategic autonomy. Instead what the NSAB draft ensures is to secure a perception of India's big power ambition acquiring threatening dimension.

*Postscript:* It is possible that the draft nuclear doctrine is a rhetorical exercise to electorally benefit the ruling dispensation. Therefore, once the elections are out of the way the government will begin back-tracking, just as was done after Pokhran II last year where bravado was

followed by whimper. However, rather than feel comforted by such cynical possibility, this should only make us worry about the state of our polity and the consequences of such rhetorical flourishes. Because even rhetoric extracts a heavy price and allows forces of hatred and jingoism to exploit the fear and thrive amidst despair and deprivation.

## Crisis in East Timor

Olle Tornquist

*Indonesian army let loose the dogs of war in East Timor but could not call them off. The UN failed to intervene in time. But beyond these, a lasting solution to the problem can only come through strengthening the democratic movements both in Indonesia and in East Timor.*

WHEN president B J Habibie announced his second option for East Timor in January this year, the National Council of East Timorese Resistance (CNRT), bravely, and the United Nations, finally, took the opportunity to make decisive advances. All parties which have not recognised Indonesia's annexation of East Timor, including scholars, agreed that it was an opportunity not to be missed – despite the obvious limitations in the deal in the May 5 agreement (primarily regarding full military/security authority resting with the Indonesian military (TNI) and police) and the high risks involved.

The crisis in East Timor is a repercussion of the ongoing crisis in Indonesia, which in some respects went from bad to worse following the relatively free but not entirely just and very shallow elections in June.

The armed forces get 38 non-elected members in the house of representatives (DPR), while 34 per cent of the delegates in the people's consultative assembly (MPR), which shall appoint the new president, are not elected but appointed in a way that makes the armed forces and money politics decisive.

During the elections, moreover, many basic issues and interests were swept under the carpet, including grievances in several provinces and in East Timor, and not allowed to be voiced and represented within the new political framework. Hence, they were bound to appear outside that relatively orderly framework.

Also, the most genuine and propelling democratic forces – the students and the long established pro-democratic movement of NGOs et al – were marginalised by neo-traditional elite politics.

Consequently, a political vacuum de-

**Notes**  
1 A member of NSAB writing in the *Hindustan Times* (August 25) claimed that the document lays down the "broad parameters of India's nuclear doctrine", but goes on to claim that "no government will be able to go back on the basic parameters outlined in this consensus document". How strange that what purports to be a draft cannot be thrown away, let alone changed or slashed.

veloped between the elections of DPR members and the MPR election of the new president. This lack of political leadership has boosted the role of the military, with all major parties involved needing its support and votes. Meanwhile all the major parties are depending on and are affected by money politics. Although Habibie has been badly hurt by the Bank Bali scandal, his Team Sukes may still have enough money to buy the necessary votes in the MPR.

Altogether, this has given the armed forces, and the police, increasingly more space to undermine the East Timor agreement, of which they were very sceptical in the first place.

The logic was to create semi-civilian counterparts to the CNRT in negotiations; to further develop and empower the militias to promote the pro-autonomy side in the referendum by creating fear among the immigrants of what would happen if East Timor became independent, and among the East-Timorese of terror in the future in case they didn't accept Indonesian dominance; and to display to protesting people in other Indonesian provinces what kind of problems and horrors they are likely to face in case they continue with their demands.

This logic meant that if the referendum was lost, a mini-civil war would be started in order to, firstly, further eliminate, if possible, the Falantil; and, secondly, not lose face but be able to say 'we invaded East Timor in 1975 to save the country from a civil war and when we leave there will again be a civil war'.

The CNRT kept its promise to keep a low profile and not allow itself to be provoked. It consistently stressed reconciliation but found it difficult to simulta-

neously shape a back up in case things would go wrong.

At the same time, the UN proceeded with the referendum, though to my knowledge without any serious back up. And to my knowledge both those parties felt that not going ahead with the referendum would amount to giving in to the militias' intimidations and passing a unique opportunity.

In my own analysis at the time, a high turnout and more than two-thirds victory for the independence side would mean least risk of violence. The pro-Indonesian side would realise that they had lost and after some face-saving, including in terms of a mini-civil war, the unrest would peter out as the central army leadership would abandon most of their local thugs.

However, for the second time since the crisis in Indonesia became obvious in mid-1996, I was wrong. (The first time being in April 1998 when I said that the Soeharto regime was likely to remain at least for a few months because the International Monetary Fund and the World Bank had given up much of the pressure. Instead, on May 4 Soeharto implemented even harsher measures than prescribed by the IMF and thus generated the riots and demonstrations that brought him down.) I was wrong this time, because the central armed forces leadership lost the control I thought it was capable of upholding.

So, while people bravely resisted intimidation and terror, and the armed forces respected the very electoral operation – just like during the Indonesian elections – the local militias of the armed forces began to follow their own logic. And even after having proven its point (that some kind of civil war would follow if East Timor would go for independence), the central armed forces command was unable to do much about it. Apparently a monster had been created that now ran wild.

In this situation the CNRT could not do much more than refrain from being provoked and thus eliminated, which must have been difficult enough.

The UN was rather helpless. Of course, immediate UN strengthening of its local representatives in order to maintain its presence would have been in full accordance with the May agreement (Article 7), but that was not done. Most people would of course like the UN to do much more than that, but it was simply not realistic.

This was particularly unrealistic in the Asian framework where powerful states are very eager to preserve their powers against any form of intervention, where the only successful intervention against state terror and murder, the Vietnamese intervention in Cambodia, was resisted by

the west itself, and where there is not even the poor African capacity of sending in local troops from neighbouring countries, as in the case of Sierra Leone.

If there had been an armed intervention anyway, the risks of making things even worse would have been very high. First, the unity between the local militia and the local police and army forces would have been further cemented, also strengthened by full scale support from Jakarta – we would have got a combination of a civil war and Indonesian struggle against foreign intervention. Second, this support from Jakarta would then also have included the entire political elite, mass media and so on. Finally, this in turn might well have totally derailed the already weak process of democratisation in Indonesia (not to talk of its economic recovery).

The UN, as already mentioned, could well have referred to Article 7 in the May agreement and immediately sent in more personnel to uphold its presence. Here the UN itself failed and cannot blame the member states. Initially the UN pulled out. This is extremely serious, not just for the East Timorese but also for the UN itself. Apparently it was primarily thanks to the brave staff at its Dili headquarters, who refused to leave, that the UN retained some presence in East Timor – while it should have been quite the other way around, with volunteers, diplomats et al moving in.

The only thing remaining, then, was economic and other diplomatic measures. But the process was slow. The major actors were apparently afraid of losing out in Indonesia, including economically – even if the official arguments mainly referred to the risk of derailing the process of democratisation, a risk which may be disputed and which I shall return to.

However, there was enough pressure on the Indonesian regime to cause a major split within its government. We do not know if Habibie wanted to allow foreign intervention, but he himself, many of his ministers and vital parts of the parliament clearly first resisted defence minister and chief of the armed forces Wiranto's demand for marshal law in East Timor, and then they rapidly had to give it up and allow Wiranto to go ahead.

To my understanding the then rumours about a coup were, thus, baseless. Why would that have been necessary? The military already dominated. Rather, they needed civilians. The rumours were best suited to scare the west, and the democratic opposition, from putting 'too much pressure on the regime'.

There is one positive consequence of the crisis: by now it should be fully clear for

the entire world, and many Indonesians, how political violence works: First, the state-cum-military worsening of various local conflicts and promotion of thugs/militias in clamping down on people; second, giving the military/police itself an opportunity to intervene.

But there is another compulsion. When first having created this climate of death – which make people fight each other and fear each other – the state and military must then also put itself in command of this fear and death and even be able to claim that it is the only force that can save the nation and save people against their own evil.

In the case of East Timor, however, it had gone too far. Wiranto, never approved by East Timor veterans in the field, lost control. At that point, his entire career as well as the prestige of the armed forces as a whole rested with their capacity to regain control of the wild beasts in East Timor, including sections of Lt Gen (ret) Prabowo Subianto's old security forces and the Dili governor who says he will continue to fight and that he ignores Habibie's acceptance of the results from the referendum since "he is just the president, he has never been in the field".

It took just a few days to prove that Wiranto and the central armed forces were not capable of doing this. And by now accepting an international peace-keeping mission they have, to my understanding, got a new lease on life that rests with their ability to co-operate and forcefully contribute to the tasks of the mission on East Timor.

But an additional question is, of course, if this kind of stability in Indonesia, and this kind of 'law and order' and 'stability' in East Timor, are acceptable to Timorese and Indonesian democrats, and to the international community?

It is essential to remember that sanctions against authoritarian rulers may indeed backlash and not be very successful, as they did and were during the crisis in late 1997 and early 1998. They could generate a conservative nationalist movement – in case international concern is not co-ordinated with the democratic opposition. There is much to learn from the case of South Africa and realise the importance of supporting Indonesian and East Timor democrats in their struggle for human rights and democracy.

For instance, even Megawati, who is eager to retain the support of the military and did not want East Timor to become independent, has recently accused Habibie and his administration of double standards, a democratic referendum combined with "undercover methods...including

allowing the spread of violence". She has promised to respect all international agreements and said that if and on becoming president she would "help East Timor develop as a peaceful nation and become a 'brother' to Indonesia". Moreover, she has appealed to especially the armed forces and police to not undermine this. Also, the National Commission of Human Rights urged the government to lift the state of emergency and invite a UN peace-keeping force to restore order.

It is essential to remember that it is not 'only' a question of putting an end to the open violence and terror in East Timor. We do not know how many, but probably some hundred of thousands of people have fled up in the mountains where there is a lack of food and water. And many have taken refuge elsewhere, including in militia-armed forces controlled camps in West Timor. Before an armed peace-keeping force is able to enter, it is urgent that international humanitarian relief can come in.

The UN must immediately extend its own representation in East Timor, not pull out of it, so that they can monitor the situation, pave the way for humanitarian relief, and enable Xanana Gusmao and Bishop Belo to return and take the lead in a process of reconciliation.

Finally it is essential to return to the argument that the point of departure for international concern must be to support Indonesian and East Timor democrats in their struggle for human rights and democracy.

This is not just to prevent a nationalistic backlash and more military powers. This is primarily because foreign intervention, even with the best of intentions and armed or not, simply does not make sense if there are no local roots and propelling forces to guide and take the fundamental decisions.

The fate of East Timor depends on Indonesia and the fate of both East Timor and Indonesia depends on the ability of the Indonesian democratic movement to counter authoritarian nationalism through a renaissance of the original nationalist project and especially its ideals of freedom and justice. And the bottomline, then, is that the forces of violence cannot be allowed to first run wild and then domesticate the situation.

There cannot be democracy and not even stability in Indonesia before the forces of violence are dealt with, domestically as well as in East Timor. Truth and reconciliation is a must. This goes beyond the current crisis. This include even the massacres in the mid-1960s. But first East Timor.

# Dynamics of Non-Involvement in ASEAN

## Rhetoric and Primordialism

Vejai Balasubramaniam

*It has been contended that ASEAN's members have ceased to cherish the principle of non-involvement in one another's internal affairs. By way of illustrative example attention is called to the Indonesian and Philippine gestures of support for Anwar Ibrahim after he was dismissed from the Malaysian cabinet. Noting that such clashes among ASEAN members only take the form of phases of rhetoric and arguing that the rhetoric is rooted in old history, this article attempts to demonstrate that non-involvement is very much alive.*

FOR much of the eighties and the nineties south-east Asia had been economically the most dynamic part of the world. The advances in economics, it is argued, had begun to ramify into politics in the new states of the region. Among other things, the initial contention arising over Myanmar's application for membership in ASEAN is seen as indicative of a trend away from the cherished principle of non-involvement by governments in the region. The same view is also held with respect to the remarks and the ensuing war of words engaged by the leaders of states in the Malay world. Ideologically, this trend is viewed favourably and perceived as helping to expedite democracy in the region. This article argued that to construe the war of words and criticisms as involvement in the internal affairs of another member state is misplaced and ahistorical. What appears as interference is no more than rhetoric and a reflection of the primordialism which pervades interstate relations in the region. It further contends that to the contrary, this rhetoric works to enhance regional co-operation and that non-involvement is alive and well in south-east Asia.

### I

#### Introduction

The centre piece, or the crown jewels, of the Association of South-East Asian Nations (ASEAN) is the spirit of consensus and the principle of non-involvement. According to the spirit of consensus decisions concerning ASEAN must secure the consent of all the member states. The principle of non-involvement states that members should not become involved in one another's internal affairs. While the

idea of consensus appears to be generally lauded, seen to be reflecting (as it does) broad democratic ideals in decision-making, that of non-involvement has come under increasing scrutiny and is being seen as retrogressive.

In fact, it is argued that of late this principle has been undergoing a change. The initial disagreements surrounding Myanmar's application for ASEAN membership is seen as reflective of a change. This despite the fact that it amounted to no more than rhetoric. In the final analysis, Myanmar's membership was endorsed by all the ASEAN delegates (in spite of the initial reservations of Thailand and the Philippines). The excitement passed.

But it resurfaced in the wake of the sacking from the Malaysian cabinet of Anwar Ibrahim, who had held the posts of deputy prime minister and finance minister. Indonesian president Jusuf Habibie and Philippine president Joseph Estrada made statements of support for Anwar and stated that they might not attend the Asia-Pacific Economic Co-operation Group (APEC) summit scheduled to be held in Kuala Lumpur in November 1998. For a moment it appeared that the pundits who argued that some fundamental change was taking place were about to have their day. But this proved short-lived: both the presidents later confirmed their attendance at the summit.

Once again the pundits, left disappointed, merged into the background. They waited there for the next round in the war of words, and in the process left the cause for the rhetoric and war of words undiscussed. By arguing that the rhetoric engaged in by ASEAN governments has

roots in old history, this article suggests that it is necessary to go beyond the ahistorical approach adopted by the self-styled experts of the south-east Asian political scene.<sup>1</sup>

### II

#### Unresolved Contradictions

The Malay world, comprising the present-day states of Malaysia, Singapore, Indonesia, Brunei and the Philippines was historically part of the *longue duree*<sup>2</sup> which linked India and China to the Mediterranean. Located along the maritime trade routes between these two ancient civilisations, the region was a noted producer of spices and exotic commodities such as birds' nests and 'tripang' (sea cucumbers). This attracted trade and traders to the port polities which existed there and functioned either as export centres for jungle and island produce or as transshipment centres. The dominant elites and rulers of these port polities adopted Hindu forms of kingship and were called 'rajahs' or following their adoption of Islam, 'sultans'.

These maritime kingdoms were amorphous in character and based on loyalty to the person of the ruler: the realm was determined by the number of people owing allegiance to a rajah at any given time. Trade provided the resources by which the elites in the Malay world increased their following and expanded the realm. Accordingly, trade-centred rivalry was an important feature of the region.

Of the strategies which featured prominently in the struggle to control trade, marriage was arguably the most important. Typically, the elites of a particular port would upon attacking its rival, marry into the ruling families there. In this manner the kingdoms in the Malay world came to be linked to each other through kinship and marriage ties. In this manner powerful kingdoms came to exist in Kedah, Malacca, Palembang, Brunei, Sulu, Aceh and Sulawesi from the 10th to the 15th century.

The arrival of the major European powers in the 16th century and the subsequent colonisation of the region led to its division into British, Dutch, and Spanish spheres of influence. For example, the 1824 Anglo-Dutch treaty divided the Malay archipelago, as a result of which the area covering present-day Indonesia passed under Dutch control to become the Dutch East Indies. The Malay peninsula (covering the states of Selangor, Perak, Negeri Sembilan, Johore, Malacca, Penang

and Singapore) and North Borneo came under British influence. Scant attention was paid to the loyalty-defined kingdoms in the Malay world. Hence, it is not surprising that in the post-colonial period there arose overlapping territorial and boundary claims between the different states.<sup>3</sup>

This can be traced to the failure of the colonials to take into consideration the boundaries of the feudal Malay kingdoms (which, as explained above, were loyalty-defined). This fact, coupled with the positioning of south-east Asia as raw material producers for Europe-based industries and consumers of manufactures, led to the transformation of the maritime Malay kingdoms into land-based kingdoms.

Among other things, European colonialism led to the rise of nationalist consciousness in the region. By the 1960s the Malay world excluding Brunei had become a land of independent states. Nationalism put a check on the free movement of peoples in the region with the introduction of passports and travel documents. At the same time, it meant that the Javanese or Bugis in the Malay peninsula became Malaysians while their counterparts in Java and the Celebes were Indonesians.

As nationalism and modernisation came to be intertwined in the colonies, it was the desire for the latter which provided support for the anti-colonial struggle, and thus the objective of modernising society gained centre stage in the newly independent states. In this respect it was almost certain that the governments of south east Asia would come into contention with one another. Economically they were in the main similar – producers of primary commodities such as rubber, tin, rice, sugar and coffee. This, together with overlapping territorial claims, was a potential flashpoint in regional relations.

In 1967, the Bangkok declaration led to the formation of ASEAN, which was seen as a vehicle to help defuse potential tensions in the region through greater regional co-operation. But ASEAN's capability in resolving tensions arising from competition on the economic front remained untested as the region became the theatre of cold war rivalry.

The need to contain communism led to a common stand, and Indonesia's annexation of East Timor received quiet acceptance from ASEAN and the major western powers. This is not to say that there were no issues of contention – witness the friction between Malaysia and Singapore, still alive and kicking, over the latter's separation from the former in 1965 – but they tended to be submerged by the rhetoric of the cold war. For a while, even the

end of the cold war did not cause the latent contradictions between countries to surface. South-east Asia in the late eighties and the nineties, it could be argued, was economically the most dynamic part of the world. It had attracted large inflows of foreign capital and was recording an average annual rate of GDP growth of between 8 and 9 per cent.

However, as of July 1997, the economies of the region took a beating following depreciation of their currencies amidst speculative attacks. Gone was the Midas touch of their governments, and with it their sense of confidence. The 'Asian values and Asian renaissance' debate the boom years had spawned – a debate which was set to challenge Weber's thesis in *Economy and Society* and the *Protestant Ethic* – has become a dead letter. Henceforth, the region came to be seen as reeking with cronyism, corruption and administrative mismanagement. More important, the economic crisis and impending recession also meant that competition between the countries of the region in the world market would intensify.

The boom years and the cold war had led ASEAN member countries to ignore or postpone greater economic co-operation and co-ordination aimed at harnessing the region's potential. Rather, each country acted to promote its own national interests which led to the cultivation and promotion of the sectional economic interests of the nascent national bourgeoisie. But while the needs of this bourgeoisie could be sustained in a period of strong growth, in a recession they would demand assistance from the state.<sup>4</sup> This fact, together with the political pressures exerted by these countries' citizens, made the need to find solutions to the economic crisis critical.

The regional economic crisis saw citizens adopting the language of transparency and accountability advanced by spokespersons of international finance capital. There were changes of government in Thailand, Indonesia and the Philippines. In Malaysia, although there was no leadership change, the rumblings of discontentment against the government had spilled over to the streets. In Brunei, the sultan had removed his brother from the post of finance minister amidst reports of mismanagement of state funds. But Singapore stood apart: it remained an island of stability in a sea of uncertainty. This fact, together with Singapore's relatively stable economy, made it the focus of attention.

Singapore's superior infrastructure, both physical and in the services sector, had seen her development as the regional base

for foreign capital, which had penetrated the surrounding region from there. (This was also assisted by Singapore's ability to package itself as an island of calm in a turbulent sea.) Thus, the modernisation of the Malay world had greatly contributed to Singapore's economic wealth.<sup>5</sup>

For its part, Singapore could observe that it is her advanced status, economic and political stability and needs that has helped expedite her neighbours' modernisation. At a time when the region was economically the most dynamic in the world, the advances Singapore made tended to be marginalised. But when the economic crisis began knocking on the door of politics (to adapt Trotsky's comment on the kulaks' role in the politics of the Soviet state in the 1930s) the need to secure national interests became paramount. It is in this context that one should view Habibie's remark that Singapore had not been a friend in need<sup>6</sup> – a reference to the republic's failure to be more forthcoming to alleviate Indonesia's financial resources crunch.

Yet there is something primordial in Habibie's rhetoric, which harks back to the glory and wealth which the region once enjoyed and which was appropriated when foreigners and outsiders exploited it. Given her predominantly ethnic Chinese population and her position in the Malay world, Singapore easily stood out as the exploiting foreigner. In this context the comment of Singaporean senior minister Lee Kwan Yew to the effect that Indonesia's economic problems were systemic did not help matters, for it revived the Orientalist perception of the colonised or natives as lazy and corrupt people. No sooner had this war of words with Indonesia subsided, Singapore became engaged in a war of the same kind with Malaysia.

Malaysia and Singapore have a long history. The latter belonged to the Sultan of Johore till 1819, when, together with 52 surrounding islands, it was acquired by Stamford Raffles and became a British possession. The two present-day states are connected by a road and rail via a causeway from Johore (Malaysia's southernmost state), along which a fresh water pipeline also runs. Under British rule, Singapore became the centre for the channelling of Malaya's exports and imports.

In 1963, Singapore and the Bornean territories of Sarawak and British North Borneo joined the Federation of Malaya to form Malaysia. Two years later, amidst bitter disagreements with the federal government in Kuala Lumpur, Singapore left Malaysia to stake out as an indepen-

dent state. When Singapore was part of Malaysia the territories which defined Singapore were not an issue, since they all constituted Malaysian territory. However, following separation the boundary issue became a centre of dispute as both states sought to redefine their territorial limits.

Malaysia's perception that Singapore had secured unfair economic benefits from her<sup>7</sup> promised to raise the contention stemming from overlapping territorial claims to new heights. Thus, when Singapore announced its intention to go ahead with the transfer of her customs, immigration, and quarantine (CIQ) facilities to Woodlands in May last year it led to a war of words from both sides of the causeway, each side accusing the other of being insensitive.

To be sure, senior officials of the two states had been discussing the subject for the past three years. That agreement could not be reached stemmed from the concern of the Malaysian side that the transfer would mean the effective closure of the Malaysian Railway terminus at Tanjong Pagar (the terminus and the land on which it stands is its territory). This concern, together with the fact that the date of transfer of CIQ facilities came smack at a time when the Malaysian economy was arguably facing its greatest challenge since independence, ensured that Singapore's decision to go ahead with relocating the facilities would be contentious, to say the least.

By April 1998 the Malaysian ringgit had depreciated by some 60 per cent vis-a-vis the greenback and was continuing its downward slide; Malaysians were transferring funds to Singapore banks which were offering lucrative interest rates; unemployment figures rose as companies saddled with large debts began to downsize, and the region was experiencing a net outflow of foreign funds. All these factors led forecasters to predict that Malaysia would experience negative growth for the first time since independence. This, together with ongoing economic competition between that country and Singapore and unresolved territorial issues, led what was a fairly straightforward issue to burst into a war of words.

Among other things, this saw the Malaysian authorities campaigning for the transformation of Port Klang into a regional shipping hub and the ending of overseas trading in selected blue-chip Malaysian companies – which would make the ringgit untradable overseas. The Singapore authorities, on the other hand, threatened to take the issue to the World

Trade Organisation (WTO) and sue Malaysia for unfair trade practice.

A similar flexing of muscles in a primordial show of force took place between Malaysia, on the one hand, and Indonesia and the Philippines, on the other, following the support extended by the leaders of the latter two countries for Anwar Ibrahim.<sup>8</sup> Habibie and Estrada voiced their unhappiness over the sacking of Anwar by pleading that he be given a fair trial.

Within Malaysia the sacking had drawn large demonstrations in Kuala Lumpur. The 'Reformasi' campaign he led was reminiscent of a movement which occurred in Indonesia<sup>9</sup> and culminated with Suharto stepping down from the presidency. Arguably, the administration headed by prime minister Mahathir bin Mohamad was now facing the greatest challenge to its rule. More important was its potentially divisive effect on the mass of Malay supporters in the country from which Mahathir's United Malays' National Organisation (UMNO) draws its electoral support.

The economic crisis had affected the financial standing and cash flow of the national bourgeoisie, who had been nurtured by government policies and were therefore allied to the national political elites. In a scenario of slow growth competition within this class can be expected to be heightened and hence to exert pressure on the national political elite for business, contracts and financial grants/assistance. During the initial stage, when the Malaysian economy was in the early stages of a downturn, the pressure could have been contained, but it became critical as the crisis came to be more drawn out. From Mahathir's standpoint the weakening of Malaysian corporations could lead to a position in which ownership was transferred to the hands of non-Malaysians – in a new form of colonialisation. It is in this context and the context of differences over the 'right' economic policy for Malaysia that the contradiction between Mahathir and Anwar should be seen.

So far as Mahathir was concerned many of the problems which had come to affect the Malaysian economy were the result of the greed of money-market speculators and traders. The prime minister had singled out George Soros and the foundation he headed as the main culprit in this context. He also indicated that the role of the media (an allusion to the foreign media) in painting the country in a negative light had done much to affect her image. Describing the strategy of the International Monetary Fund (IMF) as a recipe for disaster, he advocated a more relaxed monetary policy,



the way it becomes technically easier for Mahathir to carry through his economic policies.

This internal political development came to have ramifications for regional relations following the announcement by Habibie and Estrada that they might have to reconsider their attendance at the APEC summit. While it is well known that Anwar was a friend (and a good one at that) of both Habibie and Estrada, to construe their support for him as based purely on this misses the point. As in the foregoing discussion the support should be seen as providing Indonesia and the Philippines, which have overlapping territorial claims with Malaysia, with an occasion to assert themselves.<sup>12</sup> This is once again a clear demonstration of the primordial nature of the rhetoric and war of words which is an aspect of relations in the Malay world. Incidentally, it would be interesting to figure out whether events would have taken a different turn had the Malaysian authorities informed their counterparts in Indonesia and the Philippines of the decision to sack Anwar – that is, if they would still have come out in his support.

The war of words continued for about a month and seemed to have ended following Habibie's and Estrada's announcements that they would attend the summit after all.

The war of words which the leaders of the ASEAN states have engaged in appears to be contributing to contention between them. But seen as rhetoric which has roots in history and is therefore primordial, they are no more than a manifestation of the unresolved contradictions which exist between them. In this sense the situation if south-east Asia contrasts with the situation in the rest of Asia, where overlapping territorial claims often lead to military confrontations like in Kashmir and the Shakatin islands.

When 'The Singapore Story', Lee Kuan Yew's long-awaited memoirs in which there was name-calling and references to Malaysia's bygone leaders as racists and communalists, it helped carry on the war of words on Singapore's behalf – although the authorities there indicated that it was not reflective of official positions. Soon after the release, the Malaysian ministry of defence began objecting to unauthorised straying of Singapore Air Force (SAF) jets into Malaysian air space. In view of the proximity of Malaysia, SAF planes have had a tendency to stray into Malaysian air space quite often without securing prior official permission. In view of Malaysia and Singapore being members of the Five-Power Defence Agreement (FPDA)<sup>13</sup> –

together with New Zealand, Australia, and the United Kingdom – such incursions had been tolerated of late. Henceforth, however, no such incursions would be acceptable without official sanction.

It may be noted in passing that the former Singapore prime minister has in his memoirs taken a swipe at the father of the present Malaysian minister of defence among other leading political personalities of the neighbouring country.

Here is another episode in the equation between Malaysia and Singapore. The American Cable News Business Channel (CNBC), a branch of Cable News Network (CNN) based in Singapore carried a live interview with members of Anwar's family. The equation improved after the Malaysian police got co-operation from Singapore for gagging the channel.<sup>14</sup> This indicates once again the primordialism which underlies intra-ASEAN relations. In the case of south-east Asia this primordialism always makes for renewed co-operation.

### III Democracy and Elitism

The governments in south-east Asia (apart from Brunei) all practise some form of representative democracy. This model, whether extremely liberal or authoritarian, is essentially a government ruled by elites. The role of the people in government virtually ends with elections to choose the rulers. The people have no part to play in deciding the shape of coalitions and the behind-the-scenes bargaining involved. Once governments are formed, they proceed with their respective agendas treating the people as objects to be moulded and made to conform with the project at hand. The geographical space which is the state assumes a character of an entity that transcends the people and in effect controls them.<sup>15</sup> Seen in this light, the pursuance of national interests can be seen as a policy of securing sectional economic interests.

Much of the problem regarding regional co-operation in south-east Asia can be traced to the tendency of the governments there to prioritise national interests. In his discussion on representative democracy, Hans Koescheler (1995) argues how this model, which has come to be seen as the ideal form of democracy, goes against the grain of democracy as rule by the people. By arguing that democracy implies the people's direct participation in government, he shows that representative democracy contradicts this essential ingredient as it turns out to be ruled by an oligarchy.<sup>16</sup> Among other things this has engendered a loss of confidence in the representative

model of democracy in the advanced industrial states and helped carry the debate on democracy to international forums.

This critique of democracy shows up the ahistorical nature of comments and reviews on the less developed states. In the case of south-east Asia, the view has been expressed that the debates surrounding Myanmar's membership of ASEAN and the statements of support for Anwar of Habibie and Estrada indicate the dawn of a new era in regional relations. As has been shown in the foregoing analysis, however, rhetoric has an important place in ASEAN. The principle of non-involvement is alive and well in the ASEAN region and continues to be one of its crowning jewels.

### Notes

[This article has benefited greatly from the comments of professor Shamsul A B He is the dean of the faculty of humanities and social sciences, University Kebangsaan Malaysia. Terasa kindly read and edited drafts of the paper.]

- 1 Journals such as the Hong Kong-based *Far Eastern Economic Review* in particular package themselves as experts on the region. They carried pieces highlighting the contradictions the issue of Myanmar's membership of ASEAN had engendered. Thai dailies such as the *Nation* have been very critical of the junta in Myanmar. While on the one hand the *Nation* saw the debate as positive, on the other hand it viewed ASEAN as unprogressive.
- 2 See Balasubramaniam, V (1998), *Politik Nasionalisme dan Federalisme di Malaysia*, Kuala Lumpur: Penerbit Fajar Bakti, Chapter 2. See Shaharil Talib (1996), 'The Asiatic Archipelago: History Beyond Boundaries' in *Proceedings of the International Symposium South-east Asia: Global Area Studies for the 21st Century*, Kyoto International Community House, pp 89-103, for an appreciation of the idea of south-east Asia as a regional entity.
- 3 For example, Malaysia has territorial disputes with Brunei on Lumbang (Borneo), with Indonesia on the islands of Ligitan and Sipadan, with the Philippines on Sabah and a number of islands in the Sulu archipelago. In like vein there are overlapping territorial claims between Thailand and Myanmar. The list goes on as nearly all the states have overlapping territorial claims. Part of the problem stems from old treaty agreements between the colonial powers and part from the countries' right to claim 200 nautical miles as part of their exclusive economic zones (EEZs). In south-east Asia defining EEZs becomes contentious because the region is a string of islands.
- 4 In the case of Malaysia this situation has seen the government stepping in to assist cash-strapped companies by extending the non-performing loans (NPLs) period from three to six months. The government also set up asset and capital trust funds (Danaharta and Danamodal) to buy selected NPLs from financial institutions. In Thailand and Indonesia the governments there had to appeal for loans from the IMF in order to shore up the reserves of hard currency in their central banks – which will then be loaned out to over-



exposed private-sector banks.

- 5 There is a gamut of graduating exercises done by students at the Department of South-east Asian Studies, University of Malaya, to show this unequal relationship. Among the more recent are: Hanizah Idris (1992), *Struktur Pembangunan Singapura Antara Tahun 1819-1929*; Siti Khajar Shah (1992), *Perkembangan Pertahanan Singapura 1819-1927*; Abd Aziz Ithnin (1994), *Pelabuhan Singapura dan Sektor Perindustrian di Johor: Satu Kajian Kes Di Kawasan Perindustrian Pasir Gudang*; Fauziah Razak (1994), *Hubungan Perdagangan Sumber Perikanan Malaysia dan Singapura: Kajian Kes Kuala Sedil, Johor*; Yusrina Yahya (1994), *Tenaga Di Singapura 1819-1941: Dari Angin ke Arang Batu ke Petroleum*; Aeriha Radzi (1995), *Kekayaan sumber Perhutanan Johor 1910-1941: Hasil Johor dan Keuntungan Singapura*; Chee Keh Chyn (1995), *Bunga dan Perdaganganannya: Satu kajian kes Mengenai Perusahaan Bunga Perdagangan Cameron Highlands Ke Singapura*; Ishak Peah (1995), *Pelabuhan Singapura: Kes kajian Di Sektor Perindustrian Tampoi, Johor Baru*; Lokman Zakaria (1995), *Baruh Luar bandar ke Singapura: Kajian Kes di Kg Bechah Laut, Tanah Merah, Kelantan, Norlilawati Samak (1995), Aktiviti Kapitalis Singapura Di geland patah, Skudai dan Kukup, Johor 1900-1970*; Thye Siew Lan (1995), *Hubungan Perdagangan Perusahaan Khinzir Malaysia-Singapura: Kajian Kes Paya Mengkuan Melaka*.
- 6 See *Asian Wall Street Journal*, August 4, 1998.
- 7 See note 5.
- 8 In Malaysia's communal political set-up, UMNO is the leading member of the ruling *Barisan Nasional* (national front) coalition of 14 political parties. The leader of UMNO is the chairman of *Barisan Nasional* and holds the post of the prime minister as well. For a discussion of politics in UMNO, see Shamsul A B, 'Battle Royale: The UMNO Elections of 1987' in *South-east Asian Affairs*, Institute of South-east Asian Studies, Singapore, 1988; Fan Yew Teng, *The UMNO Drama: Power Struggles in Malaysia*, Egret Publications, Kuala Lumpur, 1989; Vejai Balasubramaniam, 'Vote for Unity: Malaysia's Ninth General Election' in *Economic and Political Weekly*, No 23, June 10, 1995.
- 9 The demands of the two movements for greater transparency, accountability and an end to cronyism in government were similar.
- 10 For a discussion on aspects of the role of the government in creating the national bourgeoisie viewed from the standpoint of rent capitalism, see Gomez and Jomo, (1997), *Malaysia's Political Economy: Politics Patronage and Profits*, Cambridge University Press, Cambridge. Chapters 4 and 5 of the book give details on businesses which benefited from relations with the national political elites.
- 11 Following his sacking from the government Anwar has come to lead the Reformasi (movement for reformation) some of whose leading lights come from ABIM (the Islamic youth movement of Malaysia). In pressing for greater democracy the movement hopes to rectify the bias of the Mahathir administration accountable to cronyism. It would be well to point out that the demand for greater democracy has as its objective the extension of larger economic benefits to the Malays. Mahathir is seen as favouring the non-Malays. The new economic policy (NEP) which

was introduced in Malaysia following the racial riots of May 1969 had as its central goal the upliftment of the economic condition of the Malays in particular. But while the NEP did help to improve the economic condition of this ethnic group, it also worked to the advantage of the non-Malays who were well poised to take advantage of its general pro-business thrust. In Malaysia's communal political set-up it is all too easy for politicians to argue that the gains of the non-Malays had been at the expense of the Malays and that political expediency was the culprit. The problem becomes more acute in a period of economic slow down.

It is in this context that the Reformasi and its ability to attract support from large sections of the Malays should be seen. It is revealing that despite adopting the language of greater democracy the campaign does not, for example, seek to address the communal bias of the Malaysian constitution: despite equal citizenship status, the non-Malays are not granted access to government jobs, places in universities, and grants on a par with the Malays. The demands for democracy adopted by the Reformasi lack an idealist component, as can be discerned from their embracing representative democracy without questioning its elitist character and the denial to individuals of opportunities to participate directly in the political process.

- 12 The Phillipines has laid claim to the Malaysian state of Sabah and Indonesia to Ligitan and Sipadan, both in Malaysia. These disputes arose from interpretation of the 1877-78 Treaty of Rome, which divided the Sulu and Celebes seas between Spain and Britain.
- 13 The Malaysian minister of defence recently announced that a study on the effectiveness

of the FPDA would be made to analyse its continued relevance for the future.

- 14 In this context, Singapore is well known to have very tight control over the media. In previous years, print media such as the *Wall Street Journal* and the *Far Eastern Economic Review*, for example, have been proceeded against and their circulation severely restricted.
- 15 This idea of control is adopted from the Zygmunt Bauman study on modernity. See, for example, "On Globalisations: Or Globalisation for some, Localisation for some others", *Thesis Eleven*, No 54, August 1998:37-49. Of the critiques of the representative model of democracy Noam Chomsky stands out. But see also Hans Kochler (1995), *Democracy and the International Rule of Law: Propositions for an Alternative World Order*, where he develops and advances the critique both at the national and international levels from the standpoint of Kant's philosophy of *Practical Reason*.
- 16 Sociologically, it is possible to understand this criticism as a product of modernity and the promise it held for man. The resulting pluralism this criticism encourages is indicative of a shift to the post-modern. Post-modernism is seen as a critique of modernism and its product. While this shift to post-modernism has, among other things, helped to enhance the role of individuals in the political process in the advanced industrial countries and contributed to greater democratisation nationally, it is not reflected internationally. Here, the governments, and to an extent the people of the developed west continue to act hegemonically and undemocratically, as may be discerned from the actions of the US, for example.

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September 1999

Employment in Smaller Indian Firms  
Choices under Liberalisation  
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REVIEW OF LIT.

# Employment in Smaller Indian Firms

## Choices under Liberalisation

Mark Holmstrom

*How can Indian decision-makers take advantage of liberalisation to achieve economic growth and competitiveness, not as ends but as means to welfare and choice, social and sexual equality, and good work? Most new employment must be in small and medium enterprises, which have achieved some of these things elsewhere. Reviewed here are policies tried in India and elsewhere: protectionism plus privileges for small firms; 'real services' to promote flexible specialisation (Italy, Spain); long-term relationships between large firms and subcontractors (Japan); liberalisation to the limit (Britain, the US); education and training; promoting entrepreneurship, etc. Recent work on industrial districts suggests that Indian variants of flexible specialisation are emerging and can be promoted by suitable policies.*

### I

#### More vs Better Employment

LIBERALISATION has arrived: there can be no going back. How can Indian decision-makers take advantage of it to achieve economic and social goals: growth and competitiveness, not as ends in themselves, but as means to greater welfare and choice, starting with the elimination of gross poverty; and then other goals like social and sexual equality, good working conditions, and the chance for most people not just to make a living but a satisfying career?

Everyone talks of liberalisation, globalisation and flexibility, but these words are imprecise. Liberalisation could mean no protection for domestic industries, and no state intervention except law and order and sound money; or simply less protection than before, with other measures to promote economic growth. Globalisation can mean letting foreign capital in, with or without strings. It involves centralised planning by large companies with world-wide markets, but it also provides new chances for decentralised production by a myriad of smaller firms and local clusters, using local skills and new technologies to supply world markets.

'Flexibility' is the most dangerously ambiguous of these words:

Flexibility...can take the form of 'active versatility' or 'passive pliability' [Semlinger 1990]: that is, it can consist of the ability to exploit market niches and quickly respond to orders, based on a skilled and polyvalent labour force; or it can also mean simply to submit to outside pressures from customers, and to accept cutbacks, and to pass on the flexibility requirements of the market to the workforce in a coercive manner through expanding and retrenching production volume, forcing wage concessions, making 'flexible' use of short time and casual

employment, etc [Sengenberger and Pyke 1992:14].

Sengenberger and Pyke (1992:12) call these the 'high road' and the 'low road' to industrial restructuring. The 'low road' consists of seeking competitiveness through low labour cost, and a deregulated labour market environment. It is believed that cost-cutting will boost productivity and profits, and create new employment...The problem with this approach is that the improvement it yields for competitive performance, if there is one at all, is frequently short-lived...Poor wages and terms of employment hinder the firm in acquiring and keeping the qualified labour required for efficiency and flexibility; and they rarely induce the firm to 'invest' in its labour force to make it more productive. The principal alternative to such 'destructive' competition is the 'high road' of constructive competition, based on efficiency enhancement and innovation;... through economic gains that make wage gains and improvements in social conditions feasible, as well as safeguarding workers' rights and providing adequate standards of social protection [ibid:12-13].

Must liberalisation in India mean taking the low road, or are there other options?

Some of the Asian Tigers, like South Korea, started their industrialisation on the 'low road' and then moved gradually to a higher one. India is not yet in a position to join the Tigers, because of lower levels of education and entrenched social inequalities, and for other obvious reasons. In some ways it is closer to China, except that it has not come anywhere near China's recent economic performance: never mind China's dismal record in human rights.

There are hard choices to make, trade-offs between good things, cakes we cannot have and eat at the same time. Economic growth is good, and in the long run it may benefit everyone or their grandchild-

dren; but we are often told that the cost of growth, at least in the short or medium term, must be harsh insecure low-paid work, great inequalities, and loss of freedom and human rights. Or perhaps not: evidence from the 'Asian Tigers' suggests that some degree of social and economic equality, far from being inconsistent with rapid growth, may be a necessary or favourable condition for it. Perhaps the 'low road' is not the only one for a poor country.

All these debates involve questions of fact (which can sometimes be settled by evidence) and value (which cannot): means and ends. If you think it best to make the road as high as possible, we have to recognise that it cannot be very high in India yet.

The pace of economic and technological change in India is set mainly by large firms, including publicly owned ones; but most new employment will have to be in small and medium enterprises (SMEs) – the 'rural non-farm sector', urban petty manufacture, trading and services – with as rapid a shift as is feasible towards more skilled work and higher technologies, to take advantage of the many skilled and educated people.

India, being very big, has large numbers of educated workers, besides an even bigger reserve of uneducated often illiterate people, and everything in between. The Tigers' experience suggests that the first priority must be education. But it will take time; and though universal education may be a necessary condition for economic growth, it is not sufficient. What more needs to be done, to get growth with welfare and justice?

As a foreigner, it is not my business to tell Indians what choices to make, yet it would be disingenuous to pretend I have no views. These are, roughly, social democratic ones, which many Indians share.

But I can contribute to the debates about liberalisation and flexibility, and suggest lessons to be learnt from foreign experience. This paper grew out of my field-work. In 1993 I made a study of electronic and engineering industries in Bangalore (with later visits to follow new developments). In 1996 and 1998 I visited the Valencia region of Spain, especially the toy-making town of Ibi. My own country (Britain) has not been a good model. A British observer can at least warn of the dangers of the uncritical free market worship of some Indian business people and journalists, who sing Thatcher's praises. Elsewhere I discuss the effects liberalisation has already had, and is likely to have, on Indian business [Holmstrom 2000]; and the consequences for different kinds of workers, both educated and uneducated [Holmstrom 1999a].

In earlier articles [Holmstrom 1993a, 1997, 1998a] I considered whether some variant of the 'Third Italy' or 'Emilian' model of flexible specialisation and industrial districts might work in India, leading to economic growth and good work for more people: what were the chances it might develop spontaneously, or what – if anything – could public policy do to encourage it? Here I range more widely over other possible ways of achieving these ends, and update the discussion of flexible specialisation and industrial districts in the light of recent work on SMEs.

What can be learnt from public initiatives to promote SMEs, with social justice, in countries which have done so successfully, like Italy, Germany, Japan, Denmark and Spain? Can their institutions and policies be adapted to achieve good results in India? Cultural, economic and political conditions differ so much that you cannot simply copy what has worked well in one place and get similar results elsewhere: it has not been possible to repeat the success of Third Italy's industrial districts even in southern Italy. Yet there are cases where a successful model has been learnt from and adapted creatively. Third Italy may not have fathered any useful progeny in southern Italy, but it has in Spain, where the Valencian regional government has a successful programme-based directly on the Third Italy ('Emilian') model plus Denmark [Pyke 1992a; Ybarra 1991]; or the Cyprus Industrial Strategy, built on Emilian foundations [Murray 1992]. For years western firms struggled to adapt their own management practices to very different cultures in Asia: now Japanese firms are doing the same thing in their

European subsidiaries, especially in Britain – a reversal of an older relationship between the west and the rest [Kaplinsky and Posthuma 1994]. Social experiments sometimes work.

But how can I compare a poor third world country, with a vast illiterate or half-educated population, with these rich countries? The speed with which the Asian Tigers have moved from being seen as underdeveloped countries needing help, to world leaders, shows the dangers of the mental apartheid involved in placing countries in the first or third world, the west or the rest. The Tigers may seem to be trapped at the moment, but they have such reserves of strength that they are likely to break out of their cages soon.

Given that you cannot transplant a successful model from one environment to another, it is worth asking whether we can apply the lessons intelligently in a different and poorer society. If something was done successfully in another economic and cultural setting, should we expect it to work if tried somewhere else (in this case, India)? And if not, why not?

First, what is to count as 'working' – what criteria for success? Economic growth? Employment? What sort of employment – work on any terms, at low wages, in bad conditions? Or good careers with decent pay and conditions and a future? Employment for whom – women who want or need paid work, hitherto poor and excluded groups, or ethnic minorities? So, in judging the success of an experiment or initiative, ask which of these ends it has achieved, and whether there are trade-offs: does growth require greater inequality, or child labour, or lack of freedom, at least for some time? The trade-offs may be matters of fact (though hard to determine and fogged by our values and prejudices).

It is easy to find reasons why a foreign model would not work. We could develop an experimental method, on roughly popperite lines. Start with the hypothesis that a particular model can work (produce the results we want) in India, then try to falsify the hypothesis by looking for reasons why not (for example, the model has already been tried and shown not to work) or reasons why we should expect it to be very difficult (Japanese-style management is unlikely to work with poorly-educated workers). Experiments in social engineering are difficult to make and have a high human cost, which is not always a reason for not trying. More often we have to rely on controlled observation, as in meteorology or astronomy, not experiment.

## II Policy Options

If we succeed in falsifying the hypothesis – that what worked well somewhere else can work in India – then we should either abandon the hypothesis, or adapt it to see whether our new-model hypothesis can be falsified. For example, if Japanese-style management has not yet achieved much in India (though it has in Britain), are there conditions in which it is more likely to do so?

So consider some policies which have been tried, or proposed, as ways of promoting economic growth and employment, especially in SMEs. What reasons might there be for thinking that each of these options would, or would not, work in India now?

*Option 1:* Protectionism, plus special privileges for small firms ('small-scale industries') to offset the massive advantages enjoyed by big firms hiding behind tariff walls. In other words, the policy India has followed for most of the past 50 years.

Protectionism helped one country after another to build up industries which then became vigorously competitive on world markets, but that time has passed. Almost everyone agrees that protectionism went on for too long. Infant industries never grew up; quality was poor; India was overtaken by smaller countries which started later. Anyway protectionism has gone or is going. There is little point in going over the reasons for its demise once again, or the arguments against it. Protectionism is dead.

The policy of reserving product lines for small firms is not quite dead, but very sick. It was counter-productive for many well-known reasons [Holmstrom 1984]. It was open to abuse and fraud; it encouraged inefficiency and poor quality; it was an excuse for appalling working conditions; and so on. There are plenty of good small firms in India, but they did not need the policy (an overgeneralisation perhaps, but broadly true).

*Option 2:* Liberalisation to the limit. Remove nearly all controls, keep taxes low (so nothing to spend on subsidies, incentives, state services to business, etc), because state intervention invariably does more harm than good. Then, the argument runs, the invisible hand will solve all problems. Putting free market institutions in place will automatically call forth reserves of entrepreneurship, whatever the culture. Those who seriously want to get rich will seize the opportunity, and development will surely follow. Everyone or most

people will benefit in the long run, though the short run may be tough. This was supposed to happen in Yeltsin's Russia, or Thatcher's Britain. If small firms have a place in this free-market development, they will survive; if not, not. But they probably will.

This policy has not been tried in India, which may be one reason why it is such a popular candidate in some economic and business circles. It is doubtful whether it has really been tried anywhere else. Even Reagan and Thatcher did not practice what they preached: the social and electoral cost would have been too high. Anyway they were dealing with rich economies, and the success of their policies is questionable. The Tigers, with the possible exception of Hong Kong, had actively interventionist governments which planned, protected, picked winners, and committed all sorts of sins against the free market. Moreover they had the advantages – which India has not – of a relatively equal distribution of wealth, and above all a population not merely literate but well educated; which leads to Option 3.

**Option 3:** Put everything into state-funded education and training, which is expensive but the best bet. Then let the private sector shift for itself. Other state intervention, incentives and controls are optional (see South Korea and Taiwan).

This is a strong candidate. If Kerala – a relatively poor state – can achieve universal education and literacy, then others can if the will is there. But the task is immense: and even if universal education is a necessary condition for economic development, it is even further from being a sufficient one in India than in the legendary Tigers. Besides, there are other urgent calls on the public purse (health, the right incentives to industry, etc), as well as the non-urgent but politically irresistible ones.

**Option 4:** Identify, train and encourage entrepreneurs, the critical scarce resource. Entrepreneurship is seen as a matter of personality, susceptible to psychological engineering. If there are enough well-motivated and trained entrepreneurs around, economic growth will follow as night follows day.

In the extreme form of this argument (still alive in India and elsewhere) entrepreneurship is seen as a special sort of mind-set, which will triumph over all obstacles: a treasure to be sought for, husbanded and nurtured, even inculcated in the young. Thus David McClelland saw 'the need for achievement', or 'nAch', as a 'mental virus' which makes people 'behave in a peculiarly energetic way'

[McClelland 1966:28-29]; 'a causative factor – a change in the mind of men which produces economic growth rather than being produced by it' [McClelland 1963:83]. 'The psychological factor responsible for a civilisation's rising to a challenge... has been weighed and measured and scientifically estimated in advance; and, so far as we can now tell, this factor is the achievement motive' [ibid 95]. McClelland [1966] claimed to have conducted a successful experiment in 'infecting' a group of Indian businessmen with this virus.

This is an extreme version of a more widely held view of entrepreneurship and the entrepreneurial personality as necessary or even sufficient conditions for development, things which can be inculcated by training and example. Much effort has been put into training entrepreneurs in institutes and business schools in India, on more realistic lines than McClelland's psychological engineering.

It is equally plausible to argue that entrepreneurship is just a link in a causal chain: wherever the political and economic structure provides opportunities for entrepreneurs they will emerge and succeed, like rabbits. I maintain that entrepreneurs are a valuable resource but not the critical resource which makes all the difference: not rare and valuable creatures like race-horses, nor common as rabbits, but useful animals like bullocks, which sometimes work best alone, sometimes in teams [Holmstrom 1999b]. Anyway there is no shortage of them in India. A tradition of sometimes ruthless entrepreneurship has always been strong, though not equally spread throughout all communities.

Indian and foreign experience suggests that training programmes for entrepreneurs are useful but not the most urgent priority. As Schmitz and Musyck (1993:12) argue, providing training 'is easier than changing the context in which small enterprises operate... Training can have an ideological function in that the obstacles are seen in the people who run the enterprises rather than in the (often hostile) environment in which they operate.' Training schemes for small-scale businessmen have been useful elsewhere (Italy, Spain) as a part of broader programmes to give advice and consultancy, and to train skilled workers at all levels of the enterprise.

This discussion of policies options (protectionism with privileges for small firms, liberalisation to the limit, putting everything into education, and training entrepreneurs) was a curtain-raiser to policies more directly aimed at creating growth and good employment in small

and medium firms, in conditions of liberalisation. This is not a matter of principle – small is not beautiful – but most of the employment is bound to be in these firms, even if large firms call their tune. With the worldwide trend towards decentralised production, even many large firms come to resemble federations of small firms in some respects, though with centralised arrangements for marketing, R and D (research and development), etc. The distinction between large firms and small becomes blurred. The 'small-scale sector' is dead: long live the many vigorous innovative small firms.

How can India get the relation between large and small firms right, to achieve the results we want (like economic growth, employment, satisfying work and greater equality)? Let us look at some forms this relation has taken in other countries, in each case asking why – if something worked well somewhere else – it might not work in India.

**Option 5:** Subcontracting on the open market. Large firms dominate the economy with their own marketing networks, well known brand names, and R and D. They have always sourced some components and services from outside: now they are less inclined than ever to combine the different stages of manufacture in-house with expensive permanent employees. They maintain the smallest possible core workforce, some workers on short contracts for jobs which must still be done in their own factory, and put out the rest to small firms which can meet their standards of quality and delivery. So the large firm employs less and less people. In the extreme case, it is reduced to a 'virtual company', a commercial empire like Benetton, ordering goods made to its precise specifications from a multitude of small suppliers and selling them through franchised retailers [Murray 1985].

The large firm's relations with small entrepreneurs are transient and impersonal in Robert Kuttner's words, 'every business relationship is a one-night stand'. Cosy relationships of trust between businessmen, paternalistic or trade union protection of labour, all these are suspect. Smaller firms compete ruthlessly among themselves for orders to supply components and services to the large firms, which are always on the lookout for firms which can supply them cheaper, faster and better.

This model has the advantages and disadvantages of 'low road' flexibility. Costs are driven down relentlessly to meet domestic and international competition. A poor country can maximise its comparative advantage, which is cheap labour. The

disadvantages are not only the social costs, but the economic costs of failing to invest in and upgrade labour, or to reap the benefits of trust between and within firms.

Open competitive subcontracting seems the most likely course for Indian firms to take in the short run: to build on the existing pattern in much of Indian industry, while tightening up on costs and quality in response to the new competitive pressures. Much of Indian business has always been a jungle, where trust was limited to kin and close friends, or to close-knit moral communities bound together by religion or caste, like the shoe producers of Agra [Knorringa 1994, 1998].

*Option 6: Japanese-style subcontracting.* Large firms maintain close long-term relationships with small subcontractors: a marriage rather than a one-night stand. Decentralised flexible production within the parent firm extends also to satellite suppliers, who are involved in continuous improvement and forward planning.

This could develop in India, building on the existing social and economic links between large and small firms in some industries and places: smaller firms set up with the active assistance of ex-employers, as dependable suppliers; family firms subdivided among the founder's kin – Pierre Lachiaier's (1992) 'Industrial Lineage Firm'; or recognised ancillaries, which Indian governments have promoted for many years in a drive to encourage small-scale industries. Public sector firms, in particular, developed stable relations with entrepreneurs, often their own former managers or workers, who could count on long-term contracts. The ancillaries made little or no contribution to improvement or innovation (if there was any improvement or innovation at all).

Up to a point, this policy worked. Small firms got a chance to come up, and provided training on the job to workers who had failed to get into the prestigious big firms' training programmes and apprenticeships. The parent firms had assured sources of supply by entrepreneurs who could meet their (often relaxed) standards of quality; and much more cheaply, since the big factories, especially in the public sector, had high wage bills and townships, factory buses and fringe benefits to pay for. Workers in the small firms had only as much security as paternalistic employers or scarce skills might give them (scarce, that is, at a low wage). Working conditions varied from tolerable to appalling.

Close ties between managers in the parent and auxiliary firms gave rise to allegations

of inefficiency at best, corruption at worst. In the present drive for quality and cost-cutting, these cosy relationships have increasingly been replaced by open competitive tendering ('one-night stands'). Many small suppliers have gone out of business. Others have diversified. More rarely, they have formed consortia for marketing or to develop new products.

The old policy of 'ancillarisation', impelled by the public sector, may now be replaced by long-term co-operation between large private firms and newly formed ancillaries, able to meet the large firms' demanding standards of quality and cost. 'One-night stands' are cheap but risky. Large firms can invest in a stable committed workforce, not expensively in-house, but indirectly through small firms which pay less but still offer relatively stable employment, training, and even some degree of participative management.

The Japanese example has a powerful impact. Indian employers and managers study it, discuss it and claim to emulate it. Many of the cultural conditions for Japanese-style management – assumptions about long-term trust and loyalty to an organisation, freedom to criticise within an unchallenged hierarchy – may be as rare in India as they are in many western countries, even if the Japanese have adapted some management practices successfully in their factories abroad [Kaplinsky and Posthuma 1994]. Of course these cultural conditions may be stereotypes of Japanese society, or that society as it was but no longer is. The point is that this is how Indian businessmen – and westerners – see Japan and take it as a model.

*Option 7: Flexible specialisation Italian style: can it develop spontaneously?* Fordist mass production is replaced by decentralised production and less hierarchical management. Firms innovate constantly, using multi-purpose machinery and workers who are always learning new skills, to supply fragmented and rapidly changing markets. Large firms are broken down into smaller decision-making units, while networks of smaller firms (usually but not necessarily in the same industrial district) complement each other to achieve economies of scale and scope ('collective efficiency'). They co-operate on marketing, improving quality, developing new products, and stages of production for which some firms have specialised machinery or workers. This allows them to do things they could not do if they were isolated in a jungle of competing firms. They are interdependent, and independent

of the large firms when this is to their advantage.

This is sometimes called the 'Emilian model', because the most striking examples have arisen over the past 30 years in the industrial districts of north-central Italy, the so-called 'Third Italy' [Bagnasco 1977], especially the region of Emilia Romagna:

It [flexible specialisation] is seen in the networks of technologically sophisticated, highly flexible manufacturing firms in central and north-western Italy. Flexible specialisation is a strategy of permanent innovation: accommodation to ceaseless change, rather than an effort to control it. This strategy is based on flexible – multi-use – equipment; skilled workers; and the creation, through politics, of an industrial community that restricts the forms of competition to those favouring innovation. For these reasons, the spread of flexible specialisation amounts to a revival of craft forms of production that were emarginated at the first industrial divide [in the 19th century, leading to fordist mass production] [Piore and Sabel 1984:17].

Flexible specialisation requires some degree of trust between entrepreneurs, and between them and their workers. It could develop spontaneously, as local entrepreneurs see the advantages of acting together and develop effective sanctions against cheats and free-riders. Thus the Morbi Flooring Tiles Manufacturing Association in Gujarat tries to stop unscrupulous manufacturers who use inferior materials for a quick profit, tarnish Morbi's image, and put pressure on other manufacturers to cut standards [Das 1996a:14-16; 1996b: 24]. Yet Indian entrepreneurs, especially those with a financial rather than a technical background, have generally been suspicious of anyone outside – and sometimes inside – their own family, caste or religious community, and unwilling to share information.

However there are many documented cases of local networks of firms, including innovative and successful ones in fast-developing industries, which have developed effective networks of informal co-operation, based on economic interest and personal friendship, sometimes cutting across communities of birth (see Tewari (1995, 1998) on Ludhiana's engineering industry, and Holmstrom (1998b) on Bangalore's electronic and engineering industries). Or these networks develop within business associations of firms in the same industrial sector or simply in same place, like an industrial estate (see

Benjamin (1993) and Benjamin and Bengani (1993) on the politics of industrial districts in Delhi; or Gorter (1996, 1998) on a business association in an industrial estate in Gujarat). More rarely, firms join consortia for marketing or to develop new products (see Holmstrom (1997), and (1998b:208-13) on Bangalore and Coimbatore).

Effective networks of co-operation, capable of making India's SMEs competitive on national and world markets, are unlikely to take root without a push, a deliberate policy by national or local governments to encourage this kind of development. This is what happened in Italy, Germany and Denmark. The problem is to devise the right kind of push: governments can easily push in the wrong direction, or waste resources on projects for which there is neither a local demand nor an unrealised need.

*Option 8: Policies to encourage flexible specialisation.* In the 'Third Italy', flexible specialisation was rooted in special historic, economic and cultural conditions, the tradition of combining artisan work with agriculture in share-cropping extended families, and close interdependence between town and country. These conditions cannot be replicated, even in other parts of Italy. But flexible specialisation was not entirely a spontaneous growth: it was also the result of resolute policies, introduced not by the corrupt and inefficient national government but by local and regional governments, which worked deliberately to build competitive industrial districts. They did this mainly by collective provision of what the Italians call 'real services' (*servizi reali*) like training, consultancy and design, which single firms cannot afford by themselves; and by encouraging and supporting consortia or other local arrangements, which gave clusters of interdependent SMEs access to European and world markets.

The strategy had many thrusts. One was targeted at particular industries. Local and regional governments, working with private enterprise and sometimes trade unions, set up institutes to provide technical services, research and development, testing, feasibility studies, advice on management and marketing or whatever was needed, aimed at a particular industry or users of a certain technology, wherever it was to be found in the region. The strategy was to develop what existed, anywhere in the region, and to find ways of diversifying into new fields and markets.

This strategy, aimed at particular industries, shaded into a strategy of specifically local development. Each industrial dis-

trict has grown up around a type of product or a range of complementary products: in Prato, textiles and textile machinery; in Modena, agricultural machinery; in Faenza – a centre of fine ceramics since the Middle Ages – modern ceramics and machinery for the ceramic industry. An industrial district has a dense network of small firms, each specialised in particular technologies or stages of production but always ready to seize new opportunities, to build on what it knew in order to develop new products: it is specialised and flexible at the same time. Business associations, trade unions, political parties, consortia and co-operatives have worked together, through local government and opinion, to create economic institutions tailored to the special needs of local industry and labour. There is not really a single 'Emilian model', but a lively political culture, and a habit of adapting institutions and practices, which have worked well somewhere else, to the needs of each industrial district.

In Germany, the Steinbeis Foundation, established by the Baden-Württemberg state government, set up a network of technology transfer centres, closely linked to local chambers of commerce. These centres are demand-driven and almost self-funded. They usually specialise in particular industries and technologies, and often refer clients to other centres with the necessary expertise [Pyke 1992b]. The Cyprus Industrial Strategy was a conscious and apparently successful attempt to apply lessons from Emilia Romagna [Murray 1992].

In Spain, more recently, the Valencian regional government established a high-profile agency Impiva (Instituto de la Mediana y Pequeña Industria Valenciana, Institute for Valencian Medium and Small-Scale Industry), again in a conscious attempt to adapt the Emilian model to local conditions. Since local governments in Spain are weaker than in Italy the initiative comes from the regional government. Impiva makes an explicit distinction between two kinds of institute, which complement each other: 'Technological Institute', each aiming to develop a particular industry or technology, and local business innovation centres (CEEI, Centros Europeos de Empresas Innovadoras) not tied to any industrial sector [Pyke 1992a].

Some of the Valencian technological institutes are designed to help a distinct industrial sector (shoes, toys, textiles...) and are based in towns where these industries are concentrated, though they provide services to firms anywhere in the

region, or sometimes outside it. Other institutes aim to develop particular technologies, like biomechanics or optics, which are used in diverse industries. Each institute is linked to an association of entrepreneurs, who elect a majority of its supervisory board and are supposed to determine the services the institute will provide, for a fee. The institutes are, or are meant to become, self-financing.

The locally-based business innovation centres, partly funded by the European Union, complement the technological institutes for existing industries by investigating, promoting and subsidising promising innovative projects of any sort in a local area. On recent visits, I found general agreement among entrepreneurs, academics and trade unionists that the technological institutes are useful, even essential to industries like toys which face stiff international competition. Opinion was more divided about the business innovation centres' achievements so far. However a technological institute originally established to promote a locally dominant industry, like toys, may in practice take on a dual role as a local development agency for other industries as an industrial district diversifies. (See two recent reports, not yet published, on the toy-making cluster around Ibi [Albaladejo 1998] and on AIJU, the technological institute for the toy industry [Holmstrom 1998c].)

Another element of Impiva's strategy, modelled on Danish practice, is the use of 'brokers' to promote 'co-operation networks' (*redes de cooperacion*), small groups of entrepreneurs who agree to work closely together. This appears to have had very little success. These fiercely individualistic entrepreneurs value the institutes' services but are only prepared to trust each other to a limited extent: a situation with many parallels in India.

Some enthusiasts may have idealised 'flexible specialisation', and the Third Italy in particular, as a panacea, a model of social justice, harmony and economic success: the 'high road' for SMEs. If the model is crude and oversimplified, or packs in too many things which do not always go together, we should unpack it and examine the institutions and policies separately, in their original setting, and ask how some of them might be adapted for use elsewhere.

Allowing for exaggeration, it is still clear that clusters of interdependent SMEs in some regions, but not others, have combined the advantages of smallness with the economies of scale and scope which big firms enjoy; that this can give small



firms the strength to choose either to supply the large firms, or to compete with them; and that it can lead to rapid economic growth, good wages, and good interesting work for men and women, in an environment where they are constantly learning new skills and developing their talents. These small firms have achieved this by working together; by establishing unwritten ground rules to regulate conflict between entrepreneurs and between employers and workers; by taking advantage of 'real services' promoted by local and national governments; and by a political culture of widespread participation through business associations, parties and unions.

Could something like this happen in the very different conditions of India? I have mentioned the most obvious difficulties: great social and economic inequalities, widespread illiteracy, strong incentives for employers to take the 'low road' rather than investing in and retaining labour. Cut-throat competition, as well as communal divisions, make entrepreneurs too suspicious to share information or to develop stable forms of co-operation. On the other hand, there is evidence not only that such forms of co-operation have developed spontaneously in some places, but that some – not all – of the services provided by national and state governments, or by business associations, have helped smaller firms to do things they could not do by themselves.

The nationally-funded small industries service institutes (SISIs) have existed for years in all major cities, and provide a range of services under one roof: technical and market advice, training courses for workers, testing and machining which small firms lack the equipment or skilled labour to do for themselves. Their resources are spread too thin, because – at least in the past – they had to help all 'small-scale industries' indiscriminately and could not target their efforts on firms and industries with real prospects for growth; but this can be corrected. Industrial Training Institutes, which provide diploma courses for school-leavers, have been a qualified success, though they lack the up-to-date training facilities of the big factories. Specialised institutions like the CMTI (Central Manufacturing Technology Institute, formerly the Central Machine Tool Institute) in Bangalore [Holmstrom 1998b: 216-17], or the Central Leather Research Institute in Chennai, provide useful services to large and small firms all over India, and have a major impact on the relevant industries in regions where they are established (like the

technological institutes in Valencia, which are set up to serve an industry throughout the region but in practice are most useful to local firms).

Specifically local institutions providing technical and advisory services are controlled not by local but state governments; sometimes by business associations like Kassia (Karnataka Small Scale Industries Association [Holmstrom 1998b:213]), which have moved away from their traditional role as pressure groups wringing concessions from governments, towards providing services to members; or by voluntary associations like the Nettur Technical Training Foundation (NTTF) with seven excellent training centres throughout south India, supported by profits from its own factories and consultancy. Some state governments have asked the NTTF to help set up similar institutes in their own states [ibid:217-18: 224].

There is some evidence [Holmstrom 1997] that public provision of 'real services' in India can not only make up for lack of trust between entrepreneurs, but can sometimes build trust by demonstrating the advantages of consortia and co-operation, and by building up solid friendships and social networks, cemented in social clubs like Rotary and Lions, professional associations of engineers or specialists, and the new culture of seminars and conferences which attract ambitious entrepreneurs and managers.

'Real services', then, can be useful both in doing what they are set up to do (training, help with marketing, testing, etc) and indirectly, in building solidarity and trust, laying the foundations for useful co-operation and the networks of social and moral relations which make 'collective efficiency' possible: not only in the relatively hi-tech industries which face the stiffest international competition, but also in more traditional industries. Thus Mathew and Joseph (1994a; 1994b) and Mathew (1995) have shown how the right type of 'real services' could improve competitiveness, wages and conditions in traditional cottage industries like Kerala's cane and bamboo industry.

*Option 9:* Involve trade unions in any policy initiative, to prevent small as well as large employers from taking the easy option of cutting wages and job security (the 'low road'), and to force them to invest in a committed well-trained workforce. This has happened in the social democratic economies of western Europe. In Italy and Spain, most firms except very small ones have works councils and union

representation established by law. Unions are formally involved, along with employers' organisations, in the institutions which provide 'real services' to SMEs. Among factors accounting for the success of Baden-Württemberg's SME policy, Pyke (1992b:29) lists 'the effects of trade union and other institutional pressure to block off other routes – or 'low road' routes – to competitiveness.'

There are two possible objections to this argument. One is ideological: 'Institutions and rules aimed at regulating competition are seen as mere strait-jackets, and should be kept to a minimum' (Sengenberger and Pyke (1992:12) report this view but do not share it). Unions interfere with the beneficial working of flexible labour markets: they cause unemployment by pricing workers out of jobs. They no longer protect workers' interests even if they once did, or only the interests of the lucky few with permanent jobs. They are an anachronism, with no place in the modern world. Or, even if unions have a legitimate place in large firms, they have no place in small ones, where they disrupt the close personal relations between employer and workers, and deprive small firms of the main advantage – cheap flexible labour – which allows small firms to compete with large ones, and to employ those who cannot get into large firms.

Another possible objection is practical. Even if it is desirable that unions should protect workers in small firms, they are not equipped to do so:

Trade unions have expressed reservations about policies aimed at promoting small firms given the relative weakness, if not absence, of their organisations in that sector. A basic problem is that the organising of the small firms sector, and the provision of trade union services in that sector, are far more costly, far more difficult, and far more complicated than is normally the case in large firms [Sengenberger and Pyke 1992:24].

This is even more true in India than in Europe. Unions are weak and poor, partly because of low subscriptions. They are divided along political lines, and some are dominated by careerist leaders. Only a few unions have ventured seriously into the 'small-scale sector', and their achievements have been of limited value to labour. Yet there are encouraging signs of new thinking and effort in some unions, with idealistic, usually middle-class, leaders employed in large firms, who are looking for ways to give effective support to workers in smaller units.

In their own members' interests, and as a matter of social justice, Indian unions

should pay far more attention to workers in smaller units, and to the unemployed. If union activists are genuinely looking for ways to help these people – as some of them are – they must come to terms with the market and the new competitive climate; and employers must come to terms with unions. Most large employers have done so: for smaller firms, this is a bitter pill to swallow. Unions are right to defend job security, but they should push explicitly for retraining – something they have usually left entirely to managements – and for careers, rather than mere jobs. Unions should democratise their own structures, in parallel to, and as a lesson in, participative management. None of these ends will be easily achieved.

*Option 10:* Labour-managed enterprises, like workers co-operatives, which have provided good jobs in areas where they have built up strong supporting organisations, as in the Third Italy [Holmstrom 1989] or the Mondragón group in the Spanish Basque country. They achieve economies of scale and scope because they are linked, not necessarily by being in the same industry or industrial district (though they are largely confined to their regions) but by shared ideology and solidarity. In other areas (like Britain) they have remained marginal, or achieved limited success, as they have in Spanish Catalonia [Holmstrom 1993b].

In India, the usual problems of raising capital and gaining the confidence of private customers are compounded. India's best known workers' co-operative in recent times, Kamani Tubes of Bombay, saved a factory from closure for a few years [Srinivas 1993] and then collapsed. There have been other attempts. In the long run workers co-operatives or some other form of labour-management could have a future in India; not yet.

### III Conclusions

All policy options discussed here have been proposed or tried somewhere, as ways to achieve some of the ends we seek (sustained economic growth, employment, well-paid secure satisfying work, etc), especially in the small and medium enterprises where most of the new jobs are likely to be. Would any of the policies, or some combination, work in India?

There are trade-offs and hard choices. If your priority is cutting taxes, you cannot afford to provide 'real services' unless entrepreneurs pay all or nearly all the cost. Perhaps 'human rights' are a luxury which

developing countries cannot afford; the price of growth may be greater inequality. But some of these trade-offs may be illusory. The 'high road/low road' debate is about how hard some of the choices must be: can economic growth and jobs be achieved only by taking advantage of 'flexible' (cheap, insecure, unprotected) labour – the 'low road'? Or is this not only unnecessary but counter-productive, because workers with some security of employment and income are more likely to learn useful skills, build careers, and work 'flexibly' and intelligently for the success of an employer they can trust (the 'high road')?

To block off the 'low road', without pricing workers out of jobs, is a difficult balancing act:

In their formulation of the flexible specialisation model Piore and Sabel stress that the main weapon in competition is permanent innovation, because squeezing labour is not an option...Due to the size of the labour surplus in LDCs [less developed countries], competition emphasises sweating labour rather than innovation [Schmitz 1989:30-31].

In Indian conditions the road cannot be very high for some time, but we should not fall for the argument that India's only comparative advantage is cheap labour, which it should use to undercut all competitors.

To pass rapid judgment on the policy options I listed:

- Protectionism with privileges for small firms has been a failure, though some good came of it.

- Liberalisation to the limit causes more problems than it solves.

- Heavy investment in education and training is a necessary but not sufficient condition for growth; however it takes time.

- Entrepreneurs are not the one critical scarce resource, so it is not worth devoting too much money and effort to finding them.

- Large firms subcontracting to small ones on the open market ('one-night stands') can provide many jobs, mostly low-paid insecure ones, which are worth having where nothing better can be achieved.

- Japanese-style subcontracting – long-term relationships of trust with large firms – can involve small firms in innovation and raising quality, and give their workers some stability. The cultural conditions for it may be hard to replicate in India (or the west). This does not mean it cannot be done.

- Flexible specialisation, or something similar, has developed spontaneously in

a few places and industries in India, but needs a push.

- This push means policies to encourage flexible specialisation. 'Real services', provided by governments, business, voluntary associations, etc, can enable smaller firms to achieve 'collective efficiency' and market-led innovation, leaving small firms free either to supply the large firms or compete with them. For this to happen, firms must offer their workers some security, training, and good conditions. 'Real services' can sometimes make up for the lack of trust between entrepreneurs, but may also build trust.

- Trade unions have a useful part to play in small firms as well as large, but must come to terms with the new competitive environment in which smaller firms operate.

- Labour-managed enterprises (like workers' co-operatives): a good idea, whose time has not yet come.

Flexible specialisation is no panacea, but state intervention of the right kind can help to deliver some of the ends we want, especially jobs, and make the road a little higher than it would be otherwise.

This raises further questions. Should institutes offering 'real services' be organised locally (like the small industries service institutes in India) or by industrial sectors (like the central manufacturing technology institute). The answer is both: Impiva in Valencia and the Steinbeis Foundation in Baden-Wuerttemberg may show the way.

Conventional wisdom, in the flexible specialisation debate, is that 'real services' only work when they meet the expressed needs of local business; otherwise it is easy to waste taxpayers' money on grandiose schemes nobody wants. There are plenty of examples. This argument can be taken too far: unless policy-makers are moderately proactive, and offer entrepreneurs some services they never thought they needed, then opportunities may be lost. It is a matter of fine judgment and intelligent adaptation of what has worked elsewhere. For example, if I am right when I claim 'real services' may not only make up for lack of trust but build trust, entrepreneurs who do not trust each other may not realise the benefits of trust until they see a few striking examples in their midst.

The choices to be made are not just economic and technical, but political and moral. What do decision-makers value most? What trade-offs are they prepared to make (employment for growth; the costs and benefits of sexual or caste

equality). Whether there really are trade-offs is a question of fact, though hard to establish: I have argued that some are not trade-offs at all. Whether they ought to be made – whether they are worth it – are questions of value: moral and political questions.

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# Social Security of Labour in New Industrial Towns

G Vijay

*Social security in the formal sector has an institutionalised expression. In case of the agrarian informal sector, pre-capitalist institutions of patronage perform this role of providing social security. In the case of the new industries, the process of flexibilisation has led to the generation of informal segments within the organised sector. Social security in this case is a complex issue since, firstly, it involves migration of labour from rural areas to what are termed as new townships; secondly, the labour in the new industries is recruited on contractual or casual basis; and thirdly, insecurity of employment prevents unionisation of labour. It is in this context that this paper attempts to define social security; conceptualise in what forms and through what institutions it finds an expression; and finally analyse what attributes enable access to these institutions.*

## I

### Introduction

PATTERN of urbanisation is undergoing rapid change in India. Urban planning prohibits setting up of industries in residential areas. Added to this, as part of the industrial policy, industries located in rural areas have been provided with subsidies. These reasons have led to the location of industries outside the cities. The industrialists have strategically located their industries in the rural areas close to the cities. This has best of both the worlds – subsidies and cheap labour because of being located in the backward rural areas and advantage of all the urban infrastructural facilities for being close to the cities. A large number of towns or even large villages in the backward districts around the big cities have emerged as preferred 'new towns' for the location of industries to avail the advantages. The introduction of MODVAT (Annexure 1) and opening up of the economy under liberalisation have together resulted in subcontracting and have led to rapid increase in the number of new industries<sup>1</sup> in these areas, in the recent past. A massive inflow of capital and labour from different parts of the country has converted these rural areas into new townships. While the new industries have been located in these areas, there is a change in the migration pattern from rural-urban to rural-new township, thus, adding a new dimension to the pattern of urbanisation. These new townships with their large populations are developing into economic zones of industrial and commercial activity.

India has witnessed significant structural changes in its economy in the last decade. Economic liberalisation and opening up of the market have resulted in the growth of new industries. Deregulation has acted

as an impetus to the process of change in the technology and business organisation of firms. This has accelerated the process of what has been termed flexibilisation [Nath 1994; Kulkarni 1994]<sup>2</sup> and therefore 'informalisation'<sup>3</sup> in the new industries. The new industries have come into existence in neither the classical urban nor the rural pockets but in new townships. Growth of 'informalisation' coupled with the phenomenon of increasing rural-new township migration in the post-structural adjustment period have made the conditions of labour highly vulnerable.<sup>4</sup> It can be observed that there is an inclusion-exclusion complex operating in the labour market. The inclusion-exclusion complex is a conflicting process of development. It is a combination of inclusion in the opportunity and social security structures in the new townships for the different categories of rural unemployed on one hand and their exclusion in different forms on the other.

Flexibilisation is operationalised through casualisation and contractualisation of jobs. The casualisation and contractualisation of jobs has led to informalisation of the labour market. In the context of informalisation of the labour market, the formal institutions of social security such as the state, trade unions and skill have a marginal role to play. It is against this backdrop that this paper tries to study the question of social security of labour in the organised sector in the context of its informalisation. This paper tries to present the precarious living and working environments of labour that set in as a result of informalisation; the evolution of new institutions of social security from within to cope with these precarious environments; and various factors determining both the vulnerability of labour and their access to the new institutions of

social security. It needs to be emphasised here that this paper merely presents the existing and emerging institutions and does not take up the question of how far these could be seen as alternative institutions.

## II

### Methodology

For the purpose of this study, Kothur, a new industrial town is chosen. Kothur is located in Mahaboobnagar district, 30 kilometres to the south-east of Hyderabad, capital of Andhra Pradesh. The district of Mahaboobnagar is well known for its 'Palamoor' labour, with the dubious distinction of witnessing the highest seasonal migration in the country of over one million annually to different parts of the country. Paradoxically, the industrialised areas of the district witness massive inflow of migrant labour from different parts of the country. This paradox poses a challenge to research. The township has a total population of over 8,000 people, with nearly 5,000 working in the industries. Kothur is the most industrialised township of Mahaboobnagar district. The area has 14 medium and large scale industries with a total investment of Rs 16,876 lakh and an employment of 1,396 permanent and casual labour. The area also has 27 small-scale industries with a total investment of Rs 529 lakh and a total permanent and casual labour of 982. The small-scale and the medium- and large-scale industries employ 3,046 and 4,188 workers respectively on contractual basis.

This paper is based on a sample study of a sample of one large-scale, two medium-scale and four small-scale enterprises (Annexure 2). These industries have different modes of business organisations, use different technologies, recruit labour through different methods and produce different commodities.

As stated above, the area witnesses massive immigration. The migrant labour may be broadly classified into two categories based on the distance of place of origin into long and short distance migrants. One finds that in case of the local labour and some short distance migrants, family can be the unit of analysis. However, most of the short distance and long distance single migrants live in groups. Individuals staying under one roof are taken as a unit. This paper is based on a sample of 20 units of short distance, 10 units of long distance migrant workers and five units of local workers. The sample includes two units of casual labour and the rest is contract labour. Study of five permanent labour has also been carried out.

Data pertaining to the working environment has been collected (through structured questionnaire, unstructured interviews) from the workers, the contractors and the managements (owners/managers) of the firms. Data pertaining to housing has been collected through a survey of 30 houses by way of a structured schedule. Data pertaining to water (Annexure 4) has been collected through scientific tests. Three samples of water from tank, agricultural field and drinking water have been collected from various places in the specified manner in six bottles of one litre each. The samples have been tested for the presence of various chemicals, metals and radioactive substances through laboratory tests. The possible diseases caused by the presence of these parameters have been correlated with the actual diseases in the town. The data pertaining to disease pattern (Annexure 5) has been collected from the Employee's State Insurance Corporation ESIC-Med 6 and ESIC-Med 6A forms from the local ESI dispensary. The data relating to consumption expenditure, which also accounts for nutritional status (Annexure 3) have been collected through an unconventional method. The data has been collected from six 'kirana' (grocery) shops where the labour make monthly credit purchases called 'khathas' (accounts).

The rest of the data is based on the author's one-month stay in the Kothur new township. Most of the analysis therefore flows from participant observation.

### III

**Insecurities of Labour:** In order to conceptualise social security, the insecurities of labour need to be comprehended. The labour in the new industries

suffers from different types of insecurities. Besides the well recognised insecurities like lack of security of job, lack of minimum level of wages, housing, health facilities, old age and retirement benefits, there are several other insecurities that are faced by the casual and contract labour. For a newcomer into the labour market, gaining access to food and shelter is a problem. To gain employment, a newcomer needs information and a certain amount of credibility. These factors make the possibility of staying in the labour market insecure. After gaining employment, because of flexibilisation in the form of casual and contract labour, there is employment insecurity. The insecurity of employment implies irregular incomes. With specific reference to contractual jobs, there is no evidence to suggest that a worker has worked for a contractor. The workers often face the prospect of not being paid their wage even after working. Any contingency which requires money makes the condition of the labour insecure. Health of the worker is extremely important in determining the survival of the worker in the labour market. If a worker takes ill, unless there is a mechanism that sustains him, he cannot survive in the new township. If a contract worker sustains injury at workplace, since there is no formal agreement between the worker and the contractor or the management, there is no mechanism to establish accountability. The fallout is the possibility that the worker may not receive any compensation. Further, since there is a perception that migrant workers monopolise the opportunities in the new industries, there is an antagonistic relationship between the migrants and the local labour. Migrant labour therefore must have sufficient base to survive in a hostile social environment.

Flexibilisation which has led to informalisation in the organised industry has generated precarious working and living environment for the labour. These conditions are suggestive of the enormous insecurity that labour suffers in these informal segments of the organised sector. The different insecurities suffered by labour suggest different degrees of vulnerability. In order to conceptualise the notion of vulnerability, there is a need to

analyse the working and living environment of labour.

**Working environment:** Available evidence (Annexure 2) suggests that the environment of labour at workplace is influenced by scale, mode of business organisation, technology, distance of place of origin of labour, and gender (Table 1).

The working environment of labour is better in the large-scale industries and worse in medium and small-scale industries. It can also be observed that though a higher wage is paid in 'lala'<sup>5</sup> type of management, long working hours, no holidays, drudgery of work and work hazards<sup>6</sup> suggest that working environment here is worse. In case of the firm which is managed by professionals but where the owner of the firm pays frequent visits, wage is low, working hours are long, holidays are given but wage is not paid for the period. Further, work here involves less drudgery and relatively less risk. One could therefore say that working environment in such firms is relatively better than under 'lala' type of management. In case of group managed firms, the labour do peripheral jobs like loading and unloading. They are paid minimum wages, enjoy the benefits of ESI and PF, the work involves less hard labour. One could therefore deduce that as the mode of business organisation becomes less personal, better are the conditions of labour.

In the domain of technology one can observe that in firms that involve low level skills which can be picked up in a week such as pharmaceuticals, there is no scope for upward mobility of the workers. It can also be observed that with medium level technology which takes about six months to learn like in textiles and steel mills, there is a scope to enter 'seth's khata'<sup>7</sup> or become a casual labourer with a fixed wage. In the case of higher level technology which takes two years to learn, like in fibre glass industry, there is the badli system which is also a type of casual labour but with far better working environment than the casual labour in the medium range technology. It can therefore be concluded that more complex the technology or higher the level of skill required, better is the working environment of labour.

TABLE 1: CLASSIFICATION OF WORKING ENVIRONMENT

Factor	Classification
Scale	Large and medium scale and small scale
Business organisation	'Lala' type of management, frequently visiting owner, group managed
Technology	Low level skill technology, medium level skill technology, high level skill technology
Distance	Long distance migrants, short distance migrants and locals
Gender	Male and female

Source: Based on field study.

If one considers the working environment in relation to the distance of place of origin of the labour one finds that though the long distance migrant labour are better paid, given the fact that they have long and compulsory working hours, no holidays, excessive drudgery of work, and prone to work hazards they are the worst sufferers. The short distance migrant labour though low paid, with reference to drudgery of work, holidays, and work hazards are better off. Some industries that started before 1990s employ local labour and the working environment with reference to wage, working hours, social security benefits and work hazards is far better in comparison to migrant labour.

The working environment of contract labour is worse than that of casual labour. The permanent employees enjoy the best working environment.

Finally, gender factor plays a pre-dominant role. Female contract labour is paid low wages, employed in low skilled jobs, in comparison to male contract labour, though they often work for 12 hours a day. However, work assigned to women does not involve hard labour and is not prone to work hazards. There is a trend of feminisation of work in a few industries such as pharmaceuticals, electronics and ceramics.

*Living environment:* A brief description of the housing, drinking water, nutrition, social and cultural aspects of the workers' living environment presented here. The houses of migrant labour in the new townships are often small and congested. Usually a house implies a long room (10 x 7 feet) in which four to five adults stay. Most of the houses are semi-pucca constructions with tiled or tin roofs. In some houses a 3-feet wall is raised to provide a kitchen. About 80 per cent of the houses do not have bathroom or latrine facilities. In some houses within the small room a corner is used as a bathroom. In others, small thatched roof with curtains is erected outside the house, which is used as a bathroom. There are no sewage or drainage facilities. In rainy season water stagnates. Often a toilet is available half a kilometre away. Most of the houses have electricity. The approach roads to the houses are motorable mud roads.

Safe drinking water is an important factor in determining the living environment of the workers. During the early 1980s, 'Kothur Cheruvu' (tank) was the major source of drinking water. There was also a well in the midst of the village. However, in the late 1980s and early 1990s, due to lack of rains, the well dried up. With the rise of industrialisation, especially the

textile and chemical industries, tank water was completely polluted. In the recent past, the village has got a common tap, the water to the common tap is supplied by an overhead tank. The water samples of the tank and the drinking water have been tested, the results of which are given in Annexure 4. The results suggest that the polluted Kothur tank water has percolated to reach the ground water thus making the ground water unfit for consumption. Since there is no other source of drinking water, all the residents of the township, of which those dependent on industries constitute 62.5 per cent, consume unsafe drinking water. The consumption of polluted water leads to different diseases. The disease pattern (Annexure 5) suggests that incidence of dysentery, other helminths, parasitic skin infections, diarrhoea and enteritis, disease of the teeth, and diseases of bones is high. It needs to be noted that these are all water-borne diseases.

The data for determining the nutritional status of the labourers has been collected from shops where the migrant labour maintain khatas or monthly accounts. Based on the samples of nine groups of long distance migrants and four of short distance migrants from four different kirana shops, the results about nutrition (Annexure 3) have been arrived at. The results are interpreted ignoring the fact that there is a difference between the work of short distance and long distance migrants. It is also to be noted that due to lack of access to data, the nutritional status of local workers could not be calculated. According to the nutrition experts of the National Institute of Nutrition, in their classification of work as sedentary, moderate and hard, the work of industrial workers falls under moderate work. The experts have arrived at a figure of 2,875 kilo calories as the energy requirement of industrial worker who do eight hours of work per day. The actual energy levels of the short distance and long distance migrants suggest that both the categories are underfed. The short distance migrants get 2,372 kilo calories and the long distance migrants get 2,494 kilo calories of energy. This undernourishment has to be seen in the light of the fact that industrial workers in Kothur work for 12 hours a day. Undernourishment over a period could lead to loss of weight in the early stages. Experts suggest that such undernourishment might not be reflected in any disease pattern but it does incapacitate the workers from performing efficiently due to weakness. However, the disease pattern suggests the avitaminosis and other deficiency states and anaemia

as largely prevalent. This is a direct consequence of undernourishment.

The social context of the long distance migrant labourers is very different from that of the short distance or local labour. For long distance migrants, the first problem they encounter is language. They find it difficult to interact since they cannot communicate. It can be observed that as a result of this, the vegetable vendors and shop-keepers quote higher prices and discriminate against long distance migrant labourers. It can also be observed that in case of both the long distance and short distance migrants, when they enter into competition with the locals at the common taps or at ration shops they face the locals resentment. However, it can be observed that the short distance migrants have greater interaction with the locals than the long distance migrant labour. As a result there is a lack of sense of belonging to the place of destination even after long years of stay.

Culturally, one finds that the long distance migrant labourers find themselves more alienated. Their festivals, marriage ceremonies, etc, are different from local customs. Upper caste migrants from UP and Bihar complain that they cannot practise the caste system. Some of the migrant labourers, especially the long distance migrants, are unable to reconcile with the changed relationships. The long distance migrants also face cultural shocks like the fact that women come out of their homes and work along with men.

#### IV Conceptualising Social Security

The above analysis suggests that the casual and contractual workers earn a living under precarious and vulnerable conditions. It is in view of these conditions that the notion of social security needs to be defined from the point of view of the workers in specific situations. Since, most of the labourers have a rural background, their notion of social security is also more rural which, when placed in a new township context, acquires a new meaning. Notwithstanding the fact that there can be no single rural definition of social security, since there are different social and economic classes, social security for the migrant labour working in the new industries is a source of help when in need. This help is available through different modes such as collective and individual. These modes take different forms such as solidarity, patronage, coercive protection, transactional support, political support, and trust, and is expressed through various institutions. There are different possible



institutions providing social security to the workers.

**Institution based on solidarity:** Social networking is one of the most significant institutions providing social security. Social networking mainly consists of family, friends and relatives. Various identities such as caste, region, workplace, place of residence, class, etc., determine the extent of social networking. As one worker put it, "if we were to realise that one of us is missing, there must be at least a few individuals willing to join in search for him". Thus at a fundamental level, solidarity is the mode of expression of social networks.

A case study can establish the point. Munna Kumar (25) is an upper caste migrant labourer from Chapra district of Bihar. He had come to Kothur five years ago based on the information of a vacancy in one of the industries provided to him by a friend belonging to the same village. After arriving at Kothur, for the first few days before he was actually employed, it was one of his relatives who gave him shelter and food. Munna Kumar joined as a contract labourer in a textile industry, as a helper under a senior printer in printing division. Munna was paid on daily wage of Rs 55 per day. Being a sincere, sharp and cheerful worker, Munna Kumar became friendly with the senior printer and learnt the technique of printing from him. Three years later Munna Kumar became the senior printer. He now works on a regular basis as a casual labourer. He has a fixed wage of Rs 3,000. Once he started getting a fixed wage, his mother, father, brother and his sister have moved to Kothur. His father works as a watchman and his brother as a contract labourer. Sister goes to school while his mother stays at home. He has secured jobs for about nine other members belonging to his caste from Bihar. All of them stay in the same neighbourhood. Some of the workers have brought only their children to be educated, not their wives. However, since the workers work for 12 hours a day, Munna Kumar's mother looks after the children during the day.

Thus, social networking serves the important purpose of information flow. It helps in gaining contacts and employment. It is through social networking that access to housing and shopkeepers is gained. It also helps in getting money when in need. Where the family is missing, social networks assume this role. Social networking also has the important function of generating social and cultural life.

**Institution of trade unions:** The trade union movement in the area started in the

large-scale industry and it was started by the local permanent labour. Though detailed case studies of the development of the unions cannot be presented in this paper, it can be observed that trade union movement has had an impact on the working environment of the labour. The trade union movement was quite active in the late 1980s and early 1990s. The movement had been initiated by the local and short distance migrant, skilled labour who had worked on a casual basis and demanded to be made permanent. In the mid-1990s the trade union movement started becoming weak. It is interesting to observe that while industries with predominantly local workers co-opted the unions by introducing production incentives, industries employing short distance migrants have weakened the movement through manipulation by splitting the trade unions and by closures. However, more significantly, it can be observed that in those small-scale industries that started in the early 1990s and where there are long distance migrant workers, there are no trade unions. There was an attempt to start a union by long distance migrants which resulted in physical assault on the workers.

Though the trade unions address only the problems of permanent labour, they do have a say in choosing casual labour who are to be made permanent. The casual labour therefore more specifically seek the support of the trade unions. However, more generally, it can be observed that in firms where the trade union movement is strong, the working environment of the casual and contract labour is better because as is well known, it is this section of labour that keeps the firm working when the permanent labour go on strike. To put it another way it is these labourers that break the strikes.

The unemployed youth association is yet another collective institution based on political support. It is called 'Mandala Nirudyoga Sangrama Parishad' and tries to voice the interests of the local educated unemployed. It was started in September 1997. The local youth put forth a demand that 15 members belonging to Kothur and nearby areas be absorbed in one of the firms. On August 31, the organisation held a demonstration ('dharna') before the firm. The local youth feel that neither of the dominant parties, the Telugu Desam and the Congress, has taken up the issue of the local educated unemployed youth seriously. In fact it is stated that the local Telugu Desam MLA intervened and tried to dissuade the youth from struggling. The local youth have approached 'Madiga

Dandora' a 'dalit' (oppressed caste/class) organisation to voice their cause. On January 22, 1999 local educated unemployed youth under the leadership of 'Madiga Dandora' organised a 'rasta roko' (road blockade) in protest. There are, according to an estimate, a hundred educated unemployed youth in Kothur village and 3,000 educated unemployed in Kothur 'mandal' (an administrative unit comprising number of villages).

**Institutions based on patronage:** On the basis of loyalty and efficiency the employer promotes the worker from contract to casual labour thus decreasing the uncertainty of employment. The owner also provides loans when the labourer is in urgent need of money. This is however restricted to those casual labourers who have long service.

Apart from the patronage of owners patronage of senior workers also acts as a source of social security. In the medium level and high level skill technology industries, there are no formal training programmes for the newcomers. What a newcomer learns depends on his relation with the senior skilled workers. Due to the practice of flexibilisation, there is multi-tasking implying that the workers have to perform different tasks. As a result of this, there is no stability in the type of work performed. This denies the worker an opportunity to specialise which in the long run can improve the working environment of the labour. It is this stability in the type of work performed which patronage by senior skilled workers ensures.

**Panchayati institution:** The local government referred to as 'panchayat' is one of the institutions which extends political support to labour in acquiring a better living and working environment. The panchayat and more specifically the 'sarpanch' or the president, who is an elected representative, plays a role in securing employment for labour. The panchayat also has a role in providing amenities such as drinking water, roads, sanitation, electricity, ration cards, etc. Thus, by extending such benefits to labour and by making the conditions of labour less insecure, the panchayat has come to acquire the status of an institution of social security.

**Institution based on transactional support:** The contractor or the middleman is the most important institution in the operationalisation of the system of contract labour. The contractors are mostly relatives or friends of those working in these firms.<sup>8</sup> In the late 1980s when the contract labour system began, the contractor was an informal institution. However, owing to



pressures from trade unions, labour inspectors and because of inefficiencies felt by the managements and contractors themselves in managing the labour, the system of contract labour has been formalised. According to the procedure, the contractor has to deposit money with the firm to which he supplies labour and with the labour commissioner in order to acquire a licence from the labour office by agreeing to abide by certain rules. These include: payment of minimum wages to the labour as stipulated by law; provision of employees social insurance (ESI) and provident fund (PF) and abiding by the provisions for labour holidays. The contractor has to maintain a roll book in which information relating to attendance, number of hours worked and payment made are to be recorded. These records are occasionally inspected. It is however to be noted that the system of contract labour depends on the informal agreements between the contractor and the labourer and not on the prescribed rules.

The contractor acts as a nodal point between the firms and the labour market. It is however to be noted that a contractor is not an employee of any of the firms. The contractors operate either individually or on partnership basis. The contractors therefore have two roles to play; one in relation to the managements of the firms and the other in relation to the labour. Since there is stiff competition for labour, what the contractor needs to have to attract labour is goodwill. Prompt wage payments, cash loans, etc., earn goodwill. In cases of minor accidents or sickness, treatment is provided by the contractors. It is to be noted that an ensured loyalty from the labour is critical. The contractor affects the social security of the workers, by deciding whom to retain and whom to retrench during periods of fluctuations in demand, and by recommending the labour to be absorbed as casual labour.

*Institution of coercive protection:* The origins of the mafia can be traced to the early 1990s in the formation of a cricket club by the local youth. The club began as an apolitical institution, with vocal and aggressive youth. A series of instances where it was approached by the contract and casual labour for redressal of grievances made it a strong institution. The cases for which it was approached include cases of moral hazard where the contractor might not pay the wage after getting work from the labourer. The other cases include cases of accident compensation, reinstatement of retrenched labour etc. The mafia has acquired a political status with its leaders taking the

position of presidents of trade unions from outside. This has led to political factionalism in the area.

The leaders of the mafia are drawn from the middle and peasant castes. They are involved in agriculture, real estate and other businesses. The cadre is drawn from the pool of local unemployed youth. While playing the important role of providing some kind of social security to the labour, they extort money from the industrialists in the name of festival 'chanda' (donations) and other development activities. The industries have of late started funding the mafia since they prevent the labour from organising.

*Institution based on trust:* Shopkeepers act as an important source of social security. The workers approach the shopkeepers for credit purchases of consumer goods and some shopkeepers also lend money. To begin with, generally, workers approach the shopkeepers through the contractors, mafia, or other workers and trust is built later.

*Institution based on state support:* The assistant labour commissioner's office is the only formal organisation available for the redressal of grievances of the workers. The assistant labour commissioner, who is stationed in Shadnagar which is 10 kilometres from Kothur, can be approached if the workers are not paid minimum wages. The body also carries out inspections of the factories on its own. The institution however is in its dying phase. In a recent government order the state government has removed inspection of industries and industry related matters from the jurisdiction of the assistant labour commissioner and transferred the powers to the assistant commissioner of labour who is situated in the district headquarters. This makes the institution unapproachable to the workers for two reasons. Firstly, the distance between Kothur and the district headquarters is about 70 kilometres, and secondly, since the assistant commissioner of labour is a higher authority in the hierarchy than the assistant labour commissioner, there are greater bureaucratic hassles.

*Dignity as a part of social security:* When the contract labourer approaches the contractor or when the casual labourer approaches the owner for an advance pay, or is absent for a day, or if commits a mistake at work, the labourers are abused and sometimes manhandled. It can also be observed that in the new industries, highly qualified workers are made to do menial jobs. At common taps, shops or in any other social interaction, any fault on the part of the labourers or his family members

would invite remarks from the locals especially the socially well-off that they and their lives are worthless.

Frequent instances of sexual harassment have perversely given rise to attribution of loose character to young female labourers working in some industries. When asked if they would like to save money and spend it on their marriage, they are agitated and say that considering reputation that labour working in industries enjoy they might never get married. When getting back from the place of work in the evening, one can observe that female labourers are heckled and harassed by the male residents which goes without protest. The victims are usually short distance migrant female labourers in both the above instances.

Dignity acts as an important measure of the limit of security in both the working and living environments. In the light of these instances one could define lack of dignity as human beings coerced by circumstances into leading lives of low self-esteem. Dignity is to be viewed as the limit of social security, the presumption being that where the labourer is ensured of his/her social security, he/she aims at dignity.

It can be observed that most of the institutions of social security have an intrinsically undignified relationship vis-a-vis the workers. One can observe that while the institutions of solidarity, political support and trust have a propensity to grant dignity, institutions of patronage, coercive support and transactional support have a propensity to perpetuate undignified relationships. While some labourers succeed in gaining access to institutions that also make possible dignity, some are compelled by circumstances to take refuge in the institutions that perpetuate undignified relations. It is also in this sense that one can look at the process in terms of the inclusion-exclusion complex.

## V

### Determinants of Social Security

It can be observed that there is an overlap of functions being performed by the above-mentioned institutions of social security. Not all workers have equal access to all these institutions. It is a combination of these institutions which actually provides social security to labour to survive in the working and living environments generated by the new industrialisation. For each set of institutions, there are certain specific attributes that determine the probability of gaining access.

*Class:* Labour mostly belongs to the section of small and marginal farmers who

have migrated because of agricultural problems or failure. There are also those farmers who have migrated because of non-viability of agriculture due to subdivision of holdings. The labour market also consists of displaced artisans. However, it can be observed that those that own land or other assets in the place of origin enjoy greater security because the probability that they are provided with money in the hour of grave need is high as the trustworthiness is high. It can also be observed that labour drawing a fixed wage of more than Rs 3,000 and who have a stable job bring their families along. This increases the social security.

*Caste:* Though it needs to be probed if there is any pattern in the castes that migrate, it has been observed that some of the upper caste labourers from Bihar and UP have migrated to work in the new industries since the caste factor acts as a barrier and does not allow them to work as labourers in the fields in their own villages. It is found that in the recruitment of labour to the industries, caste is not a significant factor. There is a cross-section of castes found in the labour market. It can however be observed that the lower castes, as they are not compelled to reveal their identity and can work and stay in the same places as the upper castes thus enjoying a better status than they would have in the rural areas. Caste acts as an important factor in social networking. Therefore the presence of a particular caste in greater numbers increases the probability of gaining access to this institution of social security.

*Gender:* Gender also plays an important role in determining access to the different institutions of social security. As is well known, women are a disadvantaged group in our society. It can be observed that generally the local women are excluded from the labour market. But for those who succeed in entering the labour market, the probability of gaining access to all institutions of social security are very high. There are very few long distance migrant women. Generally, these women do not go to work in the industries. Due to cultural factors, women are restricted to their homes and social networks of which family is the only institution available to them. For the short distance migrant women, who form an active part of the labour market, apart from social networking, they get in contact with the contractors and shopkeepers. It however needs to be mentioned that, unlike the local and long distance migrant women who always have families, the short distance migrant women consist of widows, divorcees, and unmarried women.

These form one of the most vulnerable sections of the labour market.

*Worker-dependent ratio:* The worker-dependent ratio has a significant role in determining the probability of gaining access to social security institutions. It can be observed that most of the migrants come without families and stay with friends or relatives. However, if there is a large number of workers in a family, the probability of being secured increases especially in the case of contract labour. In case of illness or injury, another worker in the family means continued income and hence security.

*Distance:* Distance has an important role based on which probabilities of gaining access to different social security institutions can be determined. Local labour, as is clear from the explanation of the gender factor, are excluded from this labour market. The image of the local labour is one characterised by laziness, incompetence, arrogance, dishonesty and tendency to unionise. The long distance migrant labourers on the other hand enjoy the image of being hard working, sincere, docile and unorganised. This image helps in gaining access to relatively stable employment. It is the short distance migrant labourers who suffer uncertainty of employment though they have access to greater number of social security institutions than the long distance migrant labourers. It can also be observed that the trade unions prefer non-locals rather than the locals. The locals have a stake in the local politics because they have immovable assets such as a house and therefore they have greater interest in securing a better living environment which is determined by the local government. If the leadership of the local government is given by a different political faction while the trade union is affiliated to another political faction, the loyalty of the locals wavers. The inverse of this logic applies to the local governments which prefer the locals in extending support as an institution of social security.

*Skill:* Skill acts as an important factor in determining social networks and patronage of the owner or the trade unions. This is because the skilled labourers are generally promoted from contract to casual labour. The casual labour system has two practices. One is where the casual labourers act as contractors who themselves hire four or five workmen and do some job work assigned to them within a stipulated time. Such practices are found in textile industry. The other type of casual labour is the system of 'badli labour'. The 'badlis' are semi-skilled labourers who are

employed on regular basis and who generally assist the skilled labour. These labourers do the skilled work in the absence of the skilled workers. This system has evolved to tackle absenteeism of the permanent skilled workers in the large scale firms. The specific status of the casual labourer however depends on the experience of the worker.

*Method of recruitment:* There are as has already been stated, three modes of recruiting labour; while one is the permanent labour, the focus of this paper is on casual and contract labour. Depending on the mode of business organisation and whether or not there are trade unions in the firm, the probability that casual labourers have access to the owner and the trade unions is high. Being recruited through the contractor restricts the probability of gaining access to the social security institutions at workplace.

*Time:* The longer the stay in the place of destination, greater is the number of institutions that can be accessed. For any labourer, generally, social networks are the institutions through which they enter the labour market. However, with longer stay, depending on the combination of attributes, other institutions can also be approached.

It can be observed that while those possessing certain combination of attributes get access to a combination of social security institutions, it is possible that those with a certain combination of attributes are excluded from access to many institutions of social security. One could analyse the process in terms of inclusion-exclusion complex.

Once all workers with these attributes are placed on the scale of insecurity, the factors making the conditions of workers more vulnerable reveal itself. Simultaneously, the study of attributes in relation to the social security institution or institutions a worker approaches establishes the possibility of inclusion into the social and economic structure of new industrialisation. It is however important to note that every worker is identified by a combination of these variables which determines the actual probability of gaining access to a combination of the institutions of social security. Once vulnerability of labour to different forms of insecurities in the working and living environment are assessed and probability of overcoming it are estimated, policy measures can then be initiated either to strengthen the existing institutions or generate new institutions. Measures can also be initiated to directly aid those that are most vulnerable.

## VI Conclusion

It is quite evident from the above analysis that the inclusion-exclusion complex operates at different levels. Firstly, with reference to the origin and destination linkage, while some labourers are included in the 'oscillating labour market' ('flexibilisation' from the point of view of the worker), they are implicitly excluded from access to traditional institutions of social security available in the rural areas and the formal institutions of social security often associated with the organised sector. Secondly, with reference to the advantage and vulnerability linkage, while some attributes gain the labour access other attributes make the conditions of labour vulnerable and deny access to the social security institutions that have evolved in the new townships. Thirdly, with reference to dignity and social security linkage, while some labour acquire social security as defined with dignity others are excluded from such an opportunity and are forced to approach institutions of social security that are internally exploitative.

This research throws up some new questions for further investigation. It can be observed that the living and working environment of labour in the new townships are a reflection of the conditions of labour in their places of origin. This question needs further exploration.

It would be interesting to study the relationship between the institutions of social security that have evolved in the new townships and labour. The economic rationale behind each of these institution of social security in the new towns needs further investigation.

It can also be observed that the deteriorating social security of labour is a fallout of liberalisation and opening up of the market. It is to be noted that while multinational firms are visible and therefore have an obligation to maintain certain labour standards, the method of subcontracting of work has resulted in contractualisation of jobs thus making the social security of labour problematic. This link between the new methods of production being adopted by the multinational companies and its impact on the social security of labour would establish a link between the endogenous and exogenous factors. This aspect needs further probing.

### ANNEXURE 1: MODVAT

The transition comes at a phase when modified value added tax (MODVAT) was introduced. MODVAT was presented on the floor of the Indian parliament on

December 19, 1985 and was set in motion in the central budget for 1986-87. The underlying objectives were to simplify the existing multitude of rates and exemptions, relieve taxation of inputs in production and to rationalise several schemes such as those for small scale units and for duty drawback (Government of India, Ministry of Finance, *Long Term Fiscal Policy*, 1985, p 36). In many countries of the world where value added tax is charged, it represents duty on difference in the value which the raw materials acquire during conversion into finished goods. However, in India in the 1986 budget, it has been done on a selective basis. It is therefore a local adaptation confined to certain listed commodities only. Therefore instead of using the general term 'VAT', it is being called modified VAT or MODVAT. VAT is a tax on value of output minus input. To illustrate this, we may assume that a manufacturer purchases raw material at Rs 100 and incurs an incidental cost of Rs 30. He charges a margin of Rs 20. His output now comes to Rs 100+30+20= Rs 150 and input in fact, remains at Rs 100, i.e., Rs 50 is left for taxation. For large firms MODVAT meant advantage in shifting the production of inputs. The taxes were borne by the small-scale firms from their profits which meant inputs could be acquired at cheaper rates and tax could also be shifted by opting for subcontracting. This is how MODVAT led to an increase in subcontracting by large firms. As a result of subcontracting of production activity small-scale industries increased phenomenally.

### ANNEXURE 2: CASE STUDIES

#### *Vivek Textiles*

Vivek textiles is a small-scale firm with an investment of Rs 100 lakh and total employment of 90 workers. The plant is involved in processing and printing cloth. Grey cloth which is the primary raw material is obtained from manufacturers located in other states of India. The firm's annual turnout is 60 lakh metres of cloth print.

The firm is owned and managed by marwadies through the 'lala' type of management, i.e., a single proprietor-owner managing the whole firm on the basis of traditional knowledge system and underlying the principle is to make more than what has been invested.

**Production process:** The manufacturing process involves six stages. In first stage the cloth is brightened through rubbing, termed scouring; neutralised by applying some chemicals; and then dyed. The second

stage involves rinsing, drying and width setting. The third stage involves printing and allowing the print to mature which is also referred to as ageing. In the fourth stage, the cloth is washed again to prevent fading out of colour afterwards. In the fifth stage, final search for damages is done and it also involves finishing. The last stage involves packing of the cloth in cardboard containers.

The workers are first recruited through the contract labour system as helpers. It is from these contract labour that casual labour are drawn. This shift is considered upward mobility for workers since the mode of payment changes from daily wage to a fixed amount. This shift depends on the efficiency and skill of the worker. It takes six months to learn a skill like printing.

**Employment and emoluments:** The workers in the textile mills are long distance migrants, mostly from Bihar, Orissa and UP.

One can identify the number of skilled and unskilled labour involved in the production process. The first stage of manufacturing involves two skilled and three unskilled workers; the second stage four skilled and two unskilled; printing three skilled and seven unskilled; ageing one skilled and three unskilled; washing one skilled and two unskilled; finishing and two skilled four unskilled; and packing four skilled and eight unskilled workers.

The skilled labourers receive a fixed pay of Rs 2,000 a month. This pay increases with experience and skill. Skilled labourers like printers themselves act as contractors and unskilled workers are trained under them. While the skilled printers search for better opportunities, the unskilled trainees known as helpers aspire to become skilled printers. The payment for these skilled labourers is done through 'seth's khatha'. These labourers are employed on casual basis and draw a wage of Rs 3,000-5,000 per month, depending on experience and quality of work.

The unskilled labourer are hired on contract basis and are paid a daily wage

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of Rs 55 for 10 hours of work. The workers are paid half of the actual wage per hour for overtime, unlike the stipulated rate which is double the actual wage per hour. The skilled casual labourers have greater job security than unskilled labourers recruited through a contractor. The skilled labourers have the freedom to be absent for a day or two in a month unlike contract labourers for whom 12 hours of work is compulsory without any holiday including Sundays. None of the workers is provided with ESI or PF benefits. All the workers are exposed to chemicals and dyes which leads to infections.

#### *Sangfroid Pharmaceuticals*

Sangfroid is a small-scale industry with 90 workers and an investment of Rs 28 lakh. Sangfroid is owned by a Velama. In this case the owner keeps close control of the firm through a few managers. The management therefore involves frequent visits of the owner to the firm.

The factory mostly does job work and has four divisions: (1) Ponds powder; (2) Johnson and Johnson baby oil; (3) Ravelon makeup powder; and (4) tablets Calfal. The basic inputs for the factory are supplied by the sub-contracting firm. The factory uses cheap labour and the raw materials, and carries out the process (according to a given formula) in the appropriate manner by the use of the equipment. We will look at the production process and employment for Calfal tablet.

**Production process:** The first stage is mixing the raw materials in an appropriate ratio; second, it is punched into tablets; third, automated blister packing; four, weeding out the defective strips of tablets. The last job is done exclusively by female contract labourers. The number of contract labourers varies with variation in production.

**Employment and remuneration:** While the skilled labourers are drawn from coastal areas, contract labourers are short distance migrant female labourers. These workers come from areas like Srikakulam, Vijayanagaram, Rangareddy and border areas of Karnataka.

The process of mixing of raw materials involves seven operators drawing a salary of Rs 2,500 each. The two workers involved in the punching process which includes a punching operator and a helper draw a wage of Rs 2,500 and Rs 1,200 respectively. Blister packing stage involves operator and two helpers, who are paid Rs 2,500 and Rs 1,200 each respectively. The contract female labour employed in the final stage get a wage of Rs 30 for eight hours of work and overtime pay which is

half the actual wage. While the activity of mixing the compounds is the only skilled activity, other works that involve contract labour can be learned in a week. Skilled labourers enjoy job security by way of their skill whereas contract labourers are hired on day-to-day basis. While the skilled labourers are covered under the ESI and PF, the contract female labour have no such benefits. The work involves packing and pasting stickers in the standing position for 8-12 hours which is quite exhausting. Continuous exposure to chemicals leads to skin infections.

#### *FGP Ltd*

FGP Ltd, earlier known as Ceat Ltd is a large-scale plant producing fibre glass with a total investment of Rs 4,897.92 lakh. The units has a capacity is 5,000 tonnes per annum.

**Production Process:** The production process involves eight stages. First mixing calcite, flour spar, boric acid, batch mix, soda ash, iron oxide, E-glass, quartz, and high aluminium, put in the furnace and is melted at high temperature. As the mixture cools down fibre forming takes place. This fibre or thin threads of glass is coated with a binder. The fibre glass is wound and bundles are sent into the cake drying oven and heated. What emerges is a finished product as well as an input for chopped strands and chopped strand mats.

**Employment and wage structure:** When the company started operations in 1949, five skilled workers were brought from West Bengal. Labour from adjacent villages of Kothur were given employment and training. The workers were taken on contract basis as trainees. After a period of six months they were given appointment letters. After a six months period they were given a confirmation letter and after another six months they were made permanent. Now the company employs about 570 workers of which 150 are permanent staff skilled and semi-skilled; 60 are employed on casual basis, semi-skilled or badlis who can replace the skilled workers, and 70 are managerial staff. Rest of the labour, numbering 300, are employed on contract basis. The permanent workers draw a salary of Rs 8,000-10,000. The badlis who are casuals but are given employment regularly receive a pay of Rs 3,000-4,000. The contract labourers receive a pay of Rs 55 for eight hours of work, they have ESI and PF benefits. Most of the contract labourers are also drawn from the nearby villages. The contract labourers are not used for skilled activity unlike in the small-scale firms.

#### ANNEXURE 3: NUTRITIONAL STATUS

Commodity Consumed	Quantity Consumed Per Day/Per Adult (Grams)	Energy (Kilo Calones)
<i>Long distance migrant labour</i>		
Rice	500	1,725
Wheat flour	40	139
Mirch	2	5
Turmeric	2	7
Jeera	1	3
Salt	20	-
Sugar	50	200
Masala	1	-
Mustered oil	10	90
Potato	50	48
Onion	20	10
Tomato	30	6
Brinjal	50	12
Cauliflower	25	12
Carrot	15	7
Kheera	20	3
Palak	2	1
Banana	100	116
Apple	1 medium size	65
Orange	1 medium size	40
Total		2,494
<i>Short distance migrant labour</i>		
Rice	330	1,138
Wheat flour	160	556
Groundnut oil	30	270
Red gram (kandi papu)	16	54
Green gram (pesar pappu)	16	56
Bengal gram (cheniga pappu)	8	30
Tamarind	8	6
Chili powder (mirchi)	4	10
Turmeric	8	6
Cumin seeds (zeera)	2	6
Mustered seeds (awalu)	8	4
Ginger-garlic paste	4	3
Semya	3	10
Mutter	8	2
Masala	-	-
Salt	-	-
Sugar	50	200
Onion	16	8
Potato	16	15
Total		2,372.3

Source: Field Data, March 1999

Calculations based on G Gopalan, B V Rama Sastri and S C Balasubramaniam (1996) *Nutritive Value of Indian Foods*, National Institute of Nutrition, Hyderabad.

#### ANNEXURE 4. SELECTIVE EVIDENCE OF WATER POLLUTION

Parameter	Safety Limit	Test Result
<i>Tank water</i>		
Total Hardness (CaCO <sub>3</sub> ) PPM	300	640
Chloride (AS Cl) PPM	250	349.8
Calcium (AS Ca) PPM	75	79
Sulphate (SO <sub>4</sub> ) PPM	150	480
Magnesium Mg/ltr	30	32
Cadmium (Cd) PPM	0.001	0.004
Flouride (F) PPM	0.6-1.2	1.1
<i>Drinking water</i>		
Total Hardness (CaCO <sub>3</sub> ) PPM	300	980
Chloride (AS Cl) PPM	250	499.8
Sulphate (SO <sub>4</sub> ) PPM	150	190
Magnesium (Mn) Mg/ltr	30	29
Flouride (F) PPM	0.6-1.2	1.06

Source: Water samples tested at Yegna Labs, Dilshuknagar, Hyderabad.

# ANNEXURE 5: DISEASE PATTERN

Disease	August 1998	September 1998	October 1998	November 1998	December 1998	January 1999	February 1999	Total
Tuberculosis	5	2	1	2	1	2	2	15
Dysentery	36	48	32	26	15	12	58	227
Other helminths	14	12	20	18	24	32	30	150
Parasitic skin infections	33	35	38	42	38	44	40	270
Other parasitic infections	18	18	14	12	10	12	10	94
Asthama	32	38	42	38	46	36	32	264
Allergic disorders	62	68	78	84	102	86	68	548
Avitaminosis and other deficiency states	78	82	94	132	106	109	102	703
Anaemia	24	22	18	30	22	20	20	156
Psychoses	36	14	34	18	2	1	-	102
Disease of eye	22	18	20	9	20	12	11	112
Injury of eye	8	2	1	-	12	2	5	30
Disease of ear	6	4	2	2	-	5	5	24
Rheumatic fever	10	12	16	18	12	-	-	68
Hyperensive disease	27	28	10	-	3	5	-	73
Common cold	34	48	60	52	68	54	54	370
Acute pharyngitis and tonsils	14	12	10	4	10	8	20	78
Influenza	30	42	50	-	-	-	-	122
Bronchitis	9	6	4	30	24	14	20	107
Other respiratory diseases	12	14	18	14	32	40	52	182
Disease of stomach and duodenum	18	16	20	22	18	12	15	121
Diarrhoea and enteritis	20	18	22	14	20	16	26	136
Disease of teeth	3	12	18	18	8	20	15	94
Other disease of digestion	12	20	16	-	20	18	22	108
Boil, abscess cellulitis and other skin infections	12	34	38	24	32	42	32	214
Other diseases of skin	10	26	24	18	22	20	41	161
Arthritis and rheumatism	24	28	32	46	48	38	30	246
Diseases of bones and other organs of movement	22	24	30	36	26	20	22	180
Wounds	-	3	2	-	-	10	18	33
Burns and scalds	9	1	1	1	-	2	-	14

**Note:** Diseases that are predominant and important have been reported. In all 60 types of disease are given in the ESIC-Med-6 form.

**Source:** Employees State Insurance Corporation, Monthly return of patients attended ESIC-Med-6 form.

## Notes

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Sangha Mitra for their valuable comments. The author is deeply indebted to the people of Kothur without whose co-operation this paper would not have been possible.]

1 New industrialisation refers to industrialisation in the changed structure of the economy, especially industrialisation that is least regulated. New industrialisation also implies industries being situated in new townships, adapting new technologies and new modes of organising production especially in the sense that there are new methods

of organising work and workers.

2 GB Nath (1994): 'Flexibility of Labour Market: Theoretical Approaches and Empirical Evidence from India', *The Indian Journal of Labour Economics*, Vol 37, No 4

Suchita Kulkarni (1994): 'Labour Market Flexibility: A State of Impasse in Industrial Relations', *Indian Journal of Labour Economics*, Vol 37, No 4, John Atkinson defined flexibility at the firm level in terms of core and periphery labour force. With reference to the periphery of the internal labour market, three types of flexibility have been visualised: numerical, functional and financial. The easiest way of achieving numerical and financial flexibility requires the practice of flexible specialisation.

3 Formal refers to recurring transactions, informal refers to discursive transactions. More specifically in the Indian context, segregated or fragmented markets leads to varying patterns of informalisation.

4 Vulnerability is being prone to or susceptible to damage or injury. Vulnerability here means the characteristics of a person or a group in terms of their capacity to anticipate, cope with, resist, and recover from the impact of structural changes. Normally vulnerability is closely correlated with socio-economic position.

5 Lala type of management refers to the proprietor-manager who runs the business based on traditional knowledge. This system is predominant in firms owned by the marwadies.

6 The disease pattern in Annexure 5 suggests that injury of eye, asthma, bronchitis, other respiratory disorders, skin infections, other diseases of the skin, wounds and burn and scalds represent the work hazards.

7 Seth's khata means the account of the owner. It implies that such labour is directly recruited by the owner and the owner is accountable for his payment and other benefits unlike in the case of contract labour where the contractor and not the owner is accountable.

8 It is necessary that those who recommend a certain person as a contractor be not less than managerial cadre.

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# Organising the Unorganised

## Case of Hamal Panchayat

Rajeshwari Deshpande

*Social groups working in the informal sector as labourers are among the most neglected groups under the present pattern of capitalist development. The state does not acknowledge their presence, nor does civil society accord them respectable status. Trade unions too have mirrored this attitude and have, by and large, failed to make efforts at organising them. The Hamal Panchayat is a successful attempt at mobilising these workers and has been attempting to create a broad-based political alliance of unorganised workers and the urban poor forcing both the state and civil society to recognise their specific identities and acknowledge their contribution to the economy and society.*

THE accepted pattern of capitalist development in India has not only retained conditions of abject poverty; but has also preserved and intensified social and economic inequalities [Bardhan 1997; Kurien 1992]. A complex combination of factors like the state which has sponsored capitalism and yet facing compulsions of democracy and welfare at the formal level; presence of both public and the private sector in economy and their contribution to the capitalist development; disproportionate dependence on the agricultural sector; social inequalities inherent in the caste society in India and the colonial interventions in Indian economy and society has contributed to the lopsided pattern of development in India. The emergence of the informal sector in India and the growing membership of this sector can be situated in the context of capitalist development.

The concept and the extent of informal sector in Indian economy has been studied extensively [Papola 1980; Joshi and Joshi 1976; Davala 1994; Breman 1996; Chandra 1997]. It is estimated that only 9.4 per cent of the total Indian workforce belongs to the organised sector [Datt 1997:5]. Among these the proportion of rural workers, mainly landless agricultural labourers still remains high. However, especially during the last two decades changing economic policies and stagnation in agriculture have led to increased pace of urbanisation and migration of people from rural and semi-urban areas to urban centres [Bhattacharya 1998]. This has resulted in subsequent growth of the urban informal sector. In 1991 20.7 per cent of the total workers were in urban areas. During the last 20 years the lopsided capitalist development also resulted in the disproportionate growth of the service sector in Indian economy [Kurien

1992:341]. At present only 28.7 per cent of Indian workers are in the manufacturing sector. Over 21.3 per cent workers are engaged in trade and commerce and 29.3 per cent are engaged in other (sundry) services [Datt 1997:4]. Most workers within the service sector are unorganised. It is estimated that among construction workers 78 per cent are unorganised while among these engaged in trade and commerce activities 97.9 per cent fall under this category. Among the workers engaged in other services, in both rural and urban areas almost 59 per cent are unprotected. Besides these figures studies have affirmed that there is an evident process of informalisation of the workforce even within the manufacturing sector [Maniben Kara Institute 1994].

Social groups working as informal sector labourers are completely neglected under the present pattern of capitalist development. Informal sector hardly enjoys state support in terms of protection under state laws. Nor does civil society support or sympathise with these social sections, although their number is constantly increasing. The retarded capitalist development in India has failed to execute a sophisticated bourgeois cultural project in India due to a number of reasons [Palshikar 1999]. The plight of the socially and economically marginalised groups gets intensified in the absence of such a project. It is in this sense that unorganised workers prove to be one of the most neglected groups in Indian society.

Trade union activity in India on the other hand has largely focused on workers belonging to the organised sector. It is very difficult to organise unorganised workers because of the absence of clear employer-employee relations, the scattered nature of workplaces, poor resource base

of workers and neglect by the state [Datt 1997:10]. However, the growing proportion of these workers has prompted trade union attempts at nationalising them. Left wing trade unions in India seem to have lost their political support base among the organised workers [Tulpule 1996]. The revolutionary role attributed to the industrial working class seem to be withering away. The trade union movement has thus to look for its support base among the unorganised workers.

### HAMAL PANCHAYAT: A CASE STUDY

The Hamal Panchayat, a Pune based organisation of the load carriers/coolies is a glaring example of efforts at political mobilisation within the informal sector. The panchayat started its work in 1955. During the last 40 years it has helped the 'hamals' in Pune and many other parts of the state to lead a financially better and socially secure life.

Hamals or load carriers form a significant group of the urban unorganised workers engaged in service sector. It is estimated that there are more than 200 urban markets in Maharashtra. In all there are more than 200 agricultural produce market committees, around 3,000 public and private godowns more than a 100 railway stations and around 400 ST stands in the state. More than 10,000 trucks are used for transportation of commodities. It is believed that more than 5 lakh load carriers and head loaders (mathadis) work at all these places. Among these around 10,000 are women workers.

Pune is a large scale industrial and trade centre in Maharashtra next only to Mumbai. Naturally, the services of hamals are required at various levels. There are no official figures available with regard to the exact number of hamals working in Pune.



However, the panchayat estimates that there are around 30,000 hamals working in various trade centres in the city. More than 1/3 of these are members of the panchayat. Most of the hamals in Pune belong to the early migrant groups. In a survey of panchayat members conducted in 1985-86<sup>1</sup> it was noted that more than half of the hamals had migrated to the city from the surrounding rural areas of western Maharashtra. A large number of them were from the drought prone districts of the Marathwada region. These families had migrated to Pune during the 1970s.

More than half of the surveyed hamals were marathas. Along with the marathas, Muslims and dalits had also entered this occupation. However there was and is a significant absence of the OBCs among hamals. This can be related to their traditional occupational pattern. Marathas were traditionally engaged in agriculture and were used to intense physical labour. The OBC castes mainly worked as artisans and thus were not used to physical labour. Poorer marathas migrating to urban centres in order to add to their meagre earnings from agriculture; became load carriers. As a result of this the labour market of the load carriers seems to be largely dominated by poor marathas. It is evident not only in Pune but many other urban trade centres including Mumbai.<sup>2</sup> Marathas in Maharashtra are one of the dominant social groups in the state. Though the hamals hail from economically poor families among the marathas they enjoy a high social status within the caste hierarchy. Their social status and traditional occupational pattern has helped them retain their ties with the villages unlike most of the other migrant social groups. In the survey mentioned above more than 75 per cent of the hamals reported owning agricultural land in their native villages [Deshpande 1989:35]. Thirdly, the hamals in Pune were among the first migrant families coming to the city soon after independence. Therefore they had comparatively easier access to the labour market. These features of the social composition of hamals have significant implications for their unionisation and political role.

Hamals work on a contractual basis. Before the organisation was established the contract between traders and hamals was on a daily basis. Hamals usually worked in gangs and the traders dealt with the leader of the gang. Gangs were formed on the basis of communal ties. There was

absolutely no guarantee of work for hamals, as employer-employee relations were feudal in character till the panchayat started asserting itself around 1960. Besides the work of loading and unloading of goods hamals had to do all sorts of work including sweeping and cleaning shops and godowns, looking after the cattle and even domestic work at the trader's house. These tasks were not accounted for in the wages. Carrying heavy loads was in itself a tedious and dangerous task. The International Labour Organisation has sanctioned a maximum of 50 kg weight to be carried on the back. However, in Indian markets goods are usually packed in 100 kg gunny bags. Not surprisingly, hamals suffer from various back problems which are delittaking over time. Hamals are not able to continue their work for more than 15 to 20 years. Besides, they have to work in poor work environments in godowns, railway wagons and shops.

But more importantly the job of a hamal includes a variety of tasks like sorting goods, mixing different varieties of grain, weighing bags, transporting goods in a bullock-cart, etc, besides carrying loads from one place to another. Rates of payment were never fixed for these tasks. In short; lack of clearcut employer-employee relations; scattered nature of work places; bad conditions of work and complete absence of security were the main features of this labour market.

Under these circumstances it was a difficult task for the Hamal Panchayat to mobilise hamals. The work of the panchayat started with informal meetings of hamals, under the leadership of Baba Adhav, a veteran socialist leader from Maharashtra.<sup>3</sup> It took almost 10 years for the panchayat to establish itself as a trade union. In 1959 the panchayat organised its first successful agitation regarding the rates of transportation of goods. Till 1970 the panchayat had spread its work to almost all major market places in and around Pune.

The most popular slogan that the panchayat gave in its initial years was 'I own my back'. Members clearly preferred self-employment and contractual work rather than being wage-employees of the trader. The panchayat felt that contractual relations were more beneficial for hamals as they free them from extra-economic bindings. Also it offered opportunities for more explicit political participation. With these preferences the panchayat basically worked for fixing rates of payment for

each task performed by hamals as part of their work. Secondly, the organisation established itself as a mediator between traders and hamals. The panchayats insisted that traders' association in respective markets sign a three-year contract with them regarding payments to the workers. It was decided that any person willing to work as hamal should register himself with the panchayat. Thus the process of recruitment to the labour market was more or less monopolised by the panchayat till 1975. It helped in relieving hamals of their fundal bondages with traders. The panchayat emerged as a platform for collective bargaining of payments. The panchayat organised its first successful strike in 1968 in which more than 3,000 hamals participated. The agitations culminated in a contract signed between the panchayat and the 'Poona Merchant's Chamber'. The contract resulted in 15 rules and regulations for load carrying work and fixed rates for as many as 46 different tasks performed by hamals. Such contracts became a regular feature of the work of the panchayat. Still even after 25 years of unionism the panchayat has to agitate against the traders' associations in various market places over the details of the contract.

The panchayat not only pushed forward the economic demands of hamals but also insisted upon having proper and healthy conditions of work, arrangements of safety and security as part of the contracts. Since 1985 the panchayat has insisted on implementation of workmen's compensation act (1983) in cases of accident. These practices helped in establishing the identity of hamals as workers and in regularising employer-employee relations besides fulfilling their economic demands.

#### THE MATHADI ACT

The most significant accomplishment of the panchayat during the initial period was creation and implementation of Maharashtra Mathadi Hamal and other Manual Workers (Regulation of Employment and Welfare) Act (hereafter Mathadi Act). The act was passed by the government of Maharashtra in 1969 and was implemented partially only in 1980 due to legal action against its implementation initiated by the traders. The act is considered to be greatly beneficial to workers in informal sector and was seen as one of the radical measures undertaken by the state in fulfilling its welfare responsibility.



ties. The Hamal Panchayat along with the Mathadi Kamgar Union of Mumbai played an active role in realisation of the act. The Hamal Panchayat had always insisted on providing economic and social security to hamals and other manual workers. The Mathadi Act was an attempt to make the state play an active role in providing such security to the workers.

Manual workers in informal sector especially in the service sector could not get protection under existing labour laws due to lack of a definite pattern of employer-employee relations in their occupations. Organisations of these workers suggested that the state itself can mediate in evolving such a pattern of relations. The government of Maharashtra appointed a number of committees to look into the issue [Deshpande 1989:70-72]. The committees suggested a separate law for the workers in the informal sector rather than amending the definitions of employer and employee in existing labour laws. Accordingly the Mathadi Act provides for the establishment of tripartite district level boards (mathadi mandals) consisting of representatives of employers (traders), workers and the state. An apex body Maharashtra Rajya Hamal Mapadi Mahamandal, was created to supervise and control the work of the district level boards. Its chairperson was to be appointed by the government. Both traders and workers have to register themselves with the mathadi mandals. Thus the labour market is regularised and controlled. Registered hamals deposit their payments with the mandal. Traders contribute some amount (a maximum of 50 per cent of the payments) to this as a provision for future economic security for hamals.<sup>4</sup> This is known as 'levy'. It is in this sense that the Mathadi Act looks after the future welfare of hamals and makes them liable for minimum benefits of a definite employer-employee relations. Actually, the act does not establish a definite employer-employee relation between traders and hamals but it compels the traders to accept responsibility for the workers' economic security and welfare.

Though good in its intentions; the act has proved to be inadequate on several grounds. Firstly, rates of payment to hamals vary from market to market because they are locally decided. Similar is the situation with regards to the amount of levy. The act specifies the maximum limit of levy to be deposited by traders (at 50 per cent of wages) but not the minimum. As a result

traders' associations have succeeded in keeping the amount of levy to its minimum in a number of markets. Thirdly since 1980 onwards since the act was implemented step by step and thus even at present a large section of hamals and mathadis do not get protection of the act. It is estimated that out of the five lakh hamal-mathadis working in the state only one and a half lakh are benefited by the act. Fourthly, even though minimum economic security is guaranteed to the hamals under this act mathadi mandals have not stood up to their expectations as mediators between traders and hamals. They are reduced to wage distributing agencies and fail to make any positive intervention in the market on behalf of the hamals.

More importantly, local mathadi mandals have emerged as new centres of power with huge economic resources with them in the form of wages of hamals and the levy. Dominant political interests operating at both state and local level started manipulating the mandals for their own purposes. The act provides for appointment of state's representatives on the mandals. This gave rise to a new system of political patronage. It led to politicisation of the workers' organisations as workers' representatives played a crucial role in managing the mathadi mandals [*Hamal Mapadi Varta*, special issue 1995:78-79]. The Congress Party in Maharashtra almost exclusively dominated the overall political process in the state till 1995. The Congress tried to appropriate mathadi mandals in various ways as it did in the co-operative movement. As stated earlier the hamals mainly come from poor maratha families and marathas have always supported the Congress in the state [Vora and Palshikar 1996]. These linkages made it easy for the Congress to appropriate mathadi mandals and patronise hamals. The politicisation of mathadi mandals made the politics of hamals more vulnerable in character. The Hamal Panchayat also had to participate in more open political contests due to the political overtones attached to the work of mathadi mandals.

The Mathadi Act held a number of implications for the mobilisational work of the panchayat. Throughout the last two decades the panchayat has been demanding a more effective implementation of the act not only to markets in Pune, but other parts of the state also. It has led to expansion of the work of panchayat to other markets places. At the moment the Hamal

Panchayat has its branches in more than 70 markets throughout the state. The conditions of work for hamals are decided locally under the Mathadi Act. Thus increase in wages and levy can be sought only by strengthening the organisation and increasing the collective bargaining power. Under these circumstances panchayat with its strong support base could establish itself as the most successful organisation of the hamals at the state level. Hamals were convinced that benefits of the act could be acquired only with the help of mobilisational strength as a result of which the panchayat grew. At present the panchayat works in more than a hundred markets all over the state. Secondly, Baba Adhav has been the chairperson of the apex body of the mathadi mandals since its inception in 1981. This helped the panchayat in expanding its organisational base. Taking advantage of its strong position the panchayat continuously persuaded the state to work for the welfare of the hamals. It not only agitated for effective implementation of elaborate suggestions about the welfare of the hamals. Its proposed a welfare scheme for the women hamals in Pune markets can be cited as a case in point.

There are very few women working as hamals. In fact most of them do not work as hamals in the strict sense of the term. These women, especially those working in grain markets, work as sweepers of the shops/godowns. Their main task is to sort out grains from waste. They do not get wages but a small part of grains that they salvage from waste. The custom is known as 'matere' (literally, 'mixed with soil'). In 1988, the panchayat suggested a welfare scheme for these women workers to be operated at the local level. The scheme worked out details for expansion of the Mathadi Act to cover these women workers [*Hamal Mapadi Varta*, special issue 1997:61-63]. Though the scheme is not implemented as yet it indicates the organisation's approach towards the welfare of hamals. The panchayat has continuously worked to appropriate the positive potentials of the Mathadi Act. Besides, it also attempted to compensate for the inadequacies of the act through its mobilisational strength. More than anything else it established the fact that organisational strength is the only weapon available to informal sector labourers to make the state work for them. In concrete terms the Mathadi Act has immediately benefited the hamals in enhancing wage

rates. But more importantly the act has helped them in asserting their mobilisational strength. The realisation of the Mathadi Act and compulsions inherent prompting the state to undertake its welfare responsibilities must be seen as significant achievements of the panchayat.

#### SELF-HELP INFRASTRUCTURE

The same organisational strength was also used by the panchayat for extending social and economic security to its members independently of the state. These welfare programmes have been doubly significant for the hamals and the organisation. An analysis of these schemes actually touches upon some crucial questions related to the mobilisational strategies for the informal sector.

Initially, the panchayat started a co-operative of hamals, the Hamal Mazoor Sahakari Sanstha, in 1966. This co-operative was multifunctional in character. The Hamal Panchayat being a trade union, could not accept government contracts for load carrying work. Therefore the co-operative could work to recruit the hamals in labour market. It was expected to minimise the influence of private contractors and mediators in the labour market. Besides, the co-operative undertook various tasks related to load carrying work on a collective basis. The co-operative split in 1979 when around 1,500 members joined a co-operative started by a rival organisation, led by the Congress Party [Deshpande 1989:12]. This seems to be the only incident of a split in the organisation. Later the co-operative was resurrected by way of a co-operative store for the hamals. Of course services of the store were not limited to the hamals but all poor people. The Hamal Panchayat and its allied organisations have always demanded that there be 13 essential commodities fulfilling basic needs. These must be made available at the fair price ration shops run by the government [Adhav 1987]. The co-operative store was seen as an independent effort to realise the demand. The co-operative store has been a great success. Its annual turnover was around Rs 20 lakh during 1997-98.

After establishing its hold in Pune, the panchayat started some other ventures for welfare of the hamals, around 1975. The first was 'bhaubhet' (a brother's gift), and the other is 'pustakpedhi' (book bank). The panchayat started collecting a meagre amount of Rs 5 from its members in

addition to their annual membership fees. The amount collected is used for the above mentioned schemes. Under bhaubhet help is extended to family members of deceased hamals. Efforts are also made to accommodate at least one member of the family, especially the widow in the work of the panchayat. Bhaubhet serves the purpose for which the Workers' Compensation Act is executed by the state. Pustakpedhi or the book bank supplies textbooks to the children of the hamals, which they are expected to return after use.

Apart from these measures for temporary and incidental help the panchayat started building up its own welfare infrastructure. Initially, the panchayat's own clinic for hamals was started. Hamals were expected to pay minimum required charges for their treatment. Hamals are prone to accidents because of the nature of their work. Similarly they work in hazardous conditions during loading and unloading of commodities like cement, chilies, chemicals, etc. It leads to serious health problems. Thus a clinic operating at reasonable charges was felt to be an important necessity. It is significant that the clinic is self-sufficient and even pays an honorarium to the doctors offering services there. The panchayat did not receive any grants from outside agencies for the clinic. Secondly, the clinic did not restrict itself to medical treatment but also organised health awareness campaigns for the hamals. One of the surveys of hamals it revealed that a number of hamals die due to tetanus. An anti-tetanus vaccination campaign was undertaken in 1976 and 1982 to prevent these deaths. It is noteworthy that not a single casualty has taken place during the last 30 years due to this precaution. As part of the educational programmes a campaign to popularise family planning was also organised. It is especially significant in the background of the social status of hamals. Being marathas the hamals had feudal attitudes on gender issues. The family planning campaign indirectly helped in altering their perspectives on gender issues.

Hamals suffer from a number of health problems also because of non-availability of clean and healthy food. Most hamals leave their families in their native villages when they migrate to urban centres in search of work. They are, therefore, forced to eat outside. Besides they do not follow a fixed routine of work and are unable to make permanent arrangements for their meals. The panchayat started its own food

centres – community kitchens for the hamals known as 'Kastachi Bhakar' (Earned Bread). This is one of the most profitable programmes run by the panchayat for the last 25 years. Initially there were five women employees working under this scheme. At present there are in all 13 centres run under the scheme. There are around 150 employees among whom around 120 are women. Mostly from families of hamals and also from the destitutes, deserted women. These employees enjoy benefits prescribed by the government including the provident fund. Kastachi Bhakar had an annual turnover of about Rs 50 lakh during 1997-98. Apart from the land offered by the government on lease, the scheme is completely self-sufficient. It is run on a no profit, no loss basis and is managed by a committee of the panchayat appointed for these purposes. Its benefits are not restricted to hamals but to all poor people. A similar kind of state-aided community kitchens were established in the state in 1995 (Zhunaka Bhakar Yojana) after the BJP-Sena coalition came to power. These centres however could not prove viable though the government provided huge subsidies to them. The Kastachi Bhakar venture emerges as an important achievement of the panchayat. Similar centres have been established in many other towns of the state where the Hamal Panchayat has been active. More importantly, Kastachi Bhakar has helped in linking the hamals' movement with other social movements as it provides food at reasonable rates to all conventions conferences organised by the left and democratic groups.

Last but not the least the panchayat proposed a housing scheme for the hamals near the market yard in Pune. Taking the help of provisions under the Mathadi Act the panchayat has acquired five acres of land from the government at a low price. There will be 388 houses constructed on this land. Each house of 350 sq feet will cost one and a half lakh rupees. The hamals are expected to bear 25 per cent of the cost of the house and the rest is to be raised through loans. The Hamal Panchayat and the mathadi mandal are to be guarantors to these loans. Only those hamals who can bear the 25 per cent share of the cost can avail of this scheme. Besides only 400 hamals will be able to get houses under this scheme. All the same, hamals, are now able to own a house to lead a secure life.

An objective analysis of these social security schemes brings to the forefront the innovative mobilisation strategies that the panchayat practised while organising the unorganised. At the same time it also points to some of the limitations of mobilising these workers on an occupational basis. The social security schemes of the panchayat prove to be innovative in more than one respects. Firstly, the panchayat runs all these schemes on its own. No financial help from an outside agency is accepted. In continuation of the earlier feudal relations between traders and hamals initially the traders were willing to offer help to these institutions. However, the organisation refused these with a clearcut ideological position that such donations would blunt the edge of their conflicts against traders.

The position is more significant in the background of the rapidly increasing role of the NGOs in mobilising the unorganised and other weaker sections. The NGOs have been especially active in 'empowering' these sections by encouraging the establishment of co-operatives. The existence of these co-operatives ultimately depends on availability of the surplus capital in the world economy. Therefore the role of NGOs and international funding agencies remains very limited as far as mobilisation of the informal sector workers is concerned. In fact it is very likely that the financial help extended by funding agencies will ultimately ruin the movement.

The Hamal Panchayat has its own organisational network for managing the various welfare schemes. At present there are around 10 000 members of the panchayat in Pune. A leader is selected for every group of 50 members. There is a section-in-charge controlling the work of 10 such leaders. The executive council of the panchayat is elected after every two years from among the members. There are 14 committees to manage the affairs of the panchayat and the welfare programmes. Almost all the members of the executive council and the various committees are hamals themselves. The panchayat is opposed to the concept of appointing a full time, paid social worker for managing its affairs. During the last 40 years of its work there have been no serious allegations of corruption against the executives. The panchayat mainly operates in Pune. But it has initiated similar welfare schemes at

all other centres where it has been working during recent years. The welfare schemes appropriate the positive potentials of the Mathadi Act as far as possible, thus supplementing the state's welfare responsibilities with its own collective strength. It is a rare example of a trade union working in the informal sector erecting a self help infrastructure for its members without seeking any outside help. SEWA in Ahmedabad is perhaps the only other example of such an organisation [Rose 1992].

It has been traditionally believed that constructive work essentially compromises agitational politics. However these assumptions need to be revised while mobilising the workers in informal sector. It has been possible for the trade union movement in India to mobilise organised workers on the basis of certain favourable factors. First, the workers work in a single and centralised production unit. Secondly, the image of the 'class enemy' is concrete due to the definite pattern of employer-employee relations. Thirdly, these workers enjoy at least minimum protection of law. These factors contribute to increased levels of political participation of these workers. These factors are completely absent for the informal sector workers. It becomes very difficult to encourage them to participate in trade union activities due to the absence of any support structure. Most of these workers come from very poor groups. Their social composition reveals that socially they belong to the marginalised groups [Deshpande 1999]. It is impossible for these sections to gain the minimum security required for coming together to agitate. Co-operatives and social security schemes initiated by the trade unions would be of great help to these sections. Not only for bringing them together to fight for their causes but also to compensate for the lack of social and economic status at personal/individual level. The Hamal Panchayat has a slogan to express this idea: 'Ek Mat Samman Pat' (we demand equality of status along with equal right to vote). Constructive work in the form of workers co-operatives helps in building affinities with the organisation and is often seen by the workers as an expression of their collective strength [Bhowmik 1997]. It is in this sense that social security schemes initiated by the panchayat do not compromise the agenda of agitational policies. The panchayat sees them rather as effective mobilisational strategies for hamals and

other manual labourers.

For these strategies to become effective an awareness with regard to centrality of agitational politics and the necessity to continuously confront the state is required. Otherwise these efforts can easily become part of the state agenda of 'empowering' the weaker sections. The Hamal Panchayat seems to be aware of this problem. That is the main reason why it insists on keeping these units completely self-sufficient.

At yet another level these ventures are seen by the panchayat as efforts of interventions in the arena of civil society. The otherwise marginalised social groups are able to negotiate with the market and other institutions of civil society on their own. It becomes possible by erecting independent infrastructure on the basis of their collective strength. It is true that these measures are temporary and tentative. The state needs to be constantly confronted and made responsible for possibilities to operate in civil society and to realise the claims of distributive justice of these groups. The panchayat is also aware of the tentative character of its self help infrastructure and therefore continues its fight with the state at one level. At the same time the collective efforts on part of workers may help in gaining for these groups a respectable position in the affairs of civil society. It is hardly possible that civil society would respect a hamal even if he earns as much as a white collar employee. The marginalised groups are at least able to assert their existence in civil society through these collective ventures.

The other problem about these efforts by the panchayat is related to identifying hamals as the main in some cases, exclusive beneficiaries of the social security schemes. The Hamal Panchayat has mobilised its members on occupational basis. There is nothing wrong in it as occupational identity provides the most concrete criterion for mobilisation. However, the occupational identity proves problematic if it replaces the overall social identity of hamals. If the institutional infrastructure in terms of a clinic, shop, housing scheme, etc. is developed exclusively for hamals, there is a danger that their occupational identities would become all pervasive at the cost of their other identities. It can be a welcome development especially with regards to caste divisions among hamals. However if hamals mainly come from the marathas such a possibility remains distant. In such a situation how will it be possible for the

hamals to relate themselves to other oppressed groups? In other words what sort of an alliance of hamals and other unorganised workers is imagined by the panchayat if occupational identities dominate their social space also?

#### ASSOCIATING WITH OTHER UNORGANISED WORKERS

The Hamal Panchayat has sought its own answer to the above mentioned question. By now most of the essential economic demands of the hamals have been fulfilled either through the state or through their own efforts. It is at this juncture that the panchayat started associating itself with other groups working in the informal sector. It has emerged as a nodal agency for other allied organisations working among auto-rickshaw drivers, street vendors, rag pickers, construction labourers, etc. All these organisations are formally attached to the Hamal Panchayat. Most of the credit for such association goes to Adhav's leadership and the ideology that the panchayat has adopted owing to his leadership.

Right since its inception the members of the Hamal Panchayat participated in a number of social movements in Maharashtra. Adhav himself led a number of movements challenging caste-based injustices and other forms of social inequality.<sup>5</sup> Members of the Hamal Panchayat took an active part in all these. This helped in associating the hamals with other socially and economically oppressed groups. In one such incident the hamals joined the movement for rehabilitation of the devdasis where they offered the devdasis a bhaubhet. Being male and from the maratha caste, hamals can be assumed to have a chauvinistic perspective towards these sexually oppressed (mostly dalit) women. Their association with the devdasi movement helped a lot in redefining the hamals' perspective towards gender issues. In other cases the hamals actively associated with dalits, bidi workers, dam affected, slum dwellers, etc., in their struggles against injustices. The Hamal Panchayat mobilised its members on an occupational and economic basis. On the other hand it encouraged the members to participate in struggles against caste inequalities. These struggles addressed caste question as a crucial aspect of the transformative politics imagined by the panchayat.

A more fruitful and wholesome association of hamals and other oppressed groups emerged with their alliance with other organisations working in the same area. These organisations have emerged only recently during the 1990s. Once successful in mobilising hamals, Adhav and the panchayat consciously shifted their attention to other unorganised workers. They deliberately chose to formally associate these groups to the panchayat. Most of the newly organised groups belong to the service sector. These labourers prove to be the most unwanted sections of the urban society. A majority of them are among the recent migrant groups to the city. Except the autorickshaw drivers and to some extent the vendors the other groups do not have any resources at their disposal. Even the auto-rickshaw drivers and the street vendors get pushed to the periphery under changing economic conditions. The rapidly growing Indian middle class needs and enjoys their services but does not respect their right to survival. Some of the groups organised by the panchayat had to fight to acquire the status of a worker. The rag pickers for example are not even regarded as workers as it was held that they do not engage themselves in any productive activity. These groups almost exclusively consist of lower castes with the autorickshaw drivers coming from other backward classes and dalit castes while the rag pickers and construction labourers from among the dalits. There is a very high percentage of women workers among the two latter groups [Deshpande 1999].

The allied organisations have developed a similar pattern of their politics to that of the Hamal Panchayat. They make claims to the state for fulfilling their economic demands and for formalising their status as workers. Most of the groups have demanded protection under the Mathadi Act by expanding its scope or creation of a similar act for their occupations. Similarly they have been trying to expand their work in other urban centres of the state by organising statewide conventions of like minded groups. This, they hope, would facilitate a more effective intervention in mainstream politics on the part of the informal sector workers. At the same time they are engaged in erecting their own self-help infrastructure as per the requirements of their profession. Though these organisations function separately on an occupational basis, they share each other's agenda because of their association with

the Hamal Panchayat and its ideology.

The Hamal Panchayat's association with these organisations proves politically educational for the hamals. It has been observed that their association is not merely notional but the hamals actively participate in the work of other organisations. In fact, even if the association remains formal it would definitely be helpful in the long-term politics on behalf of the informal sector. Capitalist development in India has resulted in emergence of the contradictory class locations [Wright 1985]. As a result of these an occupational and social hierarchy is created even within the informal sector. Hamals would perhaps be placed at the top of this hierarchy along with the rickshaw drivers. It is both because of their economic status which the hamals achieved due to state protection and the rickshaw drivers because of availability of capital and also because of their high status in the traditional caste hierarchy. In this background if the Hamal Panchayat works to establish a formal association of its members with, say, rag pickers (mainly consisting of dalit women), it must be considered as a very significant contribution to the politics on behalf of the oppressed. The Hamal Panchayat's role as a nodal agency of organisations of other unorganised workers, helps in it to create a broad-based alliance of these workers. Against the background of the failure of the trade union movement in the organised sector, a political alliance of informal sector workers gains added significance. The Hamal Panchayat's work not only helps in transcending tendencies of economism in trade union politics but also in expanding the ideological base of the movement.

The Hamal Panchayat's experiments in organising the unorganised point towards the possibilities of mobilising large sections of the urban poor primarily on the basis of their occupational identities. It is evident that urban poor mainly consist of informal sector workers. Effective strategies for political mobilisation of urban poor need to be elaborated against the background of their completely distorted pattern of life and their lumpen status. The urban poor can be characterised in terms of unemployment or underemployment; inevitable choice of residential location in slums, unwilling detachment from the traditional bonds of (village) community and low caste status. All these factors contribute to their peripheral location in urban societies. It becomes very difficult

to mobilise the urban poor and make effective intervention on behalf of these groups. The task is difficult because none of these identities seem to be adequate to provide a viable political basis to their struggles.

For example caste identities of the urban poor are neither completely lost nor are they fully expressed. Expressions of caste system in an urban, industrial economy prove to be complex. At macro level lower castes still remain attached to lower rung occupations. On the other hand the traditional association between caste and occupational hierarchy seems to be retained by the capitalist development. A more serious implication of this association is expressed when the lower, especially dalit castes seem to be insisting on having monopoly in lower rung occupation due to lack of possibilities of entering into any other respectful occupation [Everett and Savara 1993].

In short, capitalist development retains caste injustices and perhaps reinforces them in a more complex manner. Any efforts at mobilisation of urban poor or informal sector workers needs to address caste question but cannot rely on their caste identities exclusively. Similar is the situation with slum-dwellers. Common locality and common conditions of life (in terms of lack of infrastructure) may create common bonds among the slum-dwellers. However, these bonds do not prove adequate for effective political mobilisation because the other economic and social identities tend to disturb their unity as slum-dwellers [de Wit 1996]. It will be significant to note that Adhav had earlier tried to mobilise the slum-dwellers in Pune during 1965-70. However he dropped the idea [Deshpande 1989]. The common locality of the urban poor does not emerge as an adequate criterion for mobilising them. Therefore most of the experiments of organising slum-dwellers are operating in pockets and are dominated by the NGOs. It has not been possible to erect a sustained and effective political movement on behalf of the slum-dwellers.

The Hamal Panchayat's efforts to mobilise the sections of urban poor on the basis of their occupational identities prove to be crucial in this respect. Occupational, economic identities of the urban poor may be appropriated to encourage effective political intervention on their behalf. The panchayat seems to be operating on these lines with manual labourers as the vantage point. It has been supplemented by the

panchayat's understanding of the caste question and its attempts to bring it to the forefront. Most importantly the Hamal Panchayat works to create a broad-based alliance of these groups even if it organises the workers on an occupational basis. Because occupational identities are a concrete form of economic and social identities of the workers make the approach of the movement is. At the same time the work of the panchayat transcends the constraints of practicality by accepting the role of a nodal organising agency of different sections of the informal sector.

Struggles on behalf of the unorganised sections become more difficult under the present course of capitalist development in India. The existence of contradictory class locations creates divisions not only among the oppressed but also among the established. The simple constructs of class enemy do not work in such a situation. Any effort of consolidation of strength on the part of the poor not only upsets the bourgeoisie but more significantly the middle class. The contemporary middle class in India does not sympathise with the poor. This was evident in cases of Rickshaw Panchayat in Pune and the street vendors in Mumbai (*Maharashtra Times*, May 3, 1998) Both agitations caused agonies mainly for the middle class. It is in this sense that the present civil society in India is not only unsympathetic to these groups but is keen on delegitimising their social existence. Much cannot be expected from the state in this regard. There is a general agreement over the fact that the state will minimise its welfare responsibilities in the coming period. It is going to be very difficult for the peripheral social groups like workers in the informal sector to force the state to listen to their demands. Under these conditions these stepchildren of Indian capitalist development seem to have a weak future.

The experiment conducted by the Hamal Panchayat shows that collective, mobilisational strength is the only possible weapon available to these groups in building up their struggles against the existing mode of capitalist development. Therefore the panchayat has appropriated every possible strategy to mobilise and consolidate their collective strength. The panchayat works to retain state support by forcing the state to perform its welfare responsibilities. Simultaneously it forces the civil society to recognise the existence of these groups and also forms the self help

infrastructure to assert the identity of informal sector workers in arenas of both state and civil society. As a part of its transformative political agenda the organisation also works for a broad based political alliance of the unorganised workers and the poor. By combining the constructive with the agitational the Hamal Panchayat has developed a model experiment for organising the unorganised.

## Notes

[This paper is based on a detailed case study of the Hamal Panchayat and allied organisations, undertaken by the author during 1998-99. The author is thankful to Maharashtra Foundation and Abhinav Bhashabhyas Kendra, Mumbai for their financial assistance, and to the workers of the Hamal Panchayat for their help and co-operation. All references in this paper regarding the work of the panchayat are from this study unless otherwise mentioned.]

- 1 Vasant Deshpande had undertaken these surveys as a part of his study of Hamal Panchayat during 1985-86. The study documented the work of the panchayat till 1985-86. See, Deshpande (1989).
- 2 Mathadis or head loaders in Mumbai mainly hail from the regions of western Maharashtra. The maratha identity of the mathadis makes them important for the Congress politics in the state. The Mathadi Kamgar Union was established under the leadership of Annasaheb Patil, a veteran Congress leader during the 1950s. Even today the union continues its association with the Congress.
- 3 Baba Adhav initially worked with the Socialist Party in Maharashtra. Later he initiated and developed the Hamal Panchayat and other organisations of manual labourers. Adhav sees the category of manual labourers ('kashitakar', 'angamehanati kamgar') as a focus point for political mobilisation of the lower class and castes. Apart from his efforts at mobilising the unorganised workers, Adhav has been leading a number of social movements targeting caste, class and gender inequalities. He has contributed a great deal in developing Phule's anti-caste discourse.
- 4 Levy is utilised for providing provident fund, earned leaves, bonus and compensation in cases of accident. The administrative expenses of the mathadi mandals are also managed through the levy.
- 5 Among the anti-caste movements initiated by Adhav the most important was 'Ek Gaon Ek Panavatha Mohim' in which details in several villages demanded access to public water supply. Adhav also played an active role in the Namantar movement during 1977-80. His efforts to mobilise the lower caste class women, like devdasis and bidi workers must also be noted as a significant contribution to the women's movement in India. All efforts of mobilisation initiated by Adhav simultaneously focused on the caste-class gender injustices.

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# Working Class Militancy in Endangered Sugar Industry

Gopal Guru

*The sugar industry in its present co-operative-dominated form is under threat from the forces of privatisation and globalisation. Sugar factory labour, which has forged all-India solidarity, is fighting for the co-operatives' survival. The possibility of an alliance between these workers and the sugarcane cultivators, hitherto very inadequately mobilised against the threat, has become a real one.*

THE sugar industry in India has four main sectors the co-operative, corporation and state sectors and the private sector. The co-operative sector dominates the sugar economy. Of late, the co-operative sector and even the private sector have been facing a serious crisis, including the prospect of a complete collapse and subsequent gobbling up by the forces of privatisation and globalisation. The co-operative sugar mills are increasingly facing the threat of closure. On the other hand, they are also facing the prospect of privatisation.

However, the Indian state is finding it difficult to go the whole hog with its project of privatisation of the sugar co-operatives. It still faces a challenge to this hidden agenda from sugar factory workers and sugarcane cultivators. The state has therefore chosen to adopt an indirect approach to privatisation. Maharashtra is in the forefront in this mission. The Shiv Sena-Bharatiya Janata Party (BJP) government of the state has been making consistent efforts to bring about privatisation of the sugar industry through the back door.

The government has adopted certain strategies. First, it has been trying to privatise water resources, particularly medium and small dams.<sup>1</sup> One of the leading industrial firms in the state did a survey in 1994 to find out the possibilities of privatising the water resources in the state.<sup>2</sup> The government has also moved towards abolition of the cane zoning system. Under this system, the state government has to reserve a certain cane area for each sugar factory and it therefore becomes mandatory for a cane grower to sell his produce to the factory which controls this zone.

The purpose of the zoning system is to avoid unhealthy competition and prevent the monopolisation of cane by certain powerful sugar factories which in the absence of the system are likely blatantly to use means which are either scrupulous (paying higher prices) or unscrupulous

(plunder) to acquire the cane. The employment of such means would adversely affect cane supply to weak factories and their viability.

Thirdly, the state government has been supporting the privatisation of electricity supply. Once the power sector is privatised completely, the co-operative sugar sector would become vulnerable to harassment by such private owners of power utilities, particularly multinational corporations (MNCs), as may be interested in acquiring a stake in the sugar industry. It is due to this possible threat that some of the sugar co-operatives are planning to generate their own power from bagasse, a waste product of the industry.<sup>3</sup> As a matter of fact, the invasion of the sugar industry in India by MNCs has begun. Already, Gay & Turbo Co, based in London, has bought half the shares of a private unit in Uttar Pradesh.<sup>4</sup>

Finally, it is alleged that the Sena-BJP government has been trying continuously to create financial problems for the co-operative factories by withholding or delaying the pre-season loans which the Congress regime had first made available to them. If water, finance and power are controlled by private parties, including MNCs, will the co-operative sugar sector or even the private mills survive, particularly in the age of globalisation?

The market for Indian sugar, even the domestic market, is likely to shrink even further because of one offshoot of globalisation: the import of sugar, and with tariff exemption at that – even while excise and purchase tax are levied on every bag of indigenous sugar.<sup>5</sup> As for the export market, it is worth noting that the US, which till 1997 was one of the major importers of Indian sugar, does not have to import sugar from Latin America as it is now producing cane through genetic farming.

Apart from such external dangers, the Indian sugar industry is facing internal ones, which are considered much more serious. Apart from delays in payment, the

cane cultivators in different states face the problem of not getting fair prices for their produce. Moreover, they are subjected to illegitimate deductions from their cane bills, and the fact of cheating in the weighing of cane is an open secret. And the farmers' bills are never paid in time or at one go. The co-operative sugar mills which are weak and sick have not been able to pay the cane-growers' dues for months together. Such defaulting factories are found in Maharashtra, Karnataka, UP, Tamil Nadu and Gujarat.

The cane cultivators are also facing political and cultural problems. The sugar co-operatives all over the country have failed to democratise their power structures. The top 10 per cent of the shareholders, particularly the dominant political families, control the co-operatives in Maharashtra.<sup>6</sup> While the largest shareholders tend to control the sugar factories in Karnataka and Tamil Nadu as well,<sup>7</sup> in Maharashtra what M N Srinivas calls the 'law of incumbency'<sup>8</sup> has perpetuated the rule of single families over the sugar co-operatives.

## FACTORY WORKERS' PLIGHT

The plight of the sugar factory workers is perhaps worse than that of the cane growers, for the former are facing the prospect of displacement from their jobs. Lakhs of sugar workers in the country have been facing total disruption of their lives, particularly in recent years. This is due to the closure of co-operative factories in most of the states. Moreover, sugar workers have not received their wages for months on end.

The sugar workers in the country have been seeking for several years, but in vain, wage parity with urban organised-sector labour, standardisation of wages in the industry and gradation and proper classification of the workers according to skills. Even the wage board recommendations which were brought into force in 1989 have not been implemented in many factories to this day.<sup>9</sup> As a



matter of fact, the sugar workers have not demanded implementation, as they believe the recommendations are unfair to them.<sup>10</sup> The seasonal workers of some factories in UP, Maharashtra, Karnataka and Tamil Nadu have not been getting the benefit of retention allowance, house rent allowance or medical allowance, not to mention provident-fund benefits.<sup>11</sup>

Apart from these problems, the workers of most of the sugar factories lack adequate housing. In Maharashtra the accommodation provided is sometimes dangerous in that the huts, arranged in rows, are made of bamboo material and are hence vulnerable to fire.<sup>12</sup> Industrial safety has been another constant problem in the sugar industry. As the machines in the factories, particularly in UP, have become very old, industrial accidents, some of them fatal, are frequent.

#### CULTIVATORS' RESPONSE

During the period of globalisation, the peasant movement in the country has had differences on the question of the new economic policy (NEP), particularly its impact on the peasantry. While the peasants led by Mahindra Singh Tikait of UP and Nanjundaswamy of Karnataka have opposed the forces of globalisation, the Shetkari Sanghatana led by Sharad Joshi is supporting them almost unconditionally.<sup>13</sup> Every privatisation effort is a welcome move for the latter organisation, which shows contempt for the sugar co-operatives in Maharashtra.

It is not difficult to comprehend the Sanghatana's agenda. It has been transparent ever since the NEP got under way. The Sanghatana had once made the Indian state its object of contention because it wanted to secure remunerative prices for sugarcane. But now that it wants to secure international prices for cane it is trying to bypass the state. For the last few years the Sanghatana's leaders have been invoking the peasants' egos against the subsidisation of cane cultivation, thus advocating the free-market logic. However, the Shetkari Sanghatana has lost its strength in Maharashtra and is not able to mobilise the peasantry the way it used to in the mid-eighties.

This author's observation is that while the cane cultivators in the country are worried about the fate of the sugar co-operatives, at the moment they see only mismanagement and corruption as major issues, failing to perceive completely the danger of the co-operatives being gobbled up by global forces.

This does not mean that the cultivators have given up protesting against the existing structure of cane prices. They have been agitating quite militantly, and this was evident from the agitation that the cane-growers of Sangli and Kolhapur districts (western Maharashtra) and Nanded district (Marathwada) carried out in 1997.<sup>14</sup> The fact that the Sanghatana supported this agitation shows that it still finds it difficult to put forward its free-market agenda for mobilisation purposes.

This agitation was unique in that it was carried out autonomously by the peasants. The political parties confined themselves to support from the outside.<sup>15</sup> Similar agitations for more remunerative cane prices have been taking place in Karnataka, where the farmers have also been demanding the payment of monies due to them from the co-operative factories.<sup>16</sup>

However, farmers' agitations, particularly those centred on cane prices, are all too often scuttled by shrewd factory managements, particularly private managements. In Karnataka and UP the managements offer the farmers certain incentives like free seed and fertiliser.<sup>17</sup> In Maharashtra the co-operative managers use kinship ties and the language of patronage to smother the peasant's critical consciousness. This language makes the cultivators unavailable for militant mobilisation. It is due to the complex interplay of this language that peasant leader N D Patil could not effectively mobilise the cane-growers of western Maharashtra on the issue that their relationship with the co-operatives was only a seller-buyer equation and that no moral considerations came into the picture.<sup>18</sup>

There is a small section of the peasantry which wants to withdraw from sugarcane by shifting to some other crop which can fetch quick returns. Cane-growers throughout Maharashtra switched to soyabean cultivation in 1996.<sup>19</sup> In UP cane was sold to 'khandsari' units, which make payment immediately, but some farmers still shifted to menthol production. However, such shifts are not taking place on a large scale. By and large the farmers still stick to cane cultivation because it is less vulnerable to market fluctuations.

Although the peasantry seems to be in favour of co-operatives, their mood has not been properly channelised by the supporters of the co-operative movement in the country. The organisation of sugar co-operative managers has been against the Maharashtra government's privat-

isation moves. But they are not seen to be making sincere, bold and persistent attempts to mobilise the peasantry against the state government's designs or the global forces. As the Left parties are also in a state of political-ideological slumber, there is a political vacuum.

Can the sugar workers' movement in the country fill this vacuum and give the peasantry a lead for protecting the co-operative industries? What has been the sugar workers' response to the ongoing crisis in the industry? Does it differ from what was manifested during earlier phases of sugar-worker activism?

#### WORKERS' MILITANCY

In view of the crisis in the industry, the sugar workers are now forced to fight not only for their own immediate survival but for the survival of the industry itself. This has evoked high levels of militancy in terms of both form and content. This ever-growing militancy, directed at subversive forces at all levels, seems to belie the claim made in the co-operative sugar factories' annual reports to the effect that the sugar co-operatives look after the welfare of their workers.<sup>20</sup>

This claim is supported by some important researchers.<sup>21</sup> But a sensitive scholar like B S Baviskar would like to qualify it as he is sceptical about the democratic dimension of the sugar co-operatives.<sup>22</sup> Another scholar rightly sees working class militancy within the sugar co-operatives and questions the official thesis of class conciliation between the workers and the managements.<sup>23</sup>

However, this contestation of the official claims by these scholars seems to be quite fragile. It does not offer any serious and systematic critical account of the official version, being largely impressionistic in nature.<sup>24</sup> Baviskar's analysis, though accurate and specific, does not help us to understand the working class response to the new challenges that have sprung up in the NEP phase and the threat of privatisation of the sugar co-operatives.

Working class militancy in the country is not an overnight development. It has been the legacy of a trade union movement that struck early roots in UP and Maharashtra. In these states the sugar workers started organised struggle against the private sugar mills' owners even before independence.<sup>25</sup> After independence the sugar workers' militancy seems to have been articulated in an organised form, and it also started operating at the regional level. Some of the sugar workers' unions

took shape at the state level, but this did not make them less militant than the unions under the banners of the Indian National Trade Union Congress (INTUC), the Hind Mazdoor Sabha (HMS) and the All India Trade Union Congress (AITUC).

For example, the movement led by the Mahasangh (Lal Nishan Leninist, a Left group in Maharashtra) showed extraordinary militancy on sugar workers' issues.<sup>26</sup> In Tamil Nadu, the sugar workers' unions are directly linked to regional parties like the Dravida Munnetra Kazhagam (DMK) and the All India Anna Dravida Munnetra Kazhagam (AIADMK).<sup>27</sup> Of late the emergence of the BJP as a force in Indian politics has led to the emergence of unions affiliated to the Bharatiya Mazdoor Sangh (BMS) in some sugar units in UP and Gujarat.<sup>28</sup>

In Maharashtra and Gujarat sugar workers' unions are recognised under the Bombay Industrial Relations Act (BIR Act), 1948. If a particular union in an industry is recognised in terms of the act in a taluka, other unions cannot be bargaining agents in the factories within the taluka's jurisdiction. Because of this, the Shiv Sena and the BJP have not been able to form unions in Maharashtra's sugar co-operatives. The Sena-BJP government is now trying to make changes in the act. For want of such an act in UP, one can find between two and ten unions in a single factory in that state.<sup>29</sup> A similar situation prevails in Andhra Pradesh.<sup>30</sup>

In the early years, trade union activism in the Indian sugar industry organised workers mainly at the factory level and centred its demands on a better wage structure and industrial safety. There was no broader issue that could forge political solidarity among the sugar workers even at the regional level. But today the sugar workers' movement has established linkages of mobilisation between the regional and national levels. The formation of the National Sugar Workers' Co-ordination Committee brings out this broader character of the movement very clearly. Several state-level unions which have federated themselves are affiliated to this committee in which the state-level federations are represented.<sup>31</sup>

Another important departure from earlier trends is the fact that the sugar workers' movement no longer makes its political position non-negotiable. On the contrary, the movement consciously eschews isolated political efforts while it takes on its adversaries in India and abroad. It does not work under the burden of party dictation and control, and it is due to this

relative autonomy that the sugar industry workers have been able to forge national solidarity.

Another qualitative shift in the political agenda of this trade unionism is that the unions' leadership has been organising not only the sugar workers but also other toiling sections like harvesters, transporters, landless agricultural labour, the agricultural workers serving state land corporations and forest workers. This larger unity is found in Maharashtra, UP and Tamil Nadu.<sup>32</sup> This organic intellectual dimension of the sugar workers' leadership, to use Gramscian terminology, shows that the sugar workers' consciousness is progressively moving away from narrow provincialism and towards universalism. This consciousness is also moving away from mere economism and towards larger social and political concerns.

The sugar workers have shown interest in forging an alliance with the cane cultivators for dealing with common problems relating to the sugar industry. For example, the sugar workers of Maharashtra under the joint leadership of the HMS, the Mahasangh and to some extent INTUC have been collectively mobilising the peasantry on the question of fighting bad tendencies in the co-operative sugar units. This kind of unity was evident in the workers-peasantry combined meets at the Nashik and Parathan state-level conferences held in 1988 and 1989 and in 1997.<sup>33</sup> In some sugar factories, like the ones at Killari, in Latur district, and Kannad, in Aurangabad district, sugar workers, with cane-growers' support brought about the overthrow of corrupt managements in factory elections in 1989.<sup>34</sup> This shows that the sugar workers and the cane-growers can make common cause for safeguarding the health of a factory.

Interestingly, Nagnath Naikawedi, founder of the Hutatma Kisan Ahir factory at Walve, in Sangli district, has been playing a significant role in jointly organising workers and peasants in Maharashtra. Together with Kishore Pawar of the HMS and Mahasangh secretary Madhukar Katre, Naikawedi, who is also secretary of the National Sugar Workers' Co-ordination Committee, took the initiative in organising a state-level conference at the Walve factory on December 13, 1997. Similar joint mobilisation efforts have been reported from UP, Karnataka and Tamil Nadu. Sugar workers joining hands with the peasantry has become a possibility during the globalisation era.

Another aspect is that there seems to have been a remarkable shift of late in the

forms of protest adopted by the sugar workers' organisations. All over the country, the workers had earlier resorted to militant forms ranging from the flash strike to the indefinite strike even during the crushing season. Today, it is only rarely that we see workers resorting to that kind of protest action; the one-day strike and the bandh are in vogue.

The national co-ordination committee seems to have used the one-day formula very frequently, particularly in recent times. But the protest has an all-India dimension, and the workers' demands are universal rather than local and merely economic. The demands are negotiable and not extreme in nature. They are couched in language which shows concern for the viability of sugar units.

If one looks at the 24 demands that the national co-ordination committee has recently submitted to the central government, the defensive nature of the sugar workers' trade unionism becomes clear. This charter shows that the sugar workers are now concerned about the very survival of their means of livelihood - the sugar factories. It contains not demands as such but suggestions for salvaging the sugar industry.

In Maharashtra, particularly in the sick sugar factories, this constructive working class attitude has already been evident in quite a few factories, like the Ganesh factory, in Parner taluka of Ahmadnagar district - whose workers have accepted reduction of their wages by 20 per cent.<sup>35</sup>

Yet another illustration from Maharashtra throws ample light on the positive and constructive approach that the sugar workers in India have adopted towards the crisis that the sugar industry is facing. The sugar workers (sleep boys, field staff and in some cases even the harvesters) have prevented cultivators from selling their cane outside the defined boundaries (zone) of their parent factory.<sup>36</sup> In other words harvesters and field workers have taken the initiative to ensure a steady supply of sugarcane to the sick units in the state.

The sugar workers' collectives, particularly the Mahasangh and the HMS unions, have shown a sense of urgency and stood against the caste and communal forces from time to time and have thus tried to create a broader social and secular consciousness among the sugar workers.<sup>37</sup> Most importantly, the sugar workers' movement in the country has marched ahead with the common minimum understanding that was considered necessary for facing the enemy collectively without

being fuzzy about its own political line. The movement has been attempting with success to dissolve internal political differences for the larger cause. At the same time one must also take note of the limitations that the sugar workers' movement is suffering from. The movement is facing important challenges.

#### CHALLENGES BEFORE UNIONS

The challenges that sugar workers in the country seem to be facing are both external and internal. Among the external ones is the role of the state, which has been trying to suppress the growing militancy of the movement. For example, the UP government, whether led by Mulayam Singh, Kalyan Singh or Mayawati, is alleged to be in favour of the privatisation of co-operative mills.<sup>38</sup> It is alleged to be taking decisions that favour the millowners and not the sugar workers.

In Tamil Nadu, the role of the state has been even more repressive. When the sugar workers protested against a government move to sell a co-operative factory to private owners in 1995, the police opened fire on the striking workers. It is reported that a worker was killed in the firing.<sup>39</sup>

In Maharashtra, the Sena-BJP government has been consistently playing an anti-sugar-worker role, which of course is politically motivated. It has created problems about payment of the arrears that are due to the sugar workers.<sup>40</sup> It has shown no urgency about solving the wage problems of the thousands of workers who are displaced owing to the closure of sugar mills. It is also alleged that the state government has not been granting audience to sugar workers making demands.<sup>41</sup> Some of the external challenges the sugar workers are facing come from the peasantry. For example, the cane-growing peasants are reported to have severely beaten up sugar workers in Gujarat some years ago and following this assault the sugar workers had to leave the factory.<sup>42</sup> It is also argued that government officials in UP and the Sugar Mahasangh in Mumbai create rifts among the sugar workers and thus undermine working-class solidarity.<sup>43</sup>

One of the serious, internal challenges the sugar workers' movement is facing is that in some leading states like UP, particularly in the private and corporation sugar mills, the workers' union loyalties are hopelessly divided. There are several unions in these factories, the number in some cases going up to 10.<sup>44</sup> The average number of unions in a factory is four or

five.<sup>45</sup> The millowners promote factionalism among the workers by offering some perks as bait. For example, the owners of the Dhampur private sugar factory, in UP, are alleged to have helped a union leader to start his own small khandsari unit.<sup>46</sup> The owner of a sugar mill in Karnataka has helped a union leader to build a religious structure.<sup>47</sup> It is also reported by workers that the owner of this factory tries to keep the workers in good humour by distributing foodgrain and edible oil.<sup>48</sup>

It is the possibility of 'lucrative bargaining' that makes sugar workers launch new unions. Multiple unionism provokes fierce competition for membership, and in the process it creates constant tension and enmity – which suits the millowners.

Although the corporation and co-operative mills in UP are controlled by government officials, these officials, like the owners of private mills, fan hostilities among the sugar workers for the purpose of dividing and dominating them.<sup>49</sup>

Thus, co-option of sugar workers through the process of 'lucrative bargaining' takes a toll of the trade unions in the sugar industry. Such co-option has been subtle in co-operative factories that are managed by boards of directors, particularly in Maharashtra. The trade unions in some of the old, well-established factories in western Maharashtra have been reduced to insignificance. They have been functioning as 'company unions'. It is alleged that the subordination of a workers' union to a sugar baron of Sangli district was so complete that the union undertook in writing not to go to the labour court against the factory management.<sup>50</sup>

The workers' representatives on boards of directors, particularly in Gujarat and Maharashtra, do not truly represent the cause of the workers. They are nominated to the general bodies of the boards, whereas it is only the core executive body that takes all the important decisions regarding the financial transactions of the factory.<sup>51</sup> Secondly, the workers' representatives make all kinds of compromises with the managements for personal reasons.<sup>52</sup> In a few factories in Maharashtra, however, the workers representatives are reported to be representing the cause of the sugar workers sincerely and faithfully.<sup>53</sup>

Yet another important limitation of the sugar workers' movement in India is that it is divided on caste, linguistic and regional lines. An important leader

from UP lamented that the sugar workers' movement could not concretise the concept of 'worker' in the sugar industry as the primary identity of the workers is rooted in their respective social and caste backgrounds. There are caste-based unions in sugar factories in Tamil Nadu.<sup>54</sup>

It has been the common experience that casteism within the factory is promoted by the factory owners. In almost all the private factories in UP and Karnataka, for example, one finds that the upper-caste workers are employed in the key positions, the dalits in manual work and in the sanitary division and the intermediate castes in the technical occupations. Due to such casteism dalits are reported to have floated caste-based unions in sugar factories in Tamil Nadu.<sup>55</sup>

Moreover, a section of the sugar workers is affected by regionalism. In some factories in UP and Gujarat, where there is a lot of sugar worker migration, one comes across tension on the lines of region and language. In Gujarat there is a barrier between Marathi and Gujarati speakers.<sup>56</sup> In UP workers from the western part of the state resent the workers from the eastern part.<sup>57</sup> Another important limitation of the sugar workers' trade unionism has been that the mainstream leadership has developed elitist tendencies and thus created a cultural and social gap between leadership and rank and file. It is alleged that the leaders are not accessible to the common workers and that whenever they are available the common workers seldom understand the language spoken by their leaders.

Due to this changing character of the leadership and the lack of communication skills on the leaders' part most of the common workers are not fully aware of the dangers of globalisation. The workers may have participated in anti-globalisation mobilisation but it would have been a passive sort of mobilisation.<sup>58</sup>

Yet another limitation that the sugar workers unionism is suffering from is that it has not been adequately sensitive to employment opportunities for women in the sugar industry. The number of women 'workers' in the sugar industry can be counted on the tips of one's fingers. One study shows that in a sample of 82 sugar co-operatives there were only 167 women.<sup>59</sup> Women are employed in the sanitation departments or the guest houses of the factories. This indicates gender bias.

Finally, the challenge before the workers is to enlist the support of the peasants,

who otherwise tend in most of the states to be indifferent to the genuine problems of the sugar workers where they are not positively hostile. For example, the cane-growing peasants from Gujarat allegedly beat up some sugar workers a few years ago on the question of a strike.<sup>60</sup> In Maharashtra one comes across a domineering attitude on the cane-growers' part. Very often the cultivators are found inflicting humiliation on the sugar workers. Actually, on many occasions the tension between the workers and the peasantry is implanted by the managers of the co-operative units and the owners of private mills.

In recent years however, the National Sugar Workers Co-ordination Committee has assumed the responsibility of speaking for the cane-growing peasantry. This should help create mutual trust and confidence between the workers and the peasants.

#### SUMMING UP

The sugar workers in India are planning to devote special attention and energy to four things. The first thing is the impact of the economic policy changes. The sugar workers' response to the changes is uneven in terms of social base but encouraging. Independent political initiatives outside the ambit of the mainstream political parties are not enough. There is great urgency to strengthen both vertical and horizontal unity among the sugar workers in the country and abroad. What the sugar workers in Latin America are doing could serve as a model.

The sugar workers' complex problems demand the preparation of a viable and promising political agenda – without, of course, subordination to a political party. In other words, the agenda should be shaped not only by the top-level leadership but also by the creative responses of the rank-and-file sugar workers. Hereafter it is imperative for the sugar workers' leaders to keep formal party politics out of trade union activism and to invoke a new kind of trade union politics that would open up social corridors among several toiling components of the sugar industry. To achieve this broad community of the sugar workers not only in India but abroad as well, it would be necessary for the leaders to share information with the workers at the grass roots level. This would help the sugar workers' movement to achieve strength, confidence and solidarity, both national and international.

#### Notes

[I would like to thank Gail Omvedt for going through the draft. I also take this opportunity to thank Meena Patel and Lie Pin of IUF for supporting this study.]

- 1 Interview with Sudhir Bhongale, who submitted a PhD thesis (unpublished) on irrigation politics to Pune University (1997)
- 2 Ibid
- 3 E.g. the Datta co-operative sugar factory at Shirol, in Kolhapur district.
- 4 See *Asia Sugar Report*, March 1996
- 5 See *The Hindu*, October 26, 1997
- 6 See Jamadar (1994)
- 7 Interview with sugar workers from Tamil Nadu
- 8 In the keynote address presented at a workshop on co-operatives at the India International Centre in November 1986.
- 9 Ibid
- 10 Interview with Madhukar Katre, October 15, 1997.
- 11 Ibid
- 12 See Guru (*Samaj Prabodhan Patrika*)
- 13 Please refer to Gail Omvedt's article in *Journal of Peasant Studies* (special number), April 1994
- 14 Please refer to *Loksatta*, November 19, 1997
- 15 Ibid
- 16 *The Hindu*, November 4, 1997
- 17 Interview with Narendra, workers in the Siwan sugar factory and other workers at the Dhampur factory in Bijnor District of UP
- 18 See Guru (*Samaj Prabodhan Patrika*)
- 19 *Maharashtra Times*, May 8, 1992
- 20 See Attwood (1994), p 230
- 21 See Baviskar (1981), p 45
- 22 Op cit Baviskar
- 23 See Matson (1983)
- 24 Ibid
- 25 Interview with Ashok of the Centre of Indian Trade Unions (CITU) and Misra from the Hind Mazdoor Sabha (HMS) in UP
- 26 See Guru (*Samaj Prabodhan Patrika*).
- 27 Interview with Tamil Nadu sugar workers' leaders Alur Raj, Kathiravan (TN Sugar Mills Staff Federation) and Ganapathi.
- 28 Interview with Bhushan from UP and Virendra Desai, sugar workers' leader from Gujarat
- 29 A letter of the National Sugar Workers' Co-ordination Committee
- 30 This has been the view of HMS, INTUC, the Mahasangh in Maharashtra and also in UP
- 31 This has been proved by the sugar workers survey carried out by Gopal Guru in 1989
- 32 This has been the result of efforts by Kishore Pawar of HMS, the co-ordinator of the national committee of the sugar workers, Madhukar Katre, secretary of the Mahasangh and National Co-ordination Committee secretary Nagnath Narkawedi
- 33 Interview with leaders from UP, Gujarat and Tamil Nadu, October 20, 1997.
- 34 Guru (*Samaj Prabodhan Patrika*)
- 35 Interview with Bhushan.
- 36 Interview with Bhimrao Eawake of Shirampur, October 1, 1997.

- 37 Interview with Virendra Desai
- 38 Ibid
- 39 Guru survey, op cit.
- 40 Interview with Bhushan and Ashok from UP
- 41 Ibid
- 42 Ibid
- 43 Interview with labour leaders of the Ugar factory, in Belgaum district of Karnataka
- 44 See Engineer (1997)
- 45 Interview with Ashok
- 46 Ibid
- 47 Interview with sugar workers at Ugar factory
- 48 Ibid
- 49 This has been the common experience in the Indian sugar industry
- 50 Interview with B R Shinde, INTUC leader from Sangli, September 23, 1997.
- 51 Ibid
- 52 Ibid
- 53 Ibid
- 54 Interview with Alur Raj and Ganapathi Raj, October 20, 1997
- 55 Ibid
- 56 Interview with Ghodke, from the Olpad factory in Gujarat
- 57 Ashok, op cit
- 58 This was found during the author's field work in UP, Maharashtra, Karnataka and Tamil Nadu
- 59 Guru survey, op cit
- 60 Virendra Desai, op cit

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# Labour Legislation and Social Justice

## Rhetoric and Reality

Debi S Saini

*This paper attempts to articulate and understand the working of the labour relations law framework related to labour organisation and labour dispute processing as it stands structured in the Indian political economy: what does the working of the legal system actually reveal; what institutional processes and what forces exacerbate neutralisation of labour empowerment; who eventually benefits in the exercise; and what concrete manifestations of labour disempowerment processes are visible. The paper is an exercise in sociology of labour law. It is based on data related to sociological reconstruction of some labour organisation cases taken from the actual field setting.*

### I Introduction

PROVISION of opportunity to work for its people and providing for dispensation of labour justice to them are important aspects of social justice responsibility of any state. In third world countries – and especially in a country like India – these aspects get added significance where a large percentage of people live below the poverty line<sup>1</sup> and suffer from problems of unemployment and underemployment and commission of unfair labour practices (ULPs) by employers against them. A mere 8.3 per cent of the Indian labour force is organised, the majority of which mainly belongs to the public sector. It is estimated that not more than 2 to 3 per cent of the labour force in India has access to assertion of labour rights through collective bargaining process. Working people in all societies – and more so in developing societies such as India – are highly vulnerable to exploitation at the hands of the inherently more powerful employers. As Otto Kahn-Freund rightly puts it:

Typically the worker as individual has to accept the condition which the employer offers. On the labour side, power is collective power...the relation between an employer and an isolated employee or worker is typically a relation between a bearer of power and one who is not a bearer of power. In its inception it is an act of submission, in its operation it is a condition of subordination, however much concealed by that indispensable figment of the legal mind known as the contract of employment [Kahn-Freund 1977, 17].

The individual contract of employment cannot challenge the unilateral rationality of managerial prerogatives. This gives rise to the need to allow labour to unite, form collectives, and thus struggle to alleviate its poverty on its own. Unionisation and collective bargaining lie at the root of most labour relations issues. Interestingly, Article 23 of the Universal Declaration of

Human Rights adopted by the United Nations as a common standard of achievement for all people in all nations recognises the legitimacy of union rights. It provides, among others, for everyone “the right to form and to join trade unions, for the protection of his interests”.

Democratic states consider the organisation of labour struggle as an important human right and a basic condition to building an enlightened society. In regard to uplifting the conditions of the poorer sections of society, the Indian Constitution commands law in the model not of “politics of production” but of “production of politics” [Burawoy 1985] and a programme of action for empowering these sections, including labour. Ironically, however, studies of social justice and “poverty studies” are still a “nascent enterprise” in India [Baxi 1988: x]. The Indian labour law system projects the rhetoric that these laws will work as important instrument for empowering the powerless and the downtrodden so as to realise the cherished goals of the Constitution. All branches of the state are enjoined to facilitate the realisation of these goals. A large number of labour laws were enacted in independent India to operationalise the constitutional vision, and the labour bureaucracy was entrusted the role of ensuring compliance of these laws. In the developed world, especially the UK, voluntarist labour law frameworks have been nurtured, particularly till the beginning of Thatcherism. The Indian system, however, reflects a centrifugal labour-justice model. The state has also reserved for itself tremendous discretionary powers in certain aspects of labour-justice dispensation, especially in the area of labour relations law. The Indian judiciary has, undoubtedly, played a salutary role in progressive articulation and interpretation of the scope of these laws.

In any discussion on labour relations law as a tool for poverty alleviation, it is important to ask how far this law has

actually worked towards realisation of its projected goals of uplifting the powerless in securing for themselves labour and social justice. Ironically, most labour law research in India is doctrinal; hardly any empirical accounts of labour law in action are available. Even law and society research in general has not made any advances [Baxi 1988; Dhavan 1989]. Also, most labour law scholars have used hortatory and instrumentalist arguments, often failing to distinguish between symptoms and causal roots. In order to make law an effective tool of poverty alleviation, it is necessary that lawyers study law in conjunction with social sciences. Justice Brandies has gone to the extent of saying that a lawyer who has not studied economics and sociology is very apt to become “a public enemy [Clark and Wedderburn 1983:30]. The working of the legal system is often presumed by law scholars, without demonstrating it. We need to understand the dynamics of the concrete processes through which conspiracies are engineered by vested interest groups to allow labour to remain impoverished. This necessitates a socio-legal explanation of legal concepts, institutions and mechanisms. Very few studies in India have focused on labour law sociology [Saini 1999; Ramaswamy 1984]. No understanding of legal working is possible “without a consideration of where power lies” [Kjønstad and Wilson 1997: iii] and without appreciating that implementation of law is a process in which dominant political values are subtly imbibed. Sociologists of law have emphasised that most disputes in societies and organisations “arise out of power differential” [Edelman et al 1993]. It is intriguing to note that often the societal interests which ask for passage of certain social and labour laws collude to neutralise the realisation of these very goals [Saini 1995a]. Baxi (1995 and 1994) charges the Indian state of being a saboteur of labour laws. Technically though, the unorganised labour can use the protective framework, but the

legal system so works that it does not command enough political power to do so. It is not suggested that effective legal action has no limits; but the important question is, can these limits be moderated to enhance the political power of labour – especially unorganised and semi-organised.

This paper attempts to understand the working of labour relations law framework related to labour organisation and labour dispute processing as it stands structured in the Indian political economy. It answers questions, among others: what does the working of the labour relations law actually reveal; what institutional processes and what forces exacerbate the neutralisation of labour empowerment; what role does the state and its agencies play in securing or denial of labour justice; who eventually benefits in the exercise; what concrete manifestations of labour-disempowerment processes are visible. It suggests, how the labour disempowerment process can be stopped to operationalise the constitutional projections. Many answers to these questions are based on findings in a larger research [Saini 1999], which involved reconstruction of 33 collective labour disputes (listed in Table 1)<sup>2</sup> belonging to private sector. Of these four cases were live conciliation cases (Nos 30 to 33) in which the author had participated. Most of these related to smaller- and medium-sized establishments where workers were organised or semi-organised. This research represents the first comprehensive analysis of the working of the Indian labour adjudication model.

## II

### Legal Framework of Social Justice

The Constitution of India – the super-ordinate law of the land – guides all legislative, executive and judicial actions in the country. In its preamble, the Constitution seeks to secure to the people, among others, “justice, social, economic and political... and liberty of thought, expression...” Article 19 (1) (c) of this *grund norm* guarantees to all citizens a fundamental freedom “to form associations and unions”. Part IV of the Constitution is titled ‘Directive Principles of State Policy’, which are directions to the state to operationalise a scheme of social justice and upliftment of the downtrodden guided by the basic postulates of welfare state.

Article 38 (1) directs the state to strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice social, economic and political, shall inform all institutions of the national life. Article 39 ordains that “the state shall, in particular,

direct its policy towards securing – (a) that citizens... have the right to an adequate means of livelihood; (b) that the ownership and control of the material resources of the community are so distributed as to subserve the common good...; (d) that there is equal pay for equal work...” This chapter of the Constitution also obliges the state to provide for: right to work (Article 41); just and humane conditions of work and for maternity relief (Article 42); a living wage, and conditions of work ensuring a decent standard of life (Article 43); and participation (through legislation or otherwise) of workers in the management of industrial organisations and establishments (Article 43A). The directive principles are considered so important that they have been described as the “soul of the Constitution” [Dhavan 1989:xxiii].

Premised in the framework of the directive principles, the four main branches of labour laws in the country provide a large number of central (federal) labour statutes. These laws can be classified into: labour relations; wages; social security; and conditions of work. Labour being a subject in the concurrent list of the Indian Constitution, the 25 states and seven union territories of India have in some cases enacted their own labour laws over and above the central laws to suit local situations and power realities. Central and state labour enactments in the country add up to more than 200. In fact, India is being viewed as a society where labour is over-protected through law. Despite that, the cases of labour law violation are many; so much so that often when one sees the working conditions of the unorganised labourers, it appears as if no labour law exists for them [Saini 1998; 1999; Patel and Desai 1995].

The most crucial aspect of labour laws in any country is the labour relations law. This branch of law enables labour to organise and struggle to secure social justice by striving for a just sharing of organisational gains. In this regard, the Trade Unions Act 1926 (TUA) and the Industrial Disputes Act 1947 (IDA) are the key labour relations laws in India enacted by the central legislature. These are over and above the guarantee provided by Article 19(1)(c) of the Constitution, which envisages provision of union rights in general. The TUA is an important legal document, which provides for union formation in industries. Its provisions relate to conferring corporate status on unions, registration of unions, and their rights and obligations. Strangely, however, provision for union recognition was made in the TUA by way of amendment in 1947, but

this has not been enforced till date. Today, recognition can be gained by a union only through show of its strength.

The IDA, like the TUA, applies to the whole country. It provides a model of conciliation, arbitration and adjudication of both rights (individual as well as collective) and interest disputes. This is a colonial law, which was enacted in April 1947. The IDA envisages compulsory adjudication of industrial disputes when parties fail to agree and the government so decides. The genesis of compulsory adjudication in India lies in Rule 81-A of the Defence of India Rules (DIR), which were promulgated by the British Indian government during the second world war in 1942. Through this rule, the government provided for maintaining industrial peace by restricting strikes and lockouts and through compulsory adjudication of industrial disputes. Even though compulsory adjudication was initially intended to be only a war measure, the government, however, formalised it in a more comprehensive form later, by enacting the IDA. Leaders like V V Giri (later president of India) wanted the IDA to be replaced by a law that would promote bipartism and strengthen unions. The ruling Congress Party, however, found the IDA a useful instrument of containing or suppressing conflict. The IDA has now worked for more than half a century and has promoted state paternalism leaving unions weak and susceptible to bureaucratic inertia and manipulations.

The IDA envisages a dispute prevention and resolution machinery, which mainly consists of joint committees of labour and management (works committee); conciliation officers who are government officers (without any autonomy from the government framework); and labour courts and tribunals, which are adjudicatory bodies. Unlike most labour courts and labour tribunals in western countries which are manned by many persons,<sup>3</sup> adjudicatory bodies under the IDA are manned by one judicial person only. These bodies are not bound by the civil procedure law and the evidence law in their process of investigation and settlement of industrial disputes. Nor are they bound to wear any formal dress like judges in normal courts are. In reality, however, they follow court-like procedures, thus indulging in adversarial and not inquisitorial investigation and settlement of industrial disputes [Saini 1994]. Labour courts mainly adjudicate rights questions like dismissal whereas tribunals adjudicate mainly interest questions such as wages and allowances.



The disputant parties cannot activate jurisdiction of the adjudicatory bodies at will; the appropriate government – central (federal) and state governments in their respective jurisdictions – has the discretion of referring or not referring industrial disputes to these bodies. They cannot resort to strikes/lockouts when a dispute is pending before an adjudicatory body or during the period in which awards of these bodies are in operation. In fact, there are hardly situations when parties have the freedom to strike/lockout. It is rightly commented that the law of industrial disputes in India is so framed that a legal strike is nearly impossible [Ramaswamy 1984], especially if the state so desires. The government in its discretion also has the power to prohibit strikes/lockouts that are in existence when disputes related to these have been referred for adjudication. The enforcement of the awards of the adjudicatory bodies as well as settlements, if not implemented by the party concerned, is the duty of the labour department created by the central as well as state governments in their respective jurisdictions.

The IDA prohibits the representation of parties at conciliation through practising lawyers; however, lawyers are allowed to appear before the adjudicatory bodies with the consent of the parties and the leave of the labour court/tribunal. In actuality, a large number of labour lawyers, union leaders and management consultants represent parties before adjudicatory forums. This culture has promoted “legalism, consultationism, and government unions” [Bhattacharjee 1988: 212]. Due to widespread presence of the IDA in the dispute process, a large number of trade union leaders are running consultancy services for workers by representing them before these bodies; in actuality, they have become brief-case union leaders [Saini 1995b], and hardly involve themselves in the labour organisation process.

In case a settlement of the dispute is arrived at during the course of conciliation proceeding, the conciliation officer (CO) is obliged to register it if he considers it ‘fair’ and ‘amicable’ under section 12 (3) of the IDA. Such settlements are popularly known as 12 (3) settlements. These settlements have wide-ranging application and even bind those employees who are not parties to them – and also those who join the organisation later, during the period such settlement is in force. But a voluntary settlement under section 18 (1) of the IDA binds only the signatories to such a settlement. Hence both parties desire to go in for conciliated settlements – management for their undisputed applicability,

and workers thinking that 12(3) settlements are more proper and legal. If conciliation exercise results in failure, the CO writes a failure report, and sends it to the appropriate government, in which he states his own assessment of the dispute. The CO is also supposed to write a confidential report suggesting whether in his opinion the demands of workers or part of them should be referred for adjudication. The government often bases its reference<sup>4</sup> decision on the recommendation of the CO, though it is not bound to do so. Thus, the conciliation system is intimately intertwined with the adjudication system.

The powers of the COs appear small as they cannot impose their own views on the disputant parties. But the working of the IDA shows that these powers have been abundantly misused for corrupt or ulterior motives, many times guided by personal pecuniary interest of the CO or at the instance of the political executives under whose overall direction they work [Saini 1999]. The COs also act as labour officers with duties to enforce awards and settlements under the IDA and the employers’ obligations under other labour laws. This, of course, happens in other non-western situations as well [Hanami 1980]. Even though COs can intervene in any dispute only if they desire to do so; but in actual practice, they routinely conciliate in all individual and collective (rights as well as interest) disputes. The IDA provides that the parties are free to choose voluntary arbitration of their industrial dispute – both rights and interests – but they can do so before the dispute is referred by the government for adjudication. Collective bargaining as well as arbitration of industrial disputes take place in the dense shadows of the adjudication system. The IDA provides certain protection for union members against dismissal and change in their service conditions during the pendency of disputes before any of the authorities, but this protection is grossly violated by employers. The 1982 amendment to the IDA imposed time limits within which adjudicatory bodies must make their decisions. While referring a dispute for adjudication the government specifies the period during which a dispute is to be decided by an adjudicatory body; in case of individual dispute this period shall not exceed three months. These provisions have loopholes which lead to delay. In actuality, adjudication of collective demand cases have taken on an average 37 to 49 months, which causes tremendous disappointment to workers [Saini 1992; Upadhyay 1995].

### III Conciliators, Bureaucracy and Disempowerment

As we noted, conciliation and adjudication are the two key sub-systems provided in Indian labour relations law. These are deeply intertwined. The former is the invisible stage of the latter, because the government’s decision on which labour cases are to be referred for adjudication has its genesis usually in the outcome of the conciliation proceedings. Saini’s (1999) study, however, locates alternative structures operating at the covert level, which explain the actual working of the conciliation system. The key assumption in a conciliation process is that a conciliator is a neutral third party to ensure ‘fair’ and ‘amicable’ settlement. However, Saini (ibid) finds that this power is variously exercised: merely symbolically (Case No 30, FIL); or fraudulently (Case No 32, KGK and Case No 22, HPL); or even involving tyranny on labour (Case No 33, PSL). All these cases involved weak unions, some wanting to remain in power with collusion with the employer and others wanting to represent the genuine voice of the hapless, semi-organised worker. Those in the former category mostly had the patronage of the ruling political party. In KGK (32), the case involved two unions, the recognised one having tacit understanding with the management. The rival union’s support rose to 90 per cent of the workforce. It sought recognition by asking for negotiation of its demand charter. But the CO used his 12(3) power to see that the settlement was signed with the minority union. The CO neither investigated the dispute nor ensured the ‘fairness’ of the settlement. His decision allowed the corrupt union to continue with support of barely 10 per cent workers. The daring and the cavalier way in which the CO signed the 12(3) settlement with the knowledge of his entire staff demonstrates the impunity and frequency with which such frauds can be practised. The CO did administrative manoeuvring to project a facade of legal form. The majority union could have challenged the settlement in the high court, but they did not do so due to several factors including: the union’s vulnerability, police and bureaucratic repression, and workers’ acceptance of the outcome of the case as their nemesis. The CO had been bribed and was favouring an illegitimate work-group. But more important than that was the fact that the recognised minority union was an ally of the political party in power. In the case of smaller- and medium-sized unions, COs are often found



favouring unions affiliated to ruling parties.

In PSL (33), the CO concerned was acting on behalf of the state chief minister. This case file corroborated horrendous tales of the repression of the union by the state. The employer used the weapon of the sack on 40 activist workers of the majority union, which had a mass support and had demanded recognition. The conciliation and labour administration power in this case were exercised tyrannically, which shifted the union agenda from recognition to protecting the dismissed workers. This happens in most situations of nascent labour struggle. This also happened in HPL (22), which led to disastrous consequences for labour movement in the whole region (i.e. Faridabad Industrial Complex in Haryana). In this case the CO committed a KGK (32) type of fraud on a majority union which created a bloody situation, ultimately resulting in police firing, in which eight workers died. The workers of HPL (22) have not yet recovered from the trauma. They had seen a demonstration of repression by state power. Even though HPL employs 800 workers, it does not now have a union.

A strange kind of fraud was noticeable in SEW (28), where the CO showed a false 12(3) settlement in the records. He used this as a base for a recommendation in the CO's confidential report that "in view of the settlement which is in operation, the case may not be referred for adjudication, but be filed". Interestingly, in this case the activist-workers of this small establishment wanted to derive power through reference and not bargaining.

A reading of the confidential files also showed that the CO had recommended reference of cases on extraneous considerations in many cases. Since these recommendations are confidential, they have remained an untapped source to labour researchers. In fact, it is felt that it is impossible to gather hard evidence on the abuse of the adjudication system [Ramaswamy 1984: 166]. Nearly in a quarter of the 38 cases, COs admittedly rejected reference for corrupt motives (as admitted by managements).

It is noticeable that the conciliators have not done their duty well to ensure that parties enter into 'fair' settlements. Rather, they have allowed themselves to be used to disguise a corrupt alliance between vested interest groups. Labour, therefore, cannot hope for fairness in settlements from just the favourable attitudes of the COs. The alliance is too internalised to be disturbed. Whenever spontaneous protests emerge against injustice, the alliance works to silence them through the institutionalised

channels covertly designed as a part of the IDA (peace) model, which instead of administering social justice helps the alliance carry out its vested interests. This also shows, as observed by Dhavan (1989), that over the years the Indian state has been directly or indirectly privatised for the use of some sectors of the political economy and to the exclusion – or partial exclusion – of the other sectors. It thus becomes doubtful whether a bureaucratic model like the IDA can change the future of Indian labouring masses.

As Dhavan has pointed out, bureaucracy has contributed to corrupting the institutions to a point where they could not deliver substantive justice in the Indian political economy. This has led to the emergence of privatised interest groups in various parts of the political economy, which the economists describe as rent-seekers.

It is not just in developing countries but also in the advanced systems that bureaucratic models suffer from serious lack of potential as instruments of social justice dispensation. Bureaucratic systems are known to suffer from the following:

Overdevotion of officials to precedent, remoteness from the rest of the community, inaccessibility, arrogance in dealing with the general public, ineffective organisation, waste of manpower, procrastination, an excessive sense of self-importance, indifference to the feelings of inconvenience of citizens, an obsession with the binding authority of departmental decision, inflexibility, abuse of power, and a reluctance to admit error [Encyclopaedia Britannica 1987:342].

Bureaucratic power in labour relations is used in several ways: ensuring enforcement of awards of tribunals and settlements; recommending reference; prohibition of strikes under section 10(3) of the IDA; use of police force in containing workers' protests against unfair exercise of this power. A review of the reference decisions reveals that in nearly 90 per cent of the cases the reference decisions favoured the unions affiliated to the ruling party federations [Saini 1999]. This is, of course, not to deny the merits of these cases. But the same did not happen in the case of labour wings of the opposition parties. Biased exercise of discretionary power was also noticeable in case of use of strike prohibition power under section 10(3) of the IDA. In six out of the 30 disputes that involved reference, the 10(3)-power was exercised. Strangely, in all the six cases, 10(3) was used where unions involved were union wings of the opposition parties. In many similar cases

where ruling party unions were involved this power was not exercised, even though worse circumstances prevailed.

Some scholars have observed that state is pro-management in matters of determination of capacity to pay, but is pro-worker in matters relating to termination [Ramaswamy 1984]. Saini's (1999) study, however, shows that it is not really so. It is noticeable from Table 2 that in 18 cases out of these which involved termination, the workers concerned were not taken back; and this happened even in some of those cases where the workers concerned won at the Supreme Court level. In many cases, unions involved were allies of the party in power itself; but they could not secure reinstatement. For example, in HPL (22) police firing left eight of the nearly 5,000 workers, protesting against state repression, dead. The case eventually ended in a settlement after nearly one year of the firing incident. Under the settlement 355 striking workers were treated as terminated and only 80 strikers were taken back by the management on getting humiliating assurances from them that they would not strike again. After all, we all try to minimise our frustrating experiences [Ietswaart 1980-81]. That was why the striking workers sighed that settlement, which in fact was entered into in the presence of the district administrator, the state labour commissioner, and the conciliation officer. Interestingly, the ruling party in the state at that time was Congress; and the union involved was also its ally. Still, they could not secure the help of the ruling party, and protect the interest of the labourers.

Thus, as Saini's (1999) study shows, state and management alliance is stronger than that between state and ruling party affiliated unions. This study showed that wherever a union tried to show its independent status, it had to undergo the wrath of the management. The state has endorsed disciplining process of managements with phenomenal lawless methods, both by remaining a mute witness and even by active abetment. It never enforced even the symbolic protection available to unions by way of prosecution of managements for unfair labour practices (ULPs). Not a single case of such prosecution was noticeable, whether or not unions involved were allies of the party in power.

Another important area for action by labour bureaucracy is in ensuring reinstatement of dismissed workers as per court directions. Most such cases in small and medium organisation are settled for money; despite awards in workers' favour, not even in 1 per cent of reinstatement awards is the worker concerned actually taken

back. In AMT(5), reinstatement not come even after the Supreme Court's judgment in the workers' favour. When asked the reason for it, Dharam Pal, a clerk in the state labour department, revealed that in such cases the labour inspector concerned becomes a consultant to the employer on how not to implement the award. It is noticeable that the labour bureaucracy plays a significant role in perpetration of ULPs by employers and in eventually smashing the unions. Those who indulge in unionism must know through the narration of these cases what it means to undertake union activities.

One may argue that those employers who have no political clout too suffer in the process. There is no controversy over the issue, and it is admitted that they do. Such employers too have to resort to questionable practices in the process of bringing peace through nefarious means including bribing, and are compelled to do so. But they have the softer option of colluding with the labour bureaucracy and/or the political executive. Small employers too lament the presence of corruption in the labour adjudication system. But eventually, it is they who benefit by preventing union sustenance. Ample evidence to this effect is available in regard to a large number of cases which are abandoned by workers at the tribunal level [Saini 1999].

#### IV

#### Juridification and Disempowerment

Since labour relations are continuing relations, the literature underscores a mutual desire on the part of parties concerned to sustain this relationship, which often is described as analogous to familial relations. Labour scholars often caution against giving a dominating role to law or lawyers in it. Such legalism restricts the rule-creating potential of the actors involved in the exercise. The IDA's restrictions on professional lawyers in representing the disputant parties at the conciliation and tribunal levels reflect this apprehension. Juridification implies a process by which legal intervention produces a tendency to distinguish between lawful and unlawful, and attempts to categorise all actions into these two possibilities [Clark and Wedderburn 1983:188; Saini 1991].

The working of the Indian labour relations model produces tangible manifestations of these very apprehensions coming true. Despite experiencing disappointment, workers and even managements believe in the inevitability of the IDA; and the possibility of developing alternative structures is ignored. Juridification

conditions parties' behaviour when workplace issues are debated and negotiated. Employers may not disapprove of this happening as it proves to their advantage. It helps them prevent the powerless from uniting for struggle. And when they feel that labour is not prepared to become an immediate victim of it, which would be reflected in its greater alienation and thus inefficiency, juridification again helps the employers, as they indulge in bilateral bargaining under its shadows. With the sword of adjudication hanging over labour, prompting it to acquiesce settlement on management's terms, workers are prone to give in.

The large scale presence of consultationism through lawyers and briefcase union leaders in the Indian labour relations context further reinforces juridification. Saini's (1999) study reveals that 90 per cent disputes at the conciliation stage and 86 per cent at the tribunal stage involved representation of workers by outside leaders. And, 45 per cent of management representatives at the conciliation stage and 97 per cent at the tribunal stage were outside management consultants or practising labour lawyers. It is axiomatic that the working of the IDA model cannot be thought of without a tremendous incidence of lawyering; for, the propriety of parties' action is determined through adversarial procedures. Given the fact that "the ingenuity of lawyers is endless" [Wedderburn 1971: 8], it influences the attitudes of employers and unions produce towards labour law and law administering institutions, and eventually workplace labour relations. The system thus radiates impressions, through the professionals, that justice can be administered exclusively through state created formal bodies. This projection is not just on account of the fact that these bodies proclaim authoritative determination, but also because professionals' personal pecuniary interests are promoted by this approach, even as this leads to the marginalisation of labour power.

Lawyers are "traditional elites" [Abel 1973] and "repeat players" [Munger 1990:604], having own interests and stakes in dispute outcomes. They exert significant influence on shaping the transformation of disputes. In the labour relations context, their interests are often antithetical to those of the disputant parties, especially the weaker ones. It is simply for this reason that practising union leaders enter into alliances with employers and the state to serve their interest. Saini's (1999) disputes' reconstruction demonstrates ample evidence of their dubious role in the union

smashing or weakening exercises of managements. This has led to union avoidance. These manipulations of professionals have become accepted business practices in the never-ending labour juridification process. The above study also reveals that in a small industrial town, the INTUC (Indian National Trade Union Congress) union federation, has 11 factions where each of these leaders is running labour law practice in the name of INTUC. Many of these leaders are not even on talking terms due to the exigencies of competitive business. One such leader remarked: "Our role as pleaders is so absorbing that there is no time for organisational work." The juridified atmosphere has its impact on the efficacy of the personnel managers too. Those personnel managers who do not have knowledge of law are believed to be unsuccessful. Interestingly, despite appointing legally qualified managers when a case goes for adjudication the management's tendency to engage a professional labour lawyer is still very strong, for the jugglery which lawyers can produce in courts is beyond the imagination of these legally qualified managers.

The weakening of unions by the juridification process is further reinforced when to it are added high incidence of unfair labour practices (ULPs) by the employers, and terminations by them for trade union activities, and the inability of the labour relations system to see them reinstated (Table 2). The processing of industrial conflict through legal channels has directed the labour power in India into thousands of individual cases and questions. Presently, 4,47,195 labour cases are pending before various labour courts and tribunals in the country,<sup>5</sup> most of which are individual termination cases, including those for participating in union activities. Feeling marginalised due to the union-disempowerment process, one of Saini's respondents (a union leader) remarked:

It is difficult to fight management power. I think strike is bad. It destroys the worker. We do not believe in militancy. Even if we get less than what is just, we accept that without fighting violently for the just.

Instead of empowering unions, the peace model thus empowers the dominant employers to intimidate labour and keep them away from the political process of realising industrial justice. Nader, a legal anthropologist, referring to such a use of law, rightly remarks:

In industrialised nation states, the wealthier members of a society override and superimpose their views on the poorer, less powerful sectors by means of the law. In the developing nations, law will play a

great part in this determination because the law is fashioned to legitimate the status quo.

The working of the labour relations law and the juridification produced by it reinforce such perspectives. Therefore, any discourse on the use of law to combat poverty and powerlessness has to begin from this starting point, otherwise it is likely to be hortatory and platitudinous.

## V

### Tribunals and Labour Marginalisation

When the IDA was enacted, it was expected to provide a forum for promoting peaceful labour relations and minimising industrial conflict. It was also thought that awards delivered by them would enable unions to derive countervailing power, which is more necessary in political disputes such as interest questions in labour relations.

It was expected of these quasi-judicial bodies to provide: greater accessibility to the weaker side; more informal atmosphere than that created by the civil court culture; the use of specialist's skills of the labour adjudicators; and expeditious dispute resolution by minimising delay. These objectives become more relevant especially in interest dispute resolution; they have been accepted even in the UK in relation to tribunal adjudication there, which mainly adjudicate rights questions [Olney 1997]. If the tribunal framework can promote these objectives, that would surely aid the powerless unions in securing a more equitable sharing of organisational gains. Ironically, however, even the British experience has been reported to be not-too-encouraging in this regard [Dickens et al 1985]. The Indian scenario is much worse, being close to total denial of any of these.

Accessibility of labour tribunals is surely perceived by the actors, but perhaps it is because of their narrow definition of this term. So as to be labelled as accessible, adjudicatory bodies must demonstrate and promote the following expectations: the knowledge that a forum exists where dispute processing could be sought; perception that there are reasonable chances of success by activating that forum; bearable costs in processing of the dispute in terms of time and money; closer geographical location of the forum; availability of competent representatives to plead the case of the party concerned; perception that the weaker party (mostly the workers) will not be victimised for espousing a dispute; and in the Indian context of the IDA, getting a successful reference of the dispute.

Since getting nominated to labour tribunals is low on the priority of judges, a large number of vacancies always remain in almost all the states in India, which reduces accessibility. As shown by Table 2, the system does not ensure union leaders espousing the disputes that they will not be victimised for doing so. It shows that in only three of the 21 cases the dismissal action was withdrawn by the management. Interestingly, in two of the 18 cases, the workers could not be reinstated even after the Supreme Court of India found their dismissal wrongful and gave its decision in the workers' favour. The employers concerned in these cases indulged in ULPs to see that the decrees of reinstatement remained unimplemented.

Accessibility is further impaired when the tribunal output results in a high incidence of disputes abandonment by the powerless workers. In Saini's (1999) study such cases were 40 per cent of the total. Even though the dispute statistics shows that peace has been recorded in these cases, it tells nothing about the circumstances which led to such a finale. In fact, these cases involved complete smashing of unions, and the tribunal put its seal of

approval on their demise when nobody responded to the call of the tribunal to appear before it on the appointed date, and the tribunal gave a 'no-dispute' award. In this study, 35 per cent cases resulted in settlement leading to 'settlement awards' by the tribunal. A large number of such cases also tell the story of the vulnerability of the downtrodden in the labour relations process where labour submitted itself to the wishes of the powerful after it felt humiliated by the commission of ULPs by the employers and the inability of the tribunal to protect it. Can we then say that the tribunals have demonstrated accessibility?

The IDA confers freedom on the tribunals to innovate their own procedures in dispute processing. It is provided that they are not guided by the civil procedure and the normal evidence law. Thus, they were expected to minimise the use of jargon and promote inquisitorial and not adversarial style of dispute investigation. They also do not have to wear a judge's dress which too promotes formalism. In order that tribunal proceedings become extended collective negotiations, tribunals need to promote relaxed hearings which

TABLE 1: LIST OF RECONSTRUCTED DISPUTES

Case	Abbreviated Name of the Dispute	Name of the Organisation**	No of Workers
1	HSL*	Highclass Sheets Ltd	1400
2	GRIL	Giant Rubber India Ltd	1600
3	ECL*	Essac Cotton Mills Ltd	700
4	AML	Aman Meters Ltd	210
5	AMT*	Ardit Machine Tools	150
6	JSF*	Jazz Steel Fastners Pvt Ltd	150
7	TCC	Technique Consultation	140
8	PML	Print Machines Ltd	45
9	APL*	Avis Production Pvt Ltd	52
10	ASL*	Ashok Synthetics Pvt Ltd	420
11	BIL	Bask India Ltd	1250
12	BCM	Bhushan Carbon Mfg Co Ltd	530
13	HVG*	Himalaya Vikas Glass Pvt Ltd	695
14	EL*	Equipments Ltd	450
15	PHL	Partap House Ltd	155
16	UMM	Union Machinery Mills Ltd	75
17	SEC	Swastik Engineering Co Ltd	220
18	KVL*	Robin Vikas Ltd	125
19	OEW*	Om Engineering Works	110
20	SKW*	Swan Knitting Works	250
21	UAL	Uma Automobile Ltd	70
22	HPL*	Hammer Private Ltd	800
23	UCB*	Unique Conveyor Belts	140
24	ARL	Asish Rubber Ltd	80
25	CEW*	Cast Engineering Works	45
26	OS*	Oshima Steel	350
27	FRF*	Frontal Rubber Factory Pvt Ltd	90
28	SEW*	Sidhu Engineering Works	45
29	FAP*	Ferguson and Allied Products	30
30	SL*	Sahnis Ltd	110
31	FIL	Fenning India Ltd	480
32	KGK*	Kanwar G Khemka Ltd	950
33	PSL*	Parikshit Steels Mills Ltd	700

Notes: \* Cases in which services of union leaders were terminated in relation to the labour dispute.

\*\* The real names of the employers have been changed and pseudonyms are being used, to conceal their identity, as promised.

Source: Saini (1999).

must also be so perceived by the disputants. Surely, compared to civil courts they have promoted informalism; but because of their training as judges, they are more or less following the civil procedures and the evidence law. This is exacerbated by the fact that all tribunals suffer from work overload. More importantly, however, interest dispute processing is a matter of political decision-making; formalism becomes a hindrance in this process. Though the IDA provided that the tribunals could make use of two experts for comprehending a dispute, evidently to promote expert investigation and minimise legalistic interpretations, such expert assessors have rarely been sought or appointed.

From the workers' point of view, especially the downtrodden and powerless, probably the most important expectation from the tribunal is expeditious handling of disputes without delay. As noted earlier, the period of delay is so high as to virtually deny the benefit of tribunal adjudication. Delay is caused by the juridifying atmosphere in the ambience of which the tribunal functions. Despite fleeting manifestations of governments' concern, no one has taken concrete steps to restructure this labour relations model. This indifference is becoming more prominent in the new era of globalisation, which has relegated social justice agenda to the background. Baxi (1988, 1994) looks at

this problem as a wider crisis in the Indian legal system. He charges that justice dispensation is a low national priority on the state agenda. Consequently, it has led to situations where the labour adjudication system is used by the powerful actors to see that their adversaries watch their doom in conciliation proceedings and adjudication procedures. Surely, the delay question impoverishes labour struggle. Union leaders who become victims of the management's power of sack cannot wait for years together for justice, that too to see that the tribunal confirms the dismissal order on a technical interpretation or delivers an award which the labour bureaucracy cannot implement.

TABLE 2: CASES INVOLVING TERMINATION OF WORKERS DUE TO PURSUIT OF UNION ACTIVITIES

Name and Case No	No of Workers Dismissed/ Suspended	Whether Union is Ally of Party in Power	Reasons for Termination (Real)	Whether Taken Back	Remarks
HSL(1)	2 union activists dismissed	Yes	Violence during strike	No	Lost at tribunal
HCL (3)	6 union activists dismissed	Yes	Inciting strike	No	In a settlement were treated retrenched without getting any notice pay
AMT (5)	47 union activists dismissed	Yes	Inciting strike	No	In a settlement treated retrenched without notice pay
JSF (6)	8 union activists dismissed	Yes	Without enquiry - for espousing the dispute	No	Were paid money to leave the concern
APL (9)	1 worker and 2 union activists dismissed	No	Union activities - under the false pretext of closing a section where they worked	No	One settled and left. Two fought up to the Supreme Court and won. But were made to resign after receiving compensation.
ASL (10)	8 union activists dismissed	Yes	Union activities, on frivolous charges of beating a worker one km outside the factory	No	Managing director initially assured to take them back, but later on backed out. Case referred for tribunal adjudication. Was lost due to no proof of proper espousal.
HVG (13)	6 union office-bearers suspended	No	Inciting go-slow	Yes	Taken back as per a settlement.
EL (14)	2 union office-bearers suspended	Yes	Espousing demands	No	Referred to tribunal. They settled and left.
RVL (18)	3 union office-bearers suspended	No	Inciting workers to participate in bandh against IR Bill, 1978	No	Two settled and left. One went up to tribunal and lost there.
OEW (19)	5 union activists suspended after reference, later dismissed	No	Espousing dispute	No	Settled their account and made to leave.
SKW(20)	17 union activists suspended	No	Inciting strike	Yes	After the dispute was referred and strike prohibited, workers came back to work, and in the package suspended workers were taken back.
HPL (22)	46 activists dismissed	No	Union activities	No	After nearly one year of strike, were treated retrenched without notice pay + 330 more strikes treated similar.
UCB (23)	8 union leaders dismissed	No	Union activities	No	Settled their dues and left.
CEW (25)	4 union activists	No	Union activities	No	Settled their dues, and were made to leave.
OS (26)	2 union leaders dismissed	No	Union activities	No	All workers resorted to 103 days strike. Strike prohibited, case referred. Lost at tribunal.
ERF (27)	3 union leaders dismissed	Yes	Union activities - but charges of theft levelled	No	Made to leave and take dues.
FAP (29)	6 union leaders told to leave	Yes	Union activities	No	Management paid Rs 2,000 to each to leave.
KGK (32)	80 HMS activists suspended 23 dismissed	No	Union activities	Yes	Suspension of 80 MW revoked. 5 had left; 18 who were contesting at tribunal taken back on condition that they will support the INTUC union.
SL (30)	6 workers suspended	Yes	Union activities	No	As a package deal made to leave and settle dues.
PSL (33)	40 workmen suspended	No	Union activities	No	4 settled and left, 36 contested at tribunal.

Source: Sami (1999)

Even as the tribunals have failed to live up to their projected goals, their legitimating role is substantial, and thus is their role as a source of power. Saini's (1999) disputes reconstruction have shown that major gains through the tribunal rarely come to the workers. It was only in one case (PML, 8) that it happened. But here too the employer appealed in the Supreme Court and as the workers were getting worn out, the management managed to extract a settlement from them on terms less beneficial to the workers than awarded by the tribunal. Due to these experiences, the worker in general avoids the tribunal. In most cases where new unions are involved the managements collude with outside union representatives at some stage of the dispute processing, which also results in the dismissal of the internal union activists. Sometimes, the latter are also taken into the alliance. The union is thus wiped out or becomes very weak, and the will to revive the labour struggle gets dampened or even extinguished. Most of the cases of dispute abandonment at the tribunal or their settlement at some stage of the tribunal proceedings experience this conscious labour disempowerment exercise.

Despite its severely debilitating impact on collective bargaining and, consequently, on labour, the adjudication system is fully entrenched in the Indian labour relations, and has integrated trade unions into the state apparatus. The responsible trade unionism preached through the IDA, thus results in their getting wiped out or crippled. A large number of those who use the tribunal system are the first timers who see their doom in this model and decide not to use it again. Thus, the grist in the tribunal mill is a new union, which has yet to see in adjudication its nemesis. Strangely, however, even militant national union federations like the Centre for Indian Trade Unions (CITU), which is the trade union wing of the Communist Party of India-Marxist (CPI-M), have become so accustomed to the system in which they worked so long that they have not put forward any major challenge to its existence. It is rightly remarked that "a bird born in the cage cries for the cage" [Sengupta 1989]. In fact, the National Commission on Labour (NCL) 1969 had recommended conferring autonomy on the labour dispute processing forums (industrial relations commissions) from the state apparatus. It also wanted these forums to be multi-member bodies with experts supporting the judicial members. However, a meeting of the state labour ministers called by the central government to debate

the NCL's recommendations vehemently opposed any autonomy to these bodies, as it considered labour relations to be matters of law and order. Thus, this put a seal of approval on the status quo.

## VI Concluding Remarks

When labour relations get legalised, they are beneficial to those who can develop institutional skills to use them to their advantage. Legalised framework promotes bureaucratisation, and thus enables the government to prevent labour to unite and struggle for industrial equity and democracy. Government's first concern is production and peace at whatever social cost. Consultationism, inherent in the IDA in the Indian context, produces management consultants and briefcase union leaders. They help strengthen opportunistic alliances between various power centres. And thus, they help in making the legal labyrinth more tortuous. The individualisation of labour relations exacerbated by them further disempowers labour.

The Dunlop Commission on Labour Relations, which was appointed to examine the state of industrial relations in the US in the post-Reaganomics era, also reveals a rise in the above tendencies in the US. The commission has estimated that 70 per cent of US employers used outside consultants, and 40 per cent of the workplaces are not able to secure a collective bargaining agreement after winning certification [US Department of Labour 1994]. Personalisation of labour relations also promotes conversion of industrial realities into legal questions. Especially, small and medium organisations show greater tendency for commission of ULPs. Thus, it becomes an instrument of preservation of the status quo rather than bringing any change in the condition of the powerless. Such an institutionalisation of legalism prevents dispensation of substantive justice to the poor; the law is prone to becoming merely a symbolic protection.

Redistribution of power cannot come without struggle and conflict. The IDA model in India has enabled employers to effectively use their political power through the structural contradiction of the IDA framework, as a resource for their own dominance. They used it as a legitimator of the practice of authoritarianism, fraud, and even tyranny on workers seeking redefinition of labour relations. It also enabled them to forge alliances for legitimisation of structures and processes of power dispensation.

Nonet and Selznick (1978) divide legal development into three stages. In the first

stage, the law is described as repressive and is passively and opportunistically in the service of the predominant social and political forces as an instrumentality of coercion. In the second stage of its development, the legal system attains 'formal rationality', which they describe as autonomous law. In this stage, they claim that the law seeks to establish and preserve institutional integrity. In furtherance of this goal, the law "insulates itself, narrows its responsibilities, and accepts a blind formalism as the price of integrity." In the third stage, law again responds to the exigencies of the social environment as it had done in the repressive stage, but this time geared to meet societal needs. Going by the analysis above, the working of the Indian labour relations law shows that it is in the first stage of Nonet and Selznick's legal development. Therefore, it is imperative that any discourse on the use of law as an instrument for combating poverty has to take note of such a role which law plays as a rhetoric and in reality.

The most important instrument of labour empowerment is strong unions, which can organise themselves to match the managerial rationality in organising private industrial governments; juridification and its consequent fallouts counter such a possibility. It creates a labyrinth which empowers labour at one moment only to disempower it at the other. Kjonstad and Wilson (1997: vii) note seven prerequisites for achieving the goal of breaking the vicious circle that links poverty and powerlessness. These are: (1) conducive national constitution; (2) opportunity of struggle provided by tribunals; (3) treating human rights as also the discourse on poverty; (4) possibility of mobilising the poor; (5) perception of danger by power wielders if they deny rights to the poor; (6) mobilising altruism by the powerful; and (7) encouraging non-poor to participate in struggle against poverty. So far as labour struggle in India is concerned, only the conditions laid down by prerequisites (1), (6), and (7) are fulfilled. Others are fulfilled partially or not at all.

In the given situation, can we identify concrete issues in alleviating poverty in the context of Indian labour. The following could be an agenda [Saini 1998] for reforms.

(a) Comparatively, labour standards in India are low. The IDA and the consequent legalism produced has made labour-power weak in its fight for their enforcement. A large part of Indian labour does not get minimum wage. The Bhopal gas disaster tells us of the safety conditions in which they work. The first step that should be

taken is the enforcement of laws relating to these. We need a programme of social action for requisite sensitisation of all concerned in this regard. Intellectuals, NGOs and international trade union movement can play a useful role in this regard.

(b) Any programme of action for enhancing labour power needs to evolve a better enforcement mechanism. Labour needs to be given representation in carving out such an enforcement mechanism.

(c) There is a need for constant monitoring of the implementation mechanism by rights groups at national and international levels.

(d) There is a need for simplification of labour laws, and internalisation of such simplicity as a social value. In India, the National Labour Law Association (NLLA) has come out with such a code. This can be a good starting point for tringing a complete labour law framework to the poor to facilitate their understanding of it. This code also has the agenda for partial de-juridification of labour relations. The Indian government must be made to seriously consider reforms on the pattern of this code.

(e) It is absolutely necessary to ensure autonomy of tribunals and conciliators from the state apparatus. This is perhaps the most difficult task in the Indian context as the analysis in this paper reveals.

(f) There is a need for greater degree of public interest litigation for enforcing minimum labour standards and developing some basic postulates of sound labour relations. It can be a very useful instrument especially in the Indian context. But we need to involve those people who are genuinely interested in poverty alleviation.

(g) In the globalisation euphoria, unionism and collective bargaining as values as also the values of welfare state and welfare economics themselves, are in a deep crisis. Researches in the UK reveal that pluralism has survived there, despite Thatcherism and the fall in the unionisation rate [Storey 1992]. We need wider popularisation of the perspective that unions are not fundamentally antithetical to globalisation philosophy.

## Notes

[An earlier version of this paper was presented at a workshop on 'Law and Poverty III: Law as a Tool for Combating Poverty', organised by the Comparative Research on Poverty (CROP) programme of the International Social Science Council held at the International Institute for the Sociology of Law, Onati, Spain from May 19 to 21, 1999. I thank CROP for inviting me to the workshop, and Else Oyen, Lucy Williams, Asbjorn Konstad, Paul Spicker, and Camilo Perez-Bustillo for helpful comments. The usual disclaimers apply.]

- 1 As per *Economic Survey* 1998-99 of the government of India, the Planning Commission's estimate of population below poverty line (for the year 1993-94 which is the latest available) is 320 million, which is 36 per cent of the total population of the country. These percentages for some other developing countries are: China 22.2; Philippines 35.7; Indonesia 11.4; Malaysia 17.4; and Thailand, 8.1.
- 2 In four of these 33 disputes, the author participated in conciliation proceedings. The remaining 29 were sampled from the total of 195 interest disputes handled by the industrial tribunal in a five-year period. The disputes were reconstructed on the basis of records of the COS and the industrial tribunal and interviews of the disputant parties. The sample of 29 adjudicated disputes consisted of: (i) 10 disputes which involved full-blown adjudication; (ii) 12 disputes which were compromised and resulted in 'settlement awards' by the tribunal; and (iii) seven disputes which were abandoned at the tribunal by the workers and thus ended in the employers' favour.
- 3 See, for example, Olney (1997) for details on constitution and structure of labour adjudicatory bodies in European countries.
- 4 The term 'reference' denotes the act of the appropriate government to send a dispute to tribunal/labour court for adjudication. A party cannot approach these bodies directly. Government has the discretion to refer or not to refer a dispute for adjudication (Section 10, IDA).
- 5 As on March 31, 1997. This number also includes cases under section 33, 33A and 33C of the IDA. This figure was obtained from the unpublished records of the ministry of labour, government of India, New Delhi.

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# New Technology and Textile Workers

R C Datta

*This paper attempts to study two aspects of the relationship between new technology and employment in a composite textile mill in Mumbai. The specific objectives are to determine (a) the effect of new technology on employment at a unit level, and (b) the impact of new technology on the nature of work.*

Wage rates and jobs are not exactly like other prices and quantities. They are much more deeply involved in the way people see themselves, think about their social status, and evaluate whether they are getting a fair share out of society. Social institutions define acceptable modes of behaviour in the weighty context like the labour market.

— Solow, 1990

The quest for labour security is a legitimate...market mechanisms may need to be circumvented in the interest of social values... Social progress and labour standards should not be sacrificed in the name of efficiency [Standing and Tokman 1991:2].

## INTRODUCTION

THE 1990s will go down in the economic history of modern India as the decade of restructuring when global competition, deregulation, privatisation, acquisition, takeover and merger – now familiar horse-men of the corporate apocalypse – rode the business scenario. This decade will also go down probably as the 'lost decade' of development, if development is to be identified as a means to surviving as a state and a society, asserting its national interests in the world economy.

In this new economic environment of stabilisation and adjustment programmes, firms are responding by introducing new technologies and workplace innovations, hiving-off businesses, retrenching workers and cutting costs. These new technologies are supposed to engender economic growth by bringing about increasing levels of productivity, efficiency and profitability. The speed of operation, labour saving, accuracy, product variety, quality of product and reliability are the most distinguishing characteristics of new technologies from the management's point of view. However, major undesirable side-effects of new technology are related to its negative impact on employment and job impoverishment.

Although scholars have been arguing that production of new technology and its positive impact on productivity and economic growth will generate many new

jobs in the long run, whether those jobs will be for the ones losing jobs at present is doubtful. Even Wassily Leontief admits that the emerging so-called knowledge sector will not be able to create enough new jobs to absorb the millions of workers displaced by new technology. He has warned that with the introduction of increasingly sophisticated computers, "the role of humans as the most important factor of production is bound to diminish in the same way that the role of horses in agricultural production was first diminished and then eliminated by the introduction of tractors".

According to a behavioural social scientist: "The historical development of new technology can be viewed as a three face process with a number of intermediate forms. For example, technology may be seen as having progressed from dependent machines (e.g. bucket elevators), to semi-automatic machines (e.g. Jacquard loom) and, finally, to automatic machines (e.g. continuous process technologies). Dependent machines were labour-saving technologies from the workers' point of view. They were generally positively regarded as they eased our physical burden and allowed our intellectual advancement. Semi-automatic devices only required that we tend to their needs. These machines were no longer assisting us. We were, and in many cases still are, assisting them. These labour-enslaving devices require workers to perform semi-automatic tasks demanding little more than reflexive attention. The third phase in this history of technology may be seen from the workers' point of view as the introduction of labour-replacing processes. This technology totally replaces the human element in performing the actual work. It removes the worker from the production process... Unfortunately, this phase also has the potential to devalue workers, undermine their power and skills, and displace many workers from their jobs" [Carlopio 1988]. In fact, even the economic justification of new technology has been questioned by some well known scholars. According to Lester Thurow, senior economist at the Massachusetts Institute of Technology,

industry has not been able to provide compelling evidence that the sought-after efficiency and productivity increase have taken place. Gary Loveman of Harvard University have spoken about the utter failure of the highly touted technological revolution: "We simply can't find evidence that there has been a substantial productivity increase – and in some cases any productivity increase – from the substantial growth in information technology."

Still the fact remains that the new technology is capable of totally replacing the human element in performing the actual work. The worker along with the stages of production process is removed. Workers are devalued, their power and skills are undermined and are displaced from the jobs. The possibility and feasibility of these displaced workers to get absorbed back into the labour market by re-entering the workforce are minimal. According to another well known scholar: "Technology displacement and the loss of job opportunities have affected the nation's (the US) youth most of all, helping spawn a violent new criminal sub-culture" [Rifkin 1995]. Balancing the much touted productivity gains due to new technology with its undesirable side effects in a developing country like India, seems a hopeless 'challenge'.

Typically, economists have analysed the relationship between technology and the economy from the standpoint of firm assuming 'market' relations between management and labour which are based on complete information, enforceable employment contracts, and conflicts resolved mainly by wage bargaining. Herein, management is assumed to make 'correct' technological choices and hire labour at wages dictated by the market reflecting productivity associated with the human capital.

However, it has been well recognised in the more recent research work that the relationship between technology, management and labour is much more complex. The choice of technology and the way it is applied to work is a political economy issue primarily because the purposes of



management/employers are not necessarily in consonant with those of workers. It is true that new technology is introduced by employers to increase productivity, efficiency and profit. However, incomplete information on labour behaviour and incomplete operationalisation of enforceable employment 'contracts' result in less than optimal expectations from the technology from the management's point of view. This 'limitation' is made up by the management – which wants both quantitative efficiency and qualitative efficiency – by using new technology to wrest control over workers' behaviour and speeding up the flow of work.

In this paper, we have attempted to study two aspects of the relationship between new technology and employment in a composite textile mill in Mumbai. The specific objectives are to determine (a) the effect new technology on employment at a unit level; and (b) the impact of new technology on nature of work.

The methodological framework of the study is based on our regular fieldwork in the last few years in the textile mills of Mumbai, where we have attempted understanding the effect of technology as regards employment, nature of work and textile worker. The methodology included: (a) On-site observation of workers on the job on different technologies and stages of production.

(b) Extensive interviews of workers, management officials and union officials, both individually and in groups.

(c) Document inspection including intensive study of union-management agreements over new technology related and other issues over the years.

(d) Understanding of production process and labour process with the help of on-site observation and discussions with supervisors.

#### RESEARCH ANALYSIS AND FINDINGS

One of the main advantages of new technology is its speed of operation. In spinning, old technology spins yarn at a speed of 17,000 rpm while in the case of new technology the speed of operation is around 1,00,000 rpm. However, the cost of new technology is approximately six times that of old technology. The same is true in the case of weaving. On the old loom technology the weft insertion rate is around 250 metres per minute while with new technology the insertion rate is 1,800 metres per minute. The cost of new technology in weaving also is very high compared to old technology – approximately 10 times more expensive. This cost disadvantage is made up by saving on

labour costs directly and also indirectly by eliminating some stages in the production process.

Let us examine some of these characteristics of new technology in the case of spinning. Table 1 shows comparative data on output and use of labour in the case of old and new technology in spinning. New technology yields a sevenfold increase in output per worker day and drastic decline in labour complement per day. It should be noted that average wage rate also declines in the case of new technology.

Based on this data and some additional information on depreciation and interest rate, we have calculated the cost per kilogram of yarn on old and new spinning technology. This is shown in the Table 2. It is interesting to note that the cost per unit of yarn output is significantly higher in the case of new technology. Capital intensity goes up by approximately 2.5 times which is made up by utilising only 15 per cent of the labour involved in old technology. Power cost goes up in the case of new technology but only marginally.

In Table 3, we have shown changes in capital and labour cost per unit of output in weaving with change in technology from old to new micro-electronics based one. Labour input requirement in the fabric production process declines to 16 per cent. Capital cost per unit of output goes up more than two-and-half times as we move from technology A to technology C. Technology B is much more capital intensive. Labour intensity on new technology has declined to less than one-fourth of its requirement in old technology. And finally, still, the total cost per unit of output as in spinning, has gone up by more than twice.

It is, therefore, not surprising to know that 'retiring' workers voluntarily in this profit-making textile unit is fairly common. When we consider the production process under different technologies, direct job losses are clearly indicated by the elimination of certain stages of production in the case of new technology. With new

technology, simplex-interbobbin stage is eliminated and since yarn is directly spun on to the cheases from the sliver, winding is also not required. This reduces the labour requirement substantially apart from saving in capital cost and the space occupied by the 'interbobbin' machines.

Elimination of winding (in the case of certain counts) as a stage of production process has drastically reduced the number of women working in the department over the last two decades. However, with the introduction of new technology in winding (in certain other counts) employment of women declined from 46 with 22 badlies in 1978 to eight with nil badlies in 1997. According to the management, high capital investment in new technology requires a high level of machine efficiency (and very low down time) for technology to be economically viable and since the women can work only in one of the shifts, they have been replaced.

Apart from saving labour directly by introducing new technology, there are other workplace practices which can make labour redundant. One of these new workplaces practices is multitasking which many a times goes under the name of multiskilling. However, some critics call it work intensification.

TABLE 2: COST OF YARN BY SPINNING TECHNOLOGY

	Old Technology	New Technology
Capital cost	3.97	10.16
Labour cost	3.33	0.45
Power cost	5.65	5.70
Total	12.95	16.32

TABLE 3: COST OF CLOTH BY WEAVING TECHNOLOGY

	Technology (Rs/yard)		
	A	B	C
Capital cost	2.87	20.11	7.8
Labour cost	0.552	0.134	0.135
Total cost	3.42	20.24	7.94
Labour input (weaver minutes)	1.66	0.356	0.277

TABLE 1: TECHNOLOGY, PRODUCTION AND LABOUR: SPINNING

	Old Technology	New Technology
Utilisation (per cent)	97.3	97.5
Spindles/rotors	32,256	4,560
Average employment per day	248	59
Average wage rate (Rs/month)	4,184	4,040
Output (kg/day)	15,600	26,000
Output/worker/day (kg)	62.9	457.6
Power (kWh/day)	28,500	48,000
Power consumption per unit of output (kWh)	1.82	1.84
Cost per machine (Rs lakh)	0.2	120

The existing work practice in the old shed has been such that 14 looms were operated by one weaver and a battery-filler. Work here is reorganised and redistributed in such a way that there is no separate specialist battery-filler. Every worker, i.e., battery-filler or weaver, is supposed to operate eight to nine old looms and also work as a battery-filler for the looms allocated to him. Since the same two workers now are made to work on 16 to 18 looms, many battery-fillers have become redundant. More than 60 posts of battery-fillers have been rendered surplus to be abolished. In modern management literature this is known as 'functional flexibility'. But, for many of its critics it is labour intensification. Since this practice has generated labour redundancy and the ones becoming redundant are very highly likely to go under 'voluntary' retirement scheme, 'numerical flexibility' is also achieved by the management. Numerical flexibility is in fact, in-built in 'functional flexibility' and either of these results into job losses.

Since the government of India, while giving a 'human face' to the structural reforms, has given income tax exemption on voluntary retirement compensation, it becomes an incentive for the workers to opt for voluntary retirement. Once a unit avails the benefit of income tax exemption on voluntary retirement compensation of its workers, they are simultaneously required to 'abolish' those posts held by workers who have opted for voluntary retirement. In fact, the unit offering VRS often does require more workers. Therefore, a unit may offer VRS to its permanent workers and simultaneously recruit temporary or badli workers who are not only relatively less costly but are also more 'flexible'. Management control and worker flexibilities are working together.

The question is, is the labour market rigid? Does labour legislation act as an impediment? It does not seem so. A union management agreement has been signed on the above-mentioned workplace practice, including voluntary retirement of redundant workers.

#### THE POLITICS OF NEW TECHNOLOGY AND WORK

The old technology not only had a greater number of workers working with it, in addition the worker also had more control over his labour process. New technology has changed the nature of work.

Typically, in the case of old technology in spinning there used to be a sider whose main job was to piece broken ends, a

doffer-gaiter, a jobber and a helper. Most of their work involved their skills and judgment based on experience on the job. Fixing and adjusting the speed of operation was done manually. Piecing in old technology is a manual function which is done by stopping the spindle by hand using skills acquired out of experience. Spindles were provided with individual breaks so that operative could stop it. Doffer-gaiter used to put empty bobbins and remove the filled bobbins. He was also skilled enough to put thread from the interbobbin.

In the case of new technology in spinning there is no jobber, no sider and no doffer-gaiter. There is an 'operative' whose main job is to put 'sliver' from the 'can' on to the rotor and take care of the machine – keep it clean. There is a piecer 'carriage' and an 'auto-doffer' mounted on the micro-electronically controlled spinning machine. The job of piecing is taken over by the piecer carriage which continuously keep moving over the spinning machine to locate thread breakage and pieces. Empty cheases are loaded manually by the operative. The rest of the work is taken over by the new technology. Only when the 'piecer carriage' fails in piecing, the operative comes into action but only to clean the spinning box. Only piecer carriage can do the piecing. The worker only helps the piecer carriage. Similarly, an 'auto-doffer' moves continuously above the spinning machine and by using sensor it takes diameter of the chease. If diameter is as per requirement fed in the computer programme it removes chease, keeps it on the conveyor – which is moving, and thus automatically gets dropped in a box, which is to be taken to weaving shed most likely by an erstwhile 'skilled' but now 'redeployed' worker.

Finally, insofar as this new technology also provides the means to record fast accurate data related to production, efficiency and performance, it reduces the porosity of the labour process and thus constitutes a direct form of workplace control. A variety of parameters related to machine and man's performance are displayed on a screen by the new technology. This includes production in metres per minutes, running time of machine, number of doffs, efficiency, production expected, cloth length in picks, production in picks, rotor/loom speed, number of piecing operation carried out, and operative's code, etc. Control is built into the technology itself through electronic measurement rather than by elaborate rules, procedures and personal supervision.

#### WHAT DOES A WORKER DO AFTER TAKING VOLUNTARY RETIREMENT?

As is well known, the government of India, while introducing the structural reforms in 1991, also created a National Renewal Fund to provide a 'human face' to the reforms, which, the policy-makers declared "...will fully protect the interests of labour, enhance their welfare and equip them in all aspects to deal with the inevitability of technological change". Over the last five years thousands of workers have lost jobs under voluntary retirement schemes in the textile industry in Mumbai – both in National Textile Corporation's mills and in private sector mills.

What do these workers do after getting 'voluntarily retired'? Where do they go? Do they re-enter the labour market? What do they do with the voluntary retirement compensation? What are the social implications for the family and community? We have attempted to look into these questions at a micro level in Mumbai (and Maharashtra) by interviewing a sample of workers who opted for VRS in the mills. The main findings of our research in brief are:

- (a) Typically the workers have started working as casual labourers. Some of the VRS workers' wives have started cooking and supplying tiffins to the workers still employed in textile mills.
- (b) Some of them have taken up jobs in the decentralised powerloom sector in Bhivandi, Malegaon and Ichalkaranji.
- (c) Many of the workers have spent the emoluments under VRS in repaying debts and also on the marriages of their daughters. It is not uncommon to observe that the dowry increases the moment a worker gets his VRS money, and quite a few have spent their money in drinking alcohol. In many cases the children have dropped out of school and some of them, along with their mothers, have started working in the unorganised sector.
- (d) It is not uncommon to find a voluntarily retired textile worker looking for work for himself or for his son outside the gate of the same mill within a year.
- (e) Very few workers have kept their money in fixed deposits in banks and some have invested in a house in their village.
- (f) It seems to us that the ones who had retained some links with their villages and the community there (by regularly visiting the village over the years and thus by absenting themselves from the job) are doing relatively better.
- (g) Typically a worker in textiles in Mumbai who started working in a mill as a temporary learner and moved up via

badli years to permanency is back as a casual worker in the labour market in 1990s.

The number of early retirees from the industry in general is increasing and this trend may produce a massive social waste of human potential and thus many people feeling cut off from any useful role in society. In this regard, we would like to mention that if some of the textile workers who after losing the job have gone back to their villages and thus have been able to survive because of their social network/ links with the land, there are quite a few who have not been able to go back and have entered into illegal/criminal activities. Probably this is the price society will have to pay when the firms introduce new technology to increase profit.

#### CONCLUSION

We find on the basis of mill level data, that the so-called state-of-the-art technology in textile is highly capital and power intensive. The technology is also highly 'labour-displacing' and 'job impoverishing'. The justification for its introduction on the shopfloor is dependent on these very labour displacing and job impoverishing characteristics. The technology also acts as an instrument of workplace power, which the management uses to demystify worker centred skill and to replace human-based processes.

The ones who are made redundant are given 'voluntary retirement' and are displaced. Most of them have joined the unorganised sector as 'new poor'. Some who have been able to retain links with their land in the villages and social network have fared a little better.

In effect, at micro level, our study shows that the unions have not resisted introduction of new technology in the mill and also could not influence the resultant work-reorganisation. The management has been able to vary quantity of labour (numerical flexibility), redeploy labour ('functional flexibility') and also been able to control the cost of labour through the use of 'badli', or temporaries or by offloading work in the decentralised sector thus achieving the financial flexibility also.

[I wish to thank Bagaram Tulpule for his valuable help in the calculations and comments]

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# India's Foreign Policy and Beyond

Rajen Harshe

**India in World Affairs: Towards the 21st Century** by Usha Thakkar and Mangesh Kulkarni; Himalaya Publishing House, Mumbai, 1999; pp xiii + 318, Rs 450.

THE edited volume under review is a collection of articles of uneven quality on the diverse aspects of India's foreign policy. After 50 years of independence, perhaps, it is absolutely essential to take a fresh look at India's foreign policy to appraise the changing status and role of India in world affairs. The relevance of such exercise can as well be underscored by the fact that India is trying to find its feet in a rapidly globalising world. Hence any worthwhile analysis of India's foreign policy during the past five decades can provide a useful background to understand the challenges of globalisation in the 21st century. The book, as its sub-title suggests, is an effort in this direction. It starts off with a neatly written and promising introduction from the editors. The book primarily has been written for students and scholars in international studies. To a limited extent, it also represents a quest by scholars to search fresh policy options. Collaborative studies, such as this, in international relations have rarely come out from the areas outside Delhi. Indeed, the growth of international relations studies in India would get stunted if its study remains confined to the Indian capital. In this context, any significant effort to promote international studies outside Delhi has to be welcomed. And, on the whole, this effort is certainly significant because it has offered a reasonably comprehensive coverage to some of the main themes, issues and areas of India's foreign policy. In view of these preliminary observations, we can proceed to capture the efforts at theorising foreign policy in this volume.

## THEORISING FOREIGN POLICY

There are two essays, written by A P Rana and Rajesh Basrur respectively, with distinctly theoretical bearing and orientation. In fact, Rana's essay on the relevance of Nehruvian tradition to the post-cold war world is quite reflective. This seminal essay certainly has abundant potentials to generate debates among historians of ideas. Rana, at the outset, shows a clean grip over

the scholarship of traditionalist persuasion in international relations theory. Then he moves on to explore, subtly, the complex dimensions of normative contours that guided the notions of security and shaped India's foreign policy. The choice of the term 'security' in Rana's text has been imaginative enough to incorporate developmental agendas of the developing countries. The most striking feature of this article has been its capacity to reconstruct the entire Nehruvian tradition on the basis of Nehru's speech, delivered in 1946. Rana argues, quite effectively, how systemic good and unit level protection were simultaneously effectuated in the very manner in which Nehru operated India's foreign policy in the then international system. Naturally, this argument robs Nehruvianism of its commonly attributed notion, i.e., the policy of keeping aloof from great power formations. Having released the Nehruvian tradition from the clutches of the most mundane stereotypes, Rana has moved on to apply the essence of his formulation on Nehruvianism to the changing realities of international relations. These realities include the growing asymmetry of power between the north and the south, the emergence of New Northern Concert of Powers and the rise of hegemonies in international relations. Rana shows how going beyond non-alignment is in conformity with Nehruvian tradition. In fact, Nehruvian tradition, according to the author, would allow us to see the systemic challenge of our times both in substantive and real sense in order to find due place for the manifold developing countries of the south in the international society of states. Further, it would also permit us to spell out more sophisticated responses to hegemonies instead of condemning hegemonies with customary rhetorical vehemence. In a word, Rana has succeeded in elevating Nehruvian tradition as a method of thinking while understanding international relations.

Rajesh Basrur has tried to interpret India's foreign policy through a reformu-

lation of neo-realist systems theory by relating varying levels of intensities of interactions among states. It was Kenneth Waltz who made the initial but fairly persuasive statement on neo-realist systems theory in international relations. Accordingly, international relations consist of process and structure. The term process subsumes specific interactions among states such as diplomacy, trade and cultural exchanges while structure is a property of system alone and not of its individual members. Since structure is a dependent variable its role, and even relevance, in any system is invariably shaped by the levels of intensity of interactions among states under given conditions. Basrur has characterised India as a strong state within the subcontinental system and weak state in a global system. With the help of the basic tenets of neo-realism Basrur has analysed India's policy at the sub-systemic as well as systemic levels. This exercise is both innovative and instructive. In addition to these theoretical papers, like all the conventional writings, security issues and relational studies have taken the major bulk of the space in this volume.

## SECURITY ISSUES AND RELATIONAL STUDIES

The defence and security issues in India's policy have been tackled competently by Shrikant Paranjpe and Uttara Sahasrabudhe. Going beyond the conventional realist approach Paranjpe has tried to place India's defence policy in a wider framework. This has given him a space to assert that the Nehruvian model was based on the logic of defence through development. As this model received a severe jolt after the Sino-Indian dispute, India played greater attention to the security issues. Some of the significant developments like the first nuclear explosion of Pokhran I (1974) and the development of Integrated Missile Development Programme were by-products of India's changing security concerns. After the 1980s owing to the rise of subversive movements in different parts, building a viable counter-insurgency strategy became an important part of India's internal security strategy. In a thorough and workman like presentation Paranjpe has analysed the role of diplomacy, economy and technology behind India's security strategy. He has also shown the impact of

the policy of economic liberalisation on defence and industrial policy. Uttara Sahastrabudhe's paper on India's nuclear policy is neat and tidy. It offers an unpretentious chronological analysis of nuclear policy.

A number of articles are essentially devoted towards the understanding bilateral relations. These articles have placed India's relations with China, the US, the former Soviet Union, Russia and Canada, in a perspective. Alka Acharya and G P Deshpande have provided a comprehensive account of Sino-Indian ties during past 50 years. Their essay has underlined the reasonableness of the Chinese position on the Sino-Indian border dispute. It has also given useful insights on post-socialist China's foreign policy. Dilip Mohite's article offers a good narrative analysis of the continued security dilemmas of India that emanated from the manoeuvrings in the US foreign policy at the global and regional levels. Shridhar Shrimali has built a logical and neat argument to demonstrate how convergence of national interests coupled with imperatives of defence and development cemented the bonds of bilateral relations between India and the Soviet Union since the mid-1950s, whereas P L Dash's pamstaking piece has brought home the significance of Indo-Russian trade and defence ties with the help of an impressive array of empirical details. John Wood has offered a brief sketch of Indo-Canadian relations with reference to security, trade, investment, immigration and cultural issues.

India's policy has also been reviewed with reference to important regions like south Asia, Indian Ocean, west Asia, sub-Saharan Africa and Europe. Nalin Anadkat makes a fervent plea for India's regional hegemony in south Asia; hegemony based on consent rather than force. Arunachalam highlights the growing geo-political significance of the Indian Ocean and the likely role of India in the ocean. Prithvi Ram Mudium in a critical historical overview of India's policy in west Asia has mounted a scathing attack on unimaginative Nehruvian framework that shaped India's policy towards the entire region. Locating his critique well within the traditions of realist school, the author takes a panoramic view of misconceived perceptions of policy-makers in India on the issues including Kashmir, Palestine and Arab-Israeli conflict. V S Sheth has ventured to trace patterns in Indo-African ties over a long-term historical period while Parvati Vasudevan has underscored the

increasing importance of economic times in the Indo-European relations.

In addition, stray articles appear on a few more themes in the book. For instance, Anand Mavlankar has dealt with the changing economic compulsions behind foreign policy. HC Shukul has offered an account of decision-making process in foreign policy under different political regimes. Lionel Fernandes has reviewed the relevance and contribution of India's non-alignment while Nandini Patel has assessed India's record at the UN. Last but certainly not the least, an essay on India and the information order by Dipankar Sinha has taken a critical view of India's desire to seek integration within the ascendant neo-liberal capitalist order. Keeping the above stated essence of this work in the sight, we shall proceed to offer a critique of this collective endeavour.

#### A CRITICAL APPRAISAL

In a way, this volume represents a state of the field of international studies in India. Even now, the impact of diplomatic history, as a form of study and writing, is quite considerable on this field in India. Most of the themes have been tackled in this study in the form of narrative analysis. Especially, the relational studies in this volume, at times, are replete with dull and colourless descriptions. It is really a pity that in international relations studies, as they are pursued in India, the form of descriptive chronological analysis continues to hold its uninterrupted sway in the overall literature that is being churned out in the field. The book does not move like a worthwhile enquiry conducted with the help of existing theories, concepts and schools of thought in social sciences. International relations studies emerge in this volume as a field insulated from other social sciences. Moreover, each narrative analyst has been arbitrary in choosing the period of analysis. Thus, Arunachalam's essay shows no inhibitions in moving across centuries while writing on the Indian Ocean whereas Sheth opts to highlight the patterns of Indo-African ties during the past 100 years, in a few pages. More precise and well justified time spans with well thought out and specific issues could have rendered these exercises more fruitful. Apart from this gap in time spans, in some articles, central themes with relevant issues and events do not get correlated in any cogent form. Sometimes bold assertions and prescriptive overtones on the part of the authors tend to hamper a

dispassionate view of the subject. Especially, Anadkat's project of promoting India's hegemony through consent sounds unsustainable.

While thinking about how India is heading towards the 21st century a mention of a few critical gaps in this collection is unavoidable. To start with, the book has offered theoretical perspectives emanating from cosmopolitanism and neo-realism but there is no assessment of India's policy from a Marxian perspective. A sophisticated Marxian analysis of foreign policy could have made the theoretical component of this study well rounded. Second, with the ongoing phase of globalisation, economic diplomacy as well as issues pertaining to economy have started acquiring paramount importance. Articles touching upon major issues in international trade, economic and environmental diplomacy, technology and intellectual property rights in relation to India's policy could have served this purpose. Moreover, the book has related India's policy with several third world regions except south-east Asia. And in the context of the advent of regionalism in the post-cold war world, coupled with growing significance of the organisations like the Association of South-East Asian Nations (ASEAN) in the international political economy, the absence of south-east Asia appears conspicuous in the study. Finally, the borders between domestic and international are getting blurred under the phase of globalisation. Under the circumstances, India's foreign policy is constrained to tackle problems that stem from cross-border terrorism and sub-nationalism. Further, the flow of arms, drugs, and refugees have their impact on domestic as well as foreign policy. Indeed, the forces of globalisation are linking sub-national and transnational actors in queer ways. An article analysing India's foreign policy with reference to different aspects of globalisation could have led this volume, more effectively, towards the portals of the 21st century.

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# Perils of Government Secrecy

V Balachandran

**Secrecy – The American Experience** by Daniel Patrick Moynihan, introduction by Richard Gid Powers; Yale University Press, 1998.

SENATOR Daniel Patrick Moynihan has never been fond of governmental secrecy. He has been carrying on a relentless struggle against the cult of secrecy and the activities of the American secret services. As early as 1961 he earned the displeasure of Hoover (who called him a 'Skunk') by writing that the FBI had "successfully stayed away from organised crime", its primary focus. He created a sensation in the early 1990s by calling for the abolition of the CIA and merging its functions with the state department for its failure to predict Soviet Union's demise. He now sums up the result of his lifelong research into the ruinous effects of excessive secrecy in his new book, *Secrecy – the American Experience*. Not even the secret services could complain that Moynihan's objection to the cult of secrecy emanates from a personal or ideological refraction. In fact the CIA had even awarded him the 'Agency seal medallion' for demonstrating that "effective oversight of intelligence can be realised in a democratic nation without risk to the intelligence priorities". Moynihan as a member and later as vice-chairman of the senate intelligence committee (1977-85) and more lately as the chairman of the bipartisan commission on 'Protecting and Reducing Government Secrecy' (1995-97) had all the access for his research. He quotes the commission's observations: "Secrecy has significant consequences for the national interest when, as a result, policy makers are not fully informed, government is not held accountable for its actions and the public cannot engage in informed debate". And he concludes, "Secrecy is for the losers".

Moynihan proves that the American people and the government have been the worst sufferers of this secrecy culture, an atavism of the xenophobic hysteria which had led to the 1917 espionage act and the Dulles-Hoover cold war gyrations. "East and west paid hideous costs for keeping matters of state closed to the people whom the states embodied." The McCarthy era paranoia which caused deep fissures in the American society and the endless debts on the greatest peace time weapon spending in the Carter-Reagan years which transformed the US from the world's greatest creditor nation into a leading debtor could have been avoided had successive

governments broken away from the secrecy culture and taken decisions on more transparent sources. In July 1975 Moynihan wrote for the *New Yorker* that the Soviet Union could not survive long due to its ethnic turbulence and economic mismanagement. Four years later he predicted in *Newsweek* that the Soviet empire could 'blow up'. In 1984 he told the New York University graduates that America should be less obsessed with the Soviets. Not that Moynihan claims to be the first to echo such assessments. He quotes George Kennan's famous 'containment' article of July 1947: "The Soviet power, like the Capitalist world of its conception, bears within it the seeds of its own decay and that the sprouting of these seeds is well advanced."

And what did the secret studies assess during the same period? A 1957 top secret 'Gaither' report authored by a committee led by Rowen Gaither, head of Ford Foundation (which was declassified only in 1973) found the GNP of the USSR to be one-third of the US and that it was catching up in coal and steel production. It was odd that of the 100 people associated with this report, very few were economists and hardly any with specialised knowledge of the Soviet system. This assessment, accepted by all including the intelligence community, became the keystone of the US strategic thinking in later years including the basis for the famous 'missile gap' theory which necessitated arms build-up. Allen Dulles told the US chamber of commerce in May 1958 that the GNP of the USSR, which was 33 per cent of the US in 1950, would be 50 per cent in 1962 with an annual growth of 6 to 7 per cent. Objections from economists like Warren Nutter of the Chicago school that the Soviet figures were propaganda, and that its growth rate did not even equal the Czarist period, did not impress the strategists. Significantly the senate foreign relations committee was told by Nicholas Eberstadt of the American Enterprise Institute in July 1990 that the estimates on Soviet economic output were always based on the US government statistics, especially the CIA's. Henry Rowen of Stanford, who was chairman of the National Intelligence Council (1981-83), circulated a paper in 1985 to some Reagan confidants that the

Soviet economic growth was close to zero. Yet, the CIA said in 1988 that the Soviet Union's per capita income was higher than Italy's.

Despite early indications of the likely impermanence of the Soviet regime, strategic policy to counter the Soviet threat was based on such studies conducted by secret services. Paul Nitze, architect of N.S 68 which had spelt out Truman's 'Roll Back Soviet Regime' policy giving a military dimension short of war (as against the containment policy of Kennan to be achieved through economic and technological means), told a CIA sponsored seminar in 1997 that the 'significantly inflated' threat perceptions from the intelligence community had resulted in the hardening of the US policy. Kennan, addressing the same seminar, had admitted that the intelligence assessments on the Soviet military intentions began suffering a certain deterioration beginning in late 1948. Even the Dolittle (1954) and the Clarke (1955) committees commissioned to look into the functioning of the executive branch and the CIA had found that covert action was getting in the way of accurate intelligence. Unfortunately, covert action became the cornerstone of the CIA's policy as the cold war intensified, and intelligence churned out through covert action became policy.

Moynihan believes that the US assessments on the Soviet Union went so widely of the mark, in spite of capacity to access the best intelligence since the secret sources could not be tested and substantiated before acceptance as policy inputs. Excessive secrecy also affected the psyche of the American nation in the McCarthy and Vietnam era. He feels that much of the witch hunting of the innocents could have been avoided had the intelligence available with the security services been revealed to the nation and the judiciary to focus on the perfidy of Rosenbergs, Alger Hiss, Theodore Alwin, etc. who pretended to be the victims of a rightist conspiracy. Secrecy became such an obsession with the military that even president Truman was denied access to the 'Venona' file on the cryptanalytical achievements against the Soviet Union which also contained evidence of the treachery of some 200 Americans. The same needless secrecy with the 'Pentagon papers' which revealed no operational details helped create a myth of an 'invisible secret government' during the Vietnam period thereby eroding government credibility.

The 'Bay of Pigs' fiasco could have been avoided had the policy-makers studied an open public opinion survey conducted



by the Institute for International Social Research at Princeton in 1960 which clearly ruled out any possibility of shift in the Cuban public's allegiance to Fidel Castro. Significantly, the October 1961 enquiry done by the CIA's inspector general (declassified only in 1997) said, "The CIA failed to collect adequate information on the strengths of the Castro regime and the extent of the opposition to it, and it failed to evaluate the available information correctly."

At the same time, policy-makers chose to ignore recommendations of knowledgeable persons, even defence specialists, towards a more open government. The special task force on secrecy by the defence science board (1970) led by Frederick Seitz of Rockefeller University, comprising members like Edward Teller and Jack Ruina who themselves had designed and built weapons had recommended: "More might be gained than lost if USA were to adopt unilaterally if necessary, a policy of complete openness in all areas of information."

Moynihan has serious doubts whether the policy of excessive secrecy had really protected even defence secrets. He quotes Hans Bithe, who had taken active part in the Manhattan Project, telling Maryland University students in December 1994 that the Soviets would have been able to fabricate nuclear bombs in five years but because of espionage they did it in four!

The following two instances quoted by Moynihan are very relevant even to Indian conditions on how intelligence and security establishments try to swerve national policy to suit their own assessments:

– Secretary of state, Shultz, started getting feelers from Moscow that Gorbachev was interested in reductions in nuclear weapons but Langley had other views. Writes Shultz in *Turmoil and Triumph – My Years as Secretary of State* (1993), "In Washington and especially from the CIA and its lead Soviet expert Bob Gates I heard the Soviets would not change and could not change, that Gorbachev was simply putting a new face on the same old Soviet approach to the world and to their own people. The Soviet Union is a despotism that works, Gates said."

– President Gerald Ford addressing the National Press Club (June 2, 1997) said, "Every year before the Defence Appropriation Committee began hearings in preparation for putting together a Defence bill, the members were briefed by the CIA. They had charts on the wall, they had figures. And their conclusion was that in ten years, the United States would be behind Soviet Union in military capability,

in economic growth, in the strength of our economy. It was a scary presentation. They were the best people we had, the CIA, the so-called experts. How could they be in error. I do not understand, but they were. Thank goodness they were wrong."

Fortunately all these come to light in the US which has a more open system of administration, with the three independent organs trying to effect checks and balance, or to quote the Tower Commission, operate 'in dynamic tension', protecting the rights of citizens. As against this, we in India have developed a culture of hiding matters of the state from the citizens as well as from other organs of the government. Madhav Godbole, former home secretary had recalled how the home minister and his ministry were bypassed by the intelligence bureau in 1991-92 while holding secret negotiations with the ULFA. As a result, the home ministry's views were not considered while finalising a hasty 'agreement' with the terrorist group. That the so-called agreement passed into history more as a publicity stunt was evident by subsequent events. Moynihan laments that the end of the cold war did not bring about an appreciable change in the US government's attitude towards secrecy. While not advocating an end to secrecy, he certainly sees continued disturbing signs in this information age when most of what is needed to decide policy is available openly. Classification decisions in the US government increased by 2.2 million in 1996. Open sources are still often discounted. Moynihan chides the state department spokesman for blaming the CIA on intelligence failure over Pokhran tests, considering this yet another indication of secret intelligence deciding policy. Instead, the US attitude should have been based on the BJP's 1998 election

manifesto, which gave clear indications of the exercise of the nuclear option. If Moynihan feels so stifled with the American experience even with its elaborate system of checks and balances, Freedom of Information Act, Congressional oversight and Inspectors General, how would he react to the Indian situation which may perhaps be the standing example of Richelieu's dictum, "Secrecy is the first essential in the affairs of the state". Since 1947 the US intelligence agencies have been investigated by 12 commissions, five presidential and seven congressional, the last being the 1995-96 Harold Brown Congressional Commission. As against this, anything to do with the government in India is 'restricted' either in 'public interest' or on 'security considerations'. Public access to the institutions of democracy is restricted and credentials have to be proved to gain entry. We keep matters of state away from the public in 'public interest'. We appoint commissions of enquiry to probe governmental failure and choke them by denying access to vital documents on 'national security'. We hide monumental intelligence failures in preventing incidents like the Rajiv Gandhi assassination from the public in the 'interests of security'. Our intelligence agencies commit gravest errors of judgment like the ISRO 'spy' case, destroying the morale of scientists and yet go scot-free hiding behind a veil of 'official secrecy'. We keep vital matters of state away from the parliament. And we have a government which, while in opposition had wanted the intelligence budget to be revealed, now regressing into the dark labyrinths of secrecy by inventing yet another addition to their lexicon of patriotism in tabooing criticism of RAW, as indicated during the Bnagwat episode.

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# Restructuring Power Sector in India

## A Base Paper

Pradip Bajjal

*Several countries, both in the west and in the east, developed and underdeveloped, have introduced reforms in the power sector. In all cases, restructuring revolved around the economic and institutional organisation of the sector and the advantages of introducing competition to raise the overall efficiency in the sector. In India, the reforms already initiated, at the federal level, have been the enactment of laws which enable setting up of regulatory commissions at the central and state levels; provide for separation of generation and transmission as distinct activities; recognise central and state transmission utilities as government companies; allow setting up of private transmission lines within the overall supervision of operation of the government transmission utility; and provide for regulation of transmission by the central and state regulators. Orissa and Haryana had initiated reforms before central legislation and others followed later. This paper attempts to study the initiatives taken in different parts of the world and the benefits of restructuring wherever visible. For India, the paper studies the present stage of restructuring and identifies the programme for the future.*

SINCE power cannot be stored for marketing but must be sold the instant it is produced, it was generally assumed that power sector had to be a vertically integrated monopoly of generation, transmission and distribution. And since power was vital for every country, it was also assumed that the monopoly had to be in the hands of the government. Theoretically, in a country where generation, transmission and distribution are in the hands of public sector undertakings (PSUs) it could be expected that the investment requirements consistent with adequate and reliable supply, would be fully met by the undertakings or through governmental planning/budgetary process. But this did not happen during the last few decades and the quality and reliability of supply of power deteriorated in most countries. Yet, the dogma that electricity supply, like other public services, should be provided by the state, persisted in most countries. When the state provided this service, it had to cross-subsidise between different classes of consumers, to achieve the stated socio-economic objectives of the state. Introduction of subsidies made the electricity market inefficient and lack of competition led to more inefficiencies. When the state supplied electricity, there was inadequate pressure to pay for the service. Cross-subsidies led to very high tariff for some classes and often when these tariffs became unviable, the state itself allowed them to set up captive power plants leading to uneconomic and unviable fragmentation of the grid and unnecessary invest-

ment in unviable units. To introduce private capital, some countries privatised new generation but that led to more problems as the transmission/distribution sector continued to be inefficient/unviable, making entry of private capital in generation very difficult/expensive. The crisis of public sector managed electricity sector hit the economies of several countries hard and the countries tried various measures of reform with varying degrees of success. The privatisation of the power sector is a recent, but internationally widespread trend which has placed greater reliance on market forces and less dependence on government in the allocation of resources. The privatisation of the power sector has been made possible after recognition that the sector could be separated into generation, transmission and distribution sectors and even these sectors could be broken into several companies, without compromising the economic advantages of a vertically integrated government monopoly, which earlier existed in most countries. The over-capitalised investments made by the governments in the electricity sector (generation, transmission and distribution) had resulted in high levels of reserve plant margin (coupled with poor availability) combined with high debt levels and low returns. Monetary restraints and debt placed pressures on most governments to reduce government expenditures and provide for better service to the people. It has now been recognised that introduction of private capital in the power sector, if properly

structured and implemented, can lead to the following advantages:

- Improve public finances through sale of state assets and elimination of subsidies gradually.
- Improve performance of power entities by introducing competition between different players, primarily by creating a wholesale power market, giving higher returns to those supplying power at lowest rates.
- Lower consumer tariffs through creation of institutional framework for dealing with consumers concerns.
- Attract more investment, including foreign investment.
- Develop wider private share ownership in key economic activity.
- Improve revenue realisation at all levels, thus making services more efficient.

### I Reforms in Other Countries

The entire process of reforms in most countries was initiated in the mid-1980s and early 1990s. Some have reformed fast and are at the consolidation stage (e.g., Chile, England, the US, Argentina, Australia), others, in the transition stage (e.g., Brazil, Scotland, Northern Ireland, Holland, Belgium, Sweden, Portugal); but most are still in the formulation stage (e.g., Spain, Germany, Australia, South Africa, Peru, India, Zambia, Russia, Ukraine). The essential aspects of reforms in different countries are given below.

*Chile:* The restructuring of the power industry was the last phase of economic

reforms introduced in Chile. The restructuring of economy started in 1974, to reverse the Allende government's determination to transform, through nationalisation. Phase I of the reform (1974-75) consisted in returning nationalised companies to their original owners, phase II (1975-83) involved sale of about 100 nationalised companies for generation of revenues for the government. Phase III was a stabilisation phase and phase IV started the power sector reform.

Till 1980, the power sector was vertically integrated. In the early 1980s, the PSUs participating in the power sector began to be restructured as joint stock companies. The National Production Company held control of the PSUs in transition, acting as a holding company, in charge of reorganising and privatising the companies under its supervision. Privatisation began with the sale of stock to company employees at low prices, who were allowed to draw upon payments in advance that were set aside as their pension funds. This was an attempt to show that the privatisation process was irreversible. With the start of restructuring, generation and distribution was separated and Economic Load Dispatch Centre (LDC) was created. Restructuring allowed open entry to participation in the generation area, but with no supply or purchase obligation. New generator had to rely on the market for sale of its power. The LDC dispatches the system according to an economic merit order and determines SRMC of the system. During the initial years, transmission remained a monopoly. Generators had right of access to the line if capacity was available, subject to payment of wheeling charge, to be determined by the regulator. Distribution required a licence, which was granted under a competitive bidding system.

Pricing for different segments is determined as follows:

(a) Generators – SRMC. However, prices are negotiated for energy sales to deregulated energy users (large consumers). (This leads to competition and market situation.)

(b) Transmission – SRMC or on the average incremental cost, or negotiated between parties.

(c) Consumers – Node price plus LRMC of the distribution enterprise plus margin. Regulator determines distribution margins every four years.

Prior to reforms, there were heavy defaults in payments by consumers, distributors, etc, and the system was unreliable. There were heavy losses/inefficiencies. Prompt payments increased effi-

ciency/competition and brought the tariffs down for consumers.

**England:** The restructuring of the power sector in England was a part of the restructuring of the whole economy in the UK, a process that started in 1957, but which derived strength and character in late 1970s, the famous Thatcherite years. Yet, the power sector's reforms were delayed till late 1980s, to first put in place the reform structure through widely debated and appropriated structured reform legislation of 1988. The success of the England model is due to a well structured and sequenced regulatory and unbundled system, and the maturity of the restructured components which enhanced investor confidence in their potential profitability, thus increasing investment in the sector and thus more competition and consequently greater efficiency.

Before reforms Central Electricity Generating Board was a monopoly for generation/transmission and area boards for distribution. Competition was introduced through separation of generation, transmission and distribution, and by adding intermediary systems which allowed the cheapest generator to produce more by being able to sell more to the grid and by contracts between generators/large consumers.

The reorganised power sector consists of the following:

CEGB has been divided into three large generating companies – Nuclear, National Power and Powergen – which operate under licence and work in a deregulated

sector with competitive supply/market conditions. Only the nuclear sector remains in government hands.

Area boards have been converted into 12 privately owned regional electricity companies (RECs). The RECs provide distribution services in non-exclusive interconnected service areas. The RECs can supply to large customers in different distribution areas, increasing competitive pressure on distributors.

The strictly regulated National Grid Company (NGC) possesses and operates the national interconnected transmission grid and sub-stations and performs dispatch function under an operating licence. The NGC is jointly owned by 12 RECs, but works under the regulator's supervision.

The maximum competitive pressure is applied by bulk power sales through non-regulated contract and a 'pool' or spot market. The English power pool encompasses the power system of England and Wales, but it is also open to electricity imports from France and Scotland. The 'pool' consists of generators, distributors and trading power intermediaries. The pool price is determined for each half-hour period based on an optimum dispatch schedule, without network constraints, but in merit order according to bids offered by generators or other sellers. The bids lead to a single purchase price every half-hour. The final pool price is determined after adjustment for the eventual difference due to actual load dispatch.

**The US:** For decades, the US power sector worked under the traditional regulatory

TABLE 1: CAPACITY ADDITION, PLANNED AND ACHIEVED

(in MW)

Plan	Target	Achieved	Achieved as Per Cent of Target
V (1974-79)	12499.00	10202.00	81.6
Annual plan (1979-80)	2813.00	1799.00	63.9
VIth (1980-85)	19666.00	14226.00	72.3
VIIth (1985-90)	22245.25	21401.64	96.2
Annual plan (1990-91)	4212.00	2776.50	65.8
Annual plan (1991-92)	3810.80	3026.50	79.4
VIII (1992-97)	30538.00	16422.40	53.77
IX (1997-2002)	40245.20	7468.50	18.55
		(up to March 1999)	(up to March 1999)

TABLE 2: POWER SECTOR OUTLAY AND TOTAL PLAN OUTLAY

(Rs crore)

Plan	Overall Outlay	Power Sector Outlay	Power Outlay as Per Cent of Overall Outlay
V(1974-79)	39287.49	7293.90	18.57
Annual plan (1979-80)	12549.63	2395.99	19.09
VI (1980-85)	95700.00	19265.44	20.13
VII (1985-90)	180000.00	34273.46	19.04
Annual plan (1990-91)	64716.88	12479.64	19.28
Annual plan (1991-92)	72316.75	13678.31	18.91
VIII (1992-97)	434100.00	79589.32	18.33
IX (1997-2002)	859000.00	124526.41	14.5

model where vertically integrated investor-owned utilities supplied power within defined territories, subject to financial and price regulation. The US privately owned electricity sector, due to the creation of vertically integrated geographical monopolies, was sheltered from competition and was criticised for inefficiency. PURPA Act, 1978 encouraged co-generators and transmission regulation. This led to dynamic increase in diversified supply sources much beyond the initial expectations and increased competition, thus weakening IOUs monopoly. By mid-1990s, federal policy created the framework for a competitive market in wholesale power. This led to states vying with each other to be among the first to introduce competition and customer choice in the retail markets.

The US restructuring system has given marked independence to states in setting their own development policies. The state utility commissions establish entry rules and incentives to bring in more competition and lower consumer prices. At the federal level, FERC sets prices for inter-connected transmission services.

The likely congestion in the transmission grid owing to increasing market agreements between generators, distributors and large consumers seeking wheeling services is an area of concern in the US.

The first power pool (PJM) in the world was established in the mid-Atlantic region of North America by the owners of various power utilities. It became a limited liability company in 1997, and started operating as an ISO with membership open to generators, transmitters and consumers. Before formation of PJM, transmission system comprised of monopoly transmission companies where operation was influenced by demand and supply gap in a particular zone. It was observed that sometimes the marginal cost of generation is lower in another zone for a consumer than in the zone to which he belonged. It was then that zonal transmission companies decided to form an ISO with energy exchange taking place across the zone on marginal cost basis. It is pertinent to mention that any transmission work in a zone is to be taken up by a transmission company which enjoys monopoly status in the zone. Similar ISOs have been set up in other parts of the US also. This is against the pattern of only a few years back where the state utilities traded bilaterally only with state interconnectors and almost without any regulation.

**Argentina:** The restructuring of the economy in Argentina was a key element in the stabilisation policy adopted after the

hyperinflation years of 1989 and 1990. It had both economic and political goals: the revenues realised from the sale of public assets were critical in financing the fiscal deficit and reducing public debt, and the continuity of the effort enhanced the credibility of the government's commitment to remedy the problems of the economy. The privatisation process occurred within a very short time frame in early 1990s, and generally accomplished the goals that had been set for it, raising US \$ 17.3 billion for the electricity sector alone.

The power sector in Argentina faced major problems in early 1990s: (a) public inefficiencies; (b) breaks in the payment chain leading to multiple inefficiencies in supply chain; (c) tariffs not related to economic costs leading to inefficient use; (d) supply and transport restrictions; and (e) blackouts. These factors forced the government to plan for major restructuring and in 1992, the transformation took place and a legal framework similar to the one used in the UK was adopted that divided the vertically integrated electricity business into three distinct activities of generation, transmission and distribution. Under the new law the following agencies were set up:

**CAMMESA** – manages wholesale electricity market players transparently, using high technology, facilitating efficient energy generation and sale.

**ENRE** – works as the regulator for the entire power sector.

**WEM** – consists of all generators, transmitters, distributors and large users as well as other participants like traders and brokers.

**Generators** – 80 per cent of the generation is privatised. Generators have freedom to enter into contracts with distributors and large consumers.

**Transmitters** – consist of the national company Transener (mostly 550 KV) (a private company) and six regional and two independent transmitters at 220 and 132 KV level.

**Distributors** – 70 per cent of the sector is privatised and there are about 28 companies in the distribution sector.

**Large users** – enter into agreement with generator, distributor or traders.

**Traders** – are responsible for commercialisation of generation, demand, royalties and exports/imports.

The impact of Argentina's power reforms has been very impressive. Formerly the electricity market was immersed in continuing technical and financial crises and unmet demand resulted from insufficient supply. Today, Argentina has surplus power which can be exported to

neighbouring countries. Installed capacity during the reform period (1992-97) has increased 36.5 per cent, overall thermodynamic efficiency has improved by 45 per cent, net demand has grown by 36 per cent. The contract market now accounts for 60 per cent of the electric energy consumed. Mean prices have declined 47 per cent – from US \$ 49/MwH to \$ 26.

The speed with which the system was privatised has left some serious problems which are now being addressed: A weakness of the regulatory system is that it depends upon competition in generation to set prices and fines in transmission and distribution to assure service quality. There have been cases of failure in transmission and distributions system. The price cap regulation does not provide the near term (five years) for the benefits of productivity gains to be passed on to the rest of the economy through price reductions. Expansion of the grid can only take place if the investment criteria of the private sector owners is justified and the beneficiaries are willing to pay. This often leads to underinvestment in the sector, leading to a sub-optimal grid.

**Australia:** Prior to the reforms of recent years, the supply of electricity in Australia was provided by vertically-integrated, publicly-owned state utilities. The power industry was never operated on a national basis. Interstate grid connections were weak and electricity trade had been limited between interconnected states. The

TABLE 3 SHORTAGES IN POWER SUPPLY  
(Per cent)

Year	Energy Shortages	Peak Deficit
1994-95	7.1	16.5
1995-96	9.2	18.3
1996-97	11.5	17.97
1997-98	8.3	11.3
1998-99	5.9	13.9

TABLE 4 COMMERCIAL LOSSES OF SEBs

	1991-92	1996-97
Unit cost (paise/unit)	117	208
Tariff (paise/unit)	89	158
Shortfall (paise/unit)	28	50
Commercial loss (Rs crore)	4560	10000
Rate of return (per cent)	-12.7	-16.5

TABLE 5 FACT SHEET FOR NATIONAL CAPITAL REGION

	1992-93	1996-97
PLF (per cent)	54	42
Commercial losses (Rs crore)	207	710
T and D loss (per cent)	23.4	44.4
(All India) (per cent)	21.2	20.6
Average tariff (paise/kWh)	134	235
Cost of power (paise/kWh)	164	345

state governments were responsible for operational and planning activities, and tariff structures. The national government's only involvement was as a principal shareholder in a major hydro-electric scheme with the state also being partners in the JV. Some regulatory controls were exercised, mainly control over state borrowing limits, taxation, foreign ownership, and environmental regulations.

Electricity reforms in Australia, initiated in mid-1990s have occurred both at the state and national levels. The nature of reforms is somewhat similar to reforms in the US. The national government's effort has led to a more active role for the national government through the establishment of a national grid and national pool. The new national regulatory regime is light-handed and a form of price regulation has been applied to regulated sectors.

The objective of reform in Australia was to deliver more efficient and sustainable use of capital infrastructure and energy resources to improve Australia's domestic and international performance. The state governments have estimated that electricity reforms would add an estimated \$5 billion annually to the country's GDP.

The reforms were initiated in the states by the national government agreeing to provide financial assistance payments to the states totalling \$4.2 billion (Australian dollars in return for the state meeting their agreed obligation, including reform of their electricity, gas, water and road transport industries. The national government also encouraged reforms by creating a competitive national market. This was done through unbundling; ensuring non-discriminating areas to the national, transmission and distribution system; establishing transmission prices that are reflective of actual costs; ensuring that customers, i.e. generators, marketers and traders have a choice of supplier; using a merit order dispatch system; providing for interstate of generation; ensuring non-discriminatory access for new industry participants in generation and marketing; and establishing uniform regulation based on an industry code of conduct.

The target is that the fully competitive Australian national electricity market (NEM) would develop in stages up to 2001.

The national electricity code establishes the regulatory and operational framework of the new Australian electricity market and binds all participants in the wholesale power generation market to specified rules. The code addresses market rules, grid connection and access, metering, network

pricing, system security and procedures for code administration.

At the state level, significant reforms have been initiated in preparation for their eventual entry into the national electricity market. Although some states have decided not to participate in the NEM, they have implemented reforms where possible to gain efficiencies to supply customers and generators. Each state government has made different arrangements for separating the segments of their electricity industries for entrance into the national competitive market. The state of Victoria is the first and most advanced in its reform among states that are participating in the NEM.

Victoria started its reforms in 1993 with the separation of the electricity systems into generation, distribution and transmission. In 1994, Victoria restructured its state-owned industry further with the intention of privatising it. The generation sector was divided into five companies and the Victoria power exchange was established to operate the wholesale power generation market. The transmission system was divided into two components, high voltage grid network and the power exchange responsible for pool operation and system dispatch.

In addition, the office of regulator general was created to promote competition and efficiency, and to protect the rights of consumers. Victoria initially permitted the five distribution companies to retain monopoly rights to supply power to customers in their respective geographical regions. However in 1996 in an attempt to introduce competition into what was still a state-owned system, large users were allowed to purchase power from any of the generating companies. The current requirement that the five distribution companies have to supply electricity to large customers will be phased out by December 2000. In December 2000, all customers in Victoria would be contestable.

In 1995, Victoria began the privatisation of its electricity assets. Since launching its privatisation programme, the state has generated almost \$16 billion as revenue, an amount which is mostly being used to repay state government debt.

*Brazil:* Till 1993, Brazil's power sector was dominated by Eletrobras, a PSU, holding most of the country's generation, transmission and distribution assets. The government was responsible for setting tariffs and controlling investment decisions. Electricity pricing, being a government decision, was characterised by a failure of average tariffs to cover either

average or marginal costs, discrimination by end-users, and uniformity of tariffs across regions, despite differences in costs. The system also suffered the ills of over-staffing, high energy losses and under-investment in system improvements.

The 1993 privatisation programme included abolition of uniform tariffs, guaranteed rates of return for power companies and established a national grid with open access to IPPs and captive power plants, to sell either to distribution companies or end-users.

However, the main weakness in Brazil's reform plan was not to clearly specify the reform up front, nor the sector's reorganisation plan and associated national regulatory regime. This lack of clarity has hampered privatisation efforts. The sale of two distribution companies were marked by disappointing levels of participation, both in the number of bidders (1-2) and the value of bids. The disappointing response was attributed to the lack of transparent regulatory regime, the infrequency and uncertainty of tariff adjustments and the consequent inability to predict an adequate stream of future revenue. This

TABLE 6: FACT SHEET FOR NATIONAL CAPITAL  
REGION POWER DISTRIBUTION VS REVENUE  
COLLECTED 1997-98

	(Per cent)
Power generated	100
Transmission loss	5
Sub transmission loss	8
Distribution loss	41
Non-recovery	6
Revenue collected	40

TABLE 7: TRANSMISSION AND DISTRIBUTION SHARE  
IN POWER SECTOR PLAN OUTLAY  
(Per cent)

Plan	T and D Share
I	51
ii	25
III	24
IV	26
V	18
VI	26
VII	27
VIII	28
IX	36 (est)

Optimum share: 50 per cent.

TABLE 8: SHORTAGE/BACKING DOWN/PLF  
REGIONWISE DURING 1998-99  
(Per cent)

Region	Power Supply Shortages	Backing	PLF
North	4.8	4.15	67.2
West	5.1	4.65	70.5
South	10.8	0.19	75.4
East	-1.0	27.32	44.3
North-east	2.4	0	18.7

has deterred private investors from making substantial investments in the Brazilian power sector.

**Scotland:** Before the reform and privatisation phase, the sector had been vertically integrated with two regional boards responsible for generation, distribution and transmission. In 1990, these area boards were reorganised into Scottish Hydro Electric, Scottish Power and Scottish Nuclear Ltd. While the first two were privatised, Scottish Nuclear Ltd continued in government hands. Both privatised entities, like in England are allowed to compete in electricity markets in Scotland and also in England. Like in England, regulation serves to protect consumer interests in transmission, distribution and supply. RPI-X technique is also used in Scotland by the regulator.

**Northern Ireland:** Until 1992, the electricity sector was integrated with generation transmission and distribution in the hands of a single national company. In 1992, the generation units were broken into three companies. Transmission and distribution was allowed to remain as a monopoly but direct sale to large consumers as in England applied competitive pressures in the power market.

**Holland:** The system resembles the German system. It has four generation and 38 distribution companies. The distribution companies obtain power from generators or self-generators (surplus power from captive power plants). In 1949, an association of electricity generators was created which owns generation and transmission, including intercountry connectors. The only competitive pressure is put through a law allowing consumers to buy their energy from distant distribution companies or through imports.

**Spain:** Till 1987, the electricity sector was not a vertically integrated monopoly. It was converted into one in 1987, in government hands. Since early the 1990s there have been halfway house attempts at restructuring aimed at separating generation and distribution, but no efforts have been made to put competitive pressures on the electricity sector.

**New Zealand:** In the mid-1980s, the government started examining the efficiency of all spheres in the economy, with particular reference to those sectors which were under state control and where economic gains could be obtained by restructuring through commercialisation and subsequent privatisation. The decision to restructure electricity industry was taken to increase efficiency of the sector by privatising generation through competitive entry of private generators, and

deregulating and most importantly, offering customer choice at the distribution level.

In 1993, a corporatised transmission company was created. In 1995, a wholesale electricity market was created, operated by an independent organisation, the Electricity Market Company (EMCO). The 1995 policy also placed a limit on how much new capacity the central generating company can build in the future. In 1996, this company was broken into two. The central generating companies offer energy in the market and electricity is purchased by bids for energy. The offers are ranked as per the price offer and electricity is purchased based on these bids and generators are dispatched on merit order. Electricity purchase prices are set at the spot-price to satisfy demand every half hour. Large consumers have been given the choice for purchase of power from companies other than the area company.

**Germany:** The sector consists of eight federal companies that own interconnected network, intermediate regional companies functioning between federal companies and end-users or local supply companies, and municipal companies which own the distribution grid. There is no centralised decision centre. The eight interconnected grid owners co-ordinate and agree on the start-up of operation for the different generator groups according to requirements. There is full access to the interconnected network in a regime of horizontal agreements rather than of binding access rights. The only regulatory enactment is an anti-trust legislation.

**South Africa:** In 1991, generation and transmission was a national monopoly with five distribution areas. Electricity control board, a bureaucratic body inefficiently regulates tariffs.

**Zambia:** Reforms are in the planning stage. Zambia has abundant hydro-resources and to harness the same the private sector participation is encouraged for which many benefits have been offered. Similarly, for construction of transmission lines, private sector participation is encouraged. Like in the US, an ISO is planned for the Zambia Power System. System operation and loading of the line is the responsibility of grid system operator, which shall purchase power from generators. The private

transmission companies are insulated from the uncertainty of daily dispatches and are paid service charges covering capital and maintenance cost including ROE for the transmission line.

**Russia:** The Russian power sector is the largest utility company in the world with 430 power plants that produce 1 trillion kWh. During the Soviet era, it successfully provided power suppliers, but in the long term, failed to provide sufficient incentives for generation, consumption, investment or financing. In 1992, after the dissolution of the Soviet Union, the state-owned power sector was converted into a corporate holding company. Initially the holding company was owned by government but later 51 per cent of the stocks were sold to officers, employees and citizens. There is no restructuring yet but the holding company and USAID have mutually agreed to a restructuring plan that would promote competition and economic dispatch of power. Russia's model thus presumes that competition, rather than ownership is the more important factor in enhancing internal productivity of the power sector, by providing impetus for innovation by PSUs. The goals are to maintain a high level of reliability, create a national wholesale market, establish a competitive retail market for large customers, attract foreign investment, and rely on market incentives rather than regulation where possible. The plan has moved very slowly, to the discomfort of the national government. Owing to slow progress of reforms distribution companies are in transition and are experiencing problems like theft, non-payment, over-staffing, losses leading to late payment of wages, and demoralisation of staff leading to more inefficiencies.

**Ukraine:** After the dissolution of the Soviet Union, the individual republics, began transforming their economies to promote competition and attract investment capital. In May 1994, the president issued a decree setting forth 'Measures required for the market transformation of the power sector in Ukraine'. The decree was reconfirmed after elections. The restructuring plan of Ukraine was identical to the British model and set a time target of 18 months. The milestones were unbundling of the eight vertically integrated

TABLE 9: FREQUENCY SPECTRUM OF REGIONAL GRIDS, 1997-98

Year	Per Cent of Time when Frequency (in Hz) was					
	48.5	48.5-49.0	49.0-49.5	49.5-50.2	50.2-50.5	Above 50.5
NR	15.55	12.81	13.6	17.45	9.52	31.07
WR	16.83	11.2	11.0	22.39	9.17	29.41
ER/NER	1.54	4.61	5.73	10.13	5.66	72.33
SR	84.85	7.14	3.52	3.09	1.26	0.14

SOFs into separate companies owning generation, distribution transmission; the creation of a pool and economic dispatch centre; and the creation of an independent federal regulatory body that would oversee the operation of the national electricity market, have jurisdiction over issue of licences and address consumer complaints. By 1995, most of these goals were achieved and the beginning of a competitive pool with economic dispatch of power was in place.

Under the former Soviet Union, the power companies provided many social functions like setting up hospitals, day-care schemes, roads, buildings, etc. With restructuring and the institution of a competitive market, these functions were transferred from the power companies to the federal and local governments.

The restructuring of the Ukrainian electric utility system continues even now. The corporatisation phase of the restructuring has been completed, the unbundling has taken place, the regulatory commission has been created, competitive market introduced but the companies are still government-controlled. The second phase of restructuring will be the privatisation of the newly created joint stock companies, and a schedule for sale and the distribution of the stock has been developed.

**Canada:** In Canada, there is a national energy board comparable to our central electricity authority. But the national energy board's powers are limited to approval of electricity exports and approval of international power lines. The pace of restructuring and regulation has been slow in Canada mainly due to lower electricity costs of predominantly nuclear and hydel stations, absence of federal regulation, dominance of provincially-owned utilities and local issues.

The province of Quebec has started electricity regulation recently. The regulator, Regie de l'energie was established in 1997 to regulate natural gas distribution and electricity transmission and supply monopolies, examine complaints from consumers and to provide a transparent, equitable, independent and impartial decision process.

In Ontario province the government has appointed a committee to suggest the pattern of regulation and restructuring of the energy sector (including power sector). The plan is for introducing full competition into Ontario's electricity system in the year 2000.

In the state of Alberta the government has restructured the power market without appointing a regulator. Traditionally,

Alberta had vertically integrated utilities as in India. On January 1, 1996, the Electric Utilities Act took effect. This act created a power pool consisting of all the electric energy bought and sold in Alberta, along with energy imported and exported through the province. The pool works like a commodity exchange, provides a place for distribution companies and markets to buy power and for power producers and marketers to sell their output. The power pool itself does not buy and sell electric energy. Rather, it operates the market, receiving offers and bids from pool participants and establishing an hourly market price for electricity by matching supply with demand.

**European Union:** Whereas changes were initiated in the vertically integrated power sector in the US, the UK and in many other countries during the 1970s and 1980s, most of the countries in Europe continued with their vertically integrated structure of the power sector till mid-1990s. Most of the changes were initiated after the formation of the EEC and as late as on February 19, 1999 competition was officially introduced in the European electricity markets. European Union directives stipulate that large industrial consumers will then have the right to choose their electricity suppliers. At the same time, new entrants will be allowed to submit tenders for building power stations and supplying customers with power directly over European union transmission lines. Thus for continental Europe, this would start the dismantling of the old vertically integrated model of electricity production and supply – a model which was built and maintained by different countries, fearing market failure in case of breaking up of the vertically integrated monopoly. Political and technological changes have made this kind of centralisation obsolete, so the trade-offs that formally justified less than optimally efficient integrated systems no longer hold. Thus in the first phase of liberalisation introduced by the European

union, the business downstream, wires (transmission, sub-transmission) and retailing (distribution), would be separated from generation. At this point, generators of electricity must compete to sell their output, and such competition becomes feasible. In the second phase, the wires part of the business would be separated from retailing and forced to operate as a 'common carrier'.

Enforcing competition by EU would mean different things in different countries. Scandinavia and the UK are already competitive; Holland and Spain are close behind; Italy, Germany and eastern Europe are about five years away and France is further behind. Though each country in Europe now recognises that competition would come eventually, utilities would work to slow down the process of liberalisation/restructuring/competition wherever they can.

## II Lessons of Reform

Experience of different countries has shown that restructuring of the power sector consists of many parts; each part complementary to the other and the efficiencies of reforms are dependent on the quick and time-bound enforcement of the entire package. Experience in these countries has also shown that half-hearted reforms can lead to problems in the working of the power sector. The components of reform package in most countries are:

- (a) The separation of the government from commercial activities in the sector, but retaining the role of policy-maker for it.
- (b) Setting up of national and state level regulatory commissions to supervise the working of different players in the power sector and regulating them through clear-cut and transparent rules and setting their tariff levels.
- (c) Unbundling the power sector into transmission, distribution and generation.

TABLE 10: BACKING DOWN AS PER CENT OF THERMAL GENERATION

(MU per cent)

	1994-95	1995-96	1996-97	1997-98	1998-99
Central sector	1.97	1.02	0.81	4.05	9.66
State sector	3.48	2.60	1.48	3.47	3.92
Private sector	3.72	2.43	2.79	3.74	6.33

TABLE 11: INTER-REGIONAL TRANSFER CAPACITY AVAILABLE

	1994-95	1995-96	1996-97	1997-98	1998-99
Interregional wheeling capacity (MW)	1630	1630	1630	2630	3000
Generating capacity (MW)	77434	82032	84156	85780	89007
Wheeling to generating capacity (per cent)	2.10	1.98	1.93	3.06	3.37

Note: This inhibits creation of a national electricity market.



(d) Decentralisation of planning process through automatic and easy entry of generators, with no commitment regarding supply and purchase.

(e) Setting up a wholesale electricity market at the national and state level. (Setting up a national level wholesale market normally catalyses the setting up of such markets at the state level.)

(f) Introduction of regulations in the sector that encourage competition and efficiency.

(g) Transparent economic dispatch system at the national and state level.

(h) Incorporation of the private sector under its own risk conditions in a free entry/exit power market.

(i) Direct agreements between generators and also distance distributors with large consumers (to increase competitive pressures on generators and distributors).

(j) Compulsory access to the grid at pre-determined wheeling charges for generators, distributors, subject to line capacity being available.

Interest in restructuring and reform of the power sector is a worldwide phenomenon, being pursued in different forms in different countries, depending on the structure and condition of the economy and political institutions. Yet the core of the reform programme remains the same, viz, establishment of transparent regulatory structure, unbundling of the sector, creation of national and state grids with transparent and efficient dispatch, entry and exit systems, wholesale market in power, more choice regarding purchase to the consumers and other measures that improve competition and efficiency in the sector.

In the western countries, the reform programme is seen as an element of redefinition of the state while in other parts of the world, reform is seen as one component of a broad economic agenda that includes price liberalisation, macro-economic stability, privatisation, creation of legal framework and financial systems that encourage private investment, both through national and international companies. The importance of the power sector in the growing national economies of the developing world puts a lot of pressure on the successful formulation of a restructuring plan. In view of the vital importance of the sector, once a decision to reform/restructure is taken, the national governments cannot allow the policy-makers or implementors to drift and yet at the same time err in deciding the transformation route.

The experience of reform/restructuring in different countries has shown that it generally fails on account of missing pieces in the reform legislation. The reform

programmes have been less successful wherever:

– They were not clearly defined in an identified time schedule.

– They did not lead to setting up of unambiguous regulatory structures to decide on rules regarding tariff, entry to the sector, etc.

– The reform was not an integrated programme which could look at the restructuring requirements of all the players (generation, transmission and distribution) in the sector.

– The reform programme did not remove the potential for political interference in working of entities and in areas other than policies.

– There was inadequate commercialisation of the system before privatisation efforts were initiated.

### III Power Situation in India

It would be clear from the restructuring programmes in a very large number of countries, both western as well as eastern, of the American subcontinent, of Europe and of Asia, that all countries have realised that technology exists to breakup the power sector from the vicious natural monopoly into small niches, where different players can work in a competitive mode. Before we discuss the relevance of restructuring programmes of different countries to India, let us examine the present position of this sector.

Tables 1 and 2 would show that the Indian power sector is facing major problems. They also show that the capacity of the national/state governments to finance the increasing investment needs of the power sector are sharply diminishing. The sector is beset with severe problems of non-payment at each level, increasing losses of state electricity boards, large-scale thefts of power, overstaffing, under-investment in transmission and distribution, problems of evacuation from one region to another, increasing backing down of power due to inadequate transmission and thermal hydel mix, etc.

The reform and restructuring measures introduced in India so far consist of the

setting up of regulatory framework, unbundling of the system into generation, transmission and distribution and setting up of a framework that could break up these into small niches that could facilitate entry of private capital (in some states only though others are also planning similar action through state enactments, etc). Besides unbundling, the reform measures are also integrating the system into one national transmission network.

It may be recalled that at the time of independence, approximately 80 per cent of India's power supply was provided by private companies or local authorities and was thus limited to urban areas. After independence, as the licences of these companies expired, they were taken over by SEBs created under Electricity (Supply) Act, 1948 with the exception of five companies, licensed under the Indian Electricity Act, 1910, in Bombay (2), Calcutta, Ahmedabad and Surat. The SEBs created a vertically integrated monopoly for the entire state. In early 1960s, a need was felt to integrate the state grids into regional grids, looking at the inadequate resources for power generation in different states. Regional electricity boards (REBs) were created by government resolution in mid-1960s to integrate regions into one grid. Later, the REBs were given statutory status in 1991, through amendment in the Electricity (Supply) Act, 1948. Since all the coal supplies came from the eastern states and all hydel sites were located in the north and north-east, further need was felt to integrate the entire country into one grid and a powergrid was created in late 1980s to ensure that power could be transmitted on wires from one region to another, through creation of a national grid. In mid-1990s, regional load dispatch centres (RLDCs) were transferred to Powergrid and REBs continued with skeletal staffing from CEA, to oversee the functioning of RLDCs. With the creation of Powergrid and investment in inter-state and inter-regional lines, it has now become possible to think and plan for an improved integrated national transmission network in the country.

It was realised at the beginning of the eighth plan that the government could no

TABLE 12: OUTSTANDINGS PAYABLE TO GENERATING CPSUs FROM SEBs

(Rs crore)

	1994-95	1995-96	1996-97	1997-98	1998-99
NTPC	3088.10	4048.41	4824.32	6881.95	10408.55
PGCIL	300.55	673.13	311.77	492.88	1113.66
NHPC	589.53	927.20	739.75	1329.92	2793.45
NEEPCO	174.18	195.60	173.91	241.95	511.48
DVC	787.72	922.20	1176.18	952.43	1760.74
TOTAL	4940.08	6766.54	7225.93	9899.13	16587.88



longer finance the incremental capacity requirements of the power sector. In response to this reality, the government formulated a policy in 1991 to encourage investment by the private sector in generation. Legislation governing the electricity sector was amended in October 1991 allowing private investor to generate power and sell it to the grid. The policy permitted 100 per cent foreign-owned companies to set up power project, without any export obligations. Attractive returns were provided in the policy. Since the policy was based on negotiations leading to tariff finalisation, the initial projects led to high tariffs. Besides, the poor financial position of the SEBs which are the monopoly purchasers of power, led the central and state governments to offer many artificial comforts to the new investors.

However, it was soon realised that not many generation projects could come up by this route and unless the sector was restructured and unbundled, investment would not be made in the sector. It was also realised that unbundling could not efficiently take place unless regulators were appointed first. After discussions in different fora over years, the central government issued an ordinance which was later converted into an act in 1998, to enable the appointment of regulators at the national and state level. By another amendment of the electricity acts, transmission was separated as a distinct activity, permitting the setting up of privately funded transmission lines within the control, supervision and operation of the national and state transmission utilities. The enactment also provided that transmission utilities would be government companies and the transmission sector would be regulated by central and state regulators.

Central Regulatory Commission was set up soon after the enactment of the Electricity Regulatory Commission Act, 1998. Such commissions had already been set up in Orissa and Haryana in 1996 and 1998 respectively under state legislations. These legislations were saved by the central government at the time of the enactment of the central act. Subsequent to the enactment of the central act a large number of states have gone ahead with the setting up of regulatory commissions. With the concurrence of the central government, Andhra Pradesh has passed a separate Regulatory and Restructuring Act, in line with the Orissa and Haryana acts. There is need for other states also to pass such restructuring acts. Due to the federal nature of our Constitution, the central government had decided that whereas it would pass an Electricity Regulatory Com-

mission's Act, it would not impose a restructuring model on any state by central legislation but would only issue guidelines and model acts for the consideration of the state governments.

#### INDIAN REFORMS – PRESENT POSITION

The need to introduce competition and more investment, wherever possible, has been the driving force behind restructuring of the sector in India also. Generation was the natural starting point of introducing private participation which was achieved under the 1991 policy by amending electricity legislation. Initially generators were allowed entry on the basis of MOUs and the tariff determined on cost

plus formula. When it was realised that it was leading to high tariffs, the 1995 policy provided for entry of generators on the basis of competitive bids. However, since the sector was not unbundled in all the states, it was soon realised that this was not easily implementable. In 1997, GoI amended the tariff notification for IPPs, and laid down rules for competitive tariff bidding. It was also realised that since most of the thermal and hydel resources were in the eastern and the northern regions, large power plants had to be set up on inter-regional basis, requiring long inter-regional transmission lines. To encourage the states to buy power from such projects, GoI allowed fiscal conces-

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sions to these mega projects. To encourage the states setting up regulatory commissions and to initiate privatisation of the grid, the mega power policy also laid down that the states will be allowed to buy power from these units only if they had initiated such measures.

It was recognised that meaningful reforms will not take place unless more distribution areas are privatised. This has been encouraged through state enactments, mega power policy and by fixing of returns for distribution companies under the E(S) Act, 1948. The ERC acts further clearly provide that regulators will supervise and fix consumer tariffs for different classes of customers keeping in view the principles enumerated in the E(S) Act, 1948.

Generation and distribution were recognised as separate activities in the Indian electricity laws. The Electricity Laws (Amendment) Act, 1998 identified transmission as a separate activity. The Electricity Regulatory Commission Act, 1998 and the state acts had enabled the regulators to be appointed at the national and state levels. The central government and some of the state governments have appointed regulators and a few governments have unbundled the sector into transmission, generation and distribution through state enactments. However a number of elements of reform measures have not yet been attempted at the central or at the state level. These are:

- (a) Setting up of a wholesale electricity market; and
- (b) Introduction of competition and efficiency in the electricity market through:
  - economic dispatch system;
  - compulsory access to the grid to generator and distributors subject to availability of capacity - on prefixed wheeling charges;
  - encouraging direct agreements between large consumers, generators and distant distributors;
  - easy entry into the sector of different players in competitive market conditions supervised by the regulators; and
  - determination of generation tariff in a competitive market environment - through the creation of a pool/wholesale market.

#### IV

#### Agenda for the Future

The federal structure of the Indian state and the power sector is very similar to the structure as it existed in pre-reformed US, Australia and Argentina. The reform programme in India has to suit its own requirements, but it should consider the

structure and methodology followed in these federal countries.

The central government has to take effective steps to set up the wholesale power market, create an electricity pool and enforce market-like competitive pressures. Such initiative at the central level will force the states to create similar conditions (as is clearly visible in the Australia experience).

The initiatives to complete the missing links in the reform chain at the central level fortunately can be taken without any further legislative measures. These can be achieved by government initiated measures and through regulation by central electricity regulatory commission. The components of this initiative would be as follows:

Issuance of the ABT notification by CERC, leading to merit order dispatching, disciplined operation of the grid and stable frequency conditions, making trading and setting up of inter-regional grids easier.

Issuance of a grid code by CERC which can create market-like conditions in centrally administered inter-state and inter-regional power markets.

CERC has been charged with the responsibility of increasing competition and efficiency under the act. The grid code and other electricity regulations to be issued by CERC can thus provide for different reform measures which would increase competition and efficiency like easy, automatic and transparent entry of different players in the inter-state power market and grid under clearly defined principles and rules; and direct contracts between generators/distant distributors and large consumers, etc. This last measure would perhaps require legislative amendment also but can be initiated for central government's large customers without recourse to any amendment.

CERC can also issue rules/regulations for states' transmission lines, whenever central electricity passes through these lines. CERC regulations can thus create a national transmission grid.

It is well recognised that reforms cannot be meaningful unless competition and privatisation are initiated. The centre must, therefore, break up its generating CPSUs into smaller companies and introduce measures to enable competition amongst these companies. These could also later be selectively privatised for generating more resources for further investment and for reducing fiscal deficit pressures on the central government.

Once time-of-the-day metering is introduced in the National Grid, it would be possible to fix time-of-the-day tariffs

through competitive bids. At this stage entry of private hydel projects would be possible without any tariff fixation, agreements, etc. A competitive market would also enable easy entry of new thermal plants without pre-determination of generation tariffs, etc.

Massive investments are required for creation of an effective national grid - since this would require the setting up of a national load dispatch centre and many more inter-state and inter-regional transmission lines. Powergrid does not have enough resources to take up these lines. Entry of private operators in the system would take time. The central government will, therefore, have to examine different funding arrangements for strengthening and financing the national grid. A number of models for such financing are prevalent in other countries and they would have to be studied for implementation.

It also needs to be ensured that breaking up and restructuring of the central electricity sector does not increase the taxation liability of the sector. On the other hand, major fiscal concessions need to be given to the broken up generation, transmission and distribution entities at the central and state level.

As has been identified above, major reforms need to be implemented in a time-bound manner in the central sector. Only such reform measures would encourage the states to follow suit. It has also been identified in the preceding paragraphs that these reforms can be initiated within the present laws by CERC and central government action. These reforms will also follow the pattern of successful reforms in other federal countries. GoI/CERC, therefore, must increase interaction with governments and regulatory commissions of Australia, Argentina and the US to accelerate the process. We also need to engage consultants who had prepared the rules and regulations and implementation documents for execution of reforms in these federal countries. And lastly, between the government of India and CERC we must finalise a time-bound schedule for finalisation of the central reform plan and for implementing it.

The follow-up of reforms at the state level and creation of wholesale market, open access, direct agreements between generators/consumers will throw up a number of policy issues at the state level. It is expected that the reform patterns being initiated in Orissa, Haryana, Andhra Pradesh, etc., would provide answers to complicated and sticky policy issues. Once any state shows a successful model, other states are bound to follow suit.

# Colonialism and Liberation

## Ambedkar's Quest for Distributive Justice

Vidhu Verma

*Ambedkar denounced caste system for violating the respect and dignity of the individual; yet his critique of caste-ridden society also foregrounds the limits of the theory and practice of citizenship and liberal politics in India. Since membership of a caste group was not a voluntary choice, but determined by birth and hence a coercive association, the liberal view of the self as a totally unencumbered and radically free subject seemed plagued with difficulties. Though the nation state envisages a political community co-extensive with one cultural community, it need not, Ambedkar argued, necessarily lead to abolition of discriminatory caste practices in civil society. To restore the cultural rights of stigmatised populations, unredeemed by the nation state, propelled Ambedkar to seek solution in Buddhism.*

IN this essay, I examine the ideas of Bhimrao Ambedkar (1891-1956) who was a dominating figure and active organiser of the dalits during the anti-colonial struggle against the British in India.<sup>1</sup> I examine his concept of distributive justice which is based on the idea of a casteless society. This is of course a vast topic, and in order to make it manageable, I shall concentrate on certain aspects of his theory, namely, the critique of domination and oppression of dalits, and their exclusion from the rights of citizenship. Ambedkar's main claim is that a society based on the caste system cannot be a 'real' community because it violates the respect and dignity of individuals.<sup>2</sup> I shall argue that his critique of a caste-ridden society raises some interesting questions about the limits of the theory and practice of citizenship and liberal politics in India. My intention here is to analyse his ideas on equality and justice in the way they complement other themes and concepts in his work. Since many arguments in this paper are part of a larger project, the numerous simplifications may be regarded as tentative and provisional.

To develop the setting for the discussion on distributive justice, I argue in Section I that Ambedkar's critiques of both the role of the Indian National Congress and brahmin domination of society place him in an uneasy position within the discourse of nationalism. In Section II, I examine the views of Gandhi and Ambedkar on equality and distributive justice, which I contend, reflect the differences in their approach towards the abolition of the caste system. In Section III, I critically examine three components of Ambedkar's theory of distributive justice. Having done this, I return briefly, in the final section to argue that while Ambedkar believed both in the basic tenets of liberal politics and a casteless society, the principles behind

the one often contradict those behind the other.

Some of the questions raised in this account are: first why did Ambedkar differ from other nationalist leaders in his analysis of Indian society? What is the concept of swaraj in Ambedkar's account of brahmin domination? How did Ambedkar resolve, if he ever did, the idea of separate electorates with a conception of distributive justice in the struggle for the liberation of dalits? But in focusing on Ambedkar, some might object that I have ignored many other arguments presented in favour of liberation. Before I look at possible answers to these questions I will give some reasons why it is important to look at Ambedkar from my perspective. There are three contemporary debates to which I hope this essay will make a contribution.

First, consider the claims made by the historians of the freedom movement led by the Indian National Congress. The view that the national movement is a 'popular, multi-class movement' is grounded on the assumption that the entire world of political action can be comprehended through the categories of imperialism, nationalism and communalism.<sup>3</sup> As a corollary to the above, there is the assumption that the concept of nationalism has a deeper significance and therefore it resists multiplicity and retains its indissolubility despite every attempt to resolve it into subdivisions such as region, class, caste and gender.

Of course, recent history writings, represented for example by the historians of the subaltern school, question these assumptions to a large extent.<sup>4</sup> But it is surprising how often one reads about 'subaltern' protests without encountering the name of Ambedkar, and his efforts to improve the condition of the dalits. Moreover, these critiques of colonial discourse valorise indigenous communities; this makes impossible sympathetic evaluations

of many movements for women's rights and lower-caste protests which might have utilised aspects of colonial policies and western ideologies.<sup>5</sup>

I will argue that the question of the identity and existence of the nation was addressed by Ambedkar in opposing there elite-led nationalist project. What was the nation, what was national oppression and the way to overcome it, was a common question. What is interesting is his answer which focuses on the oppressive character of the Hindu community based on the principles of the caste system. By arguing for the rights and basic needs of the dalits, he challenges the assumptions of both nationalist politics and indigenous communitarian politics. By choosing to discuss Ambedkar, I hope to point towards histories not neatly preoccupied with anti-colonial nationalism; once ensnared within the 'particularism' of national politics, these leaders found it difficult to maintain focus on social disadvantage as the main fulcrum around which politics should be organised.

The second problem which arises in focusing on Ambedkar is of locating him in the debate on modernity and tradition. Of the various streams which responded to colonialism, Ambedkar could be inaccurately placed, in the category of 'modernists'. This response, as described by Bhikhu Parekh, viewed Hindu society as "beyond hope and their salvation lay in radically restructuring it along modern or European lines".<sup>6</sup> The modernist programme for the "regeneration of India consisted in creating and using a strong, interventionist, democratic, secular and centralised state to recreate society".<sup>7</sup> Although they covered a wide spectrum, the proponents of this view were united in their belief that the state stood for modernity and society for tradition.

I believe, Ambedkar articulates the theme of modernity by claiming that individualist

forms of organisation typically replace communitarian ones like the caste system in modern society. He shares much with his contemporaries in the liberal tradition on this project. However, he goes further because he envisions the reconstruction of our existence embedded in social relations characterised by caste groups. Despite his belief in the project of modernity, he departs from other exponents of this tradition by giving new arguments for certain concepts like equality and distributive justice in the colonial context and by adopting a critical position on the European experience. The prospect of moulding India or its institutions in the image of the British had no appeal for Ambedkar. For how else could he turn to Dhamma?

I raise this point because it is of great importance in the current debate on modernity and tradition in political science. Some scholars question this dichotomy by arguing that "a transformed version of this 'traditional' structure had become a vehicle for representative and parliamentary democracy and was functioning as a democratising force". Caste, according to this view, "was anti-caste, in that the horizontal mobilisation of larger lower caste communities was gaining them power, status and wealth which allowed them to challenge and overturn the hierarchy of caste as ritual rank... In this sense, 'traditional' structures and communities of sentiment, identity and action seemed to us by no means irrelevant even to competitive democratic politics and the realisation of egalitarian values."<sup>8</sup>

Now this is very different from what Ambedkar wished to achieve by questioning this dichotomy; he saw the caste system as a serious obstacle in the path of democracy. According to him, democracy lies not in the form of government but in terms of association between the people who form that society. Because Indian society is divided and graded on the basis of the caste system, it is not democratic.<sup>9</sup>

The third problem is to explore how questions of caste have entered into formulations of both Indian and Hindu nationalism. According to Gail Omvedt, even before Veer Savarkar developed a coherent Hindu ideology during the 1920s equating 'Hinduism' and 'nationalism', "the dominant elite ideological trend by the end of the 19th century was that of a revitalised Hinduism equated with nationalism".<sup>10</sup> This is the most difficult area to explore. Ambedkar's relationship to the national movement was complicated and problematic. The fundamental error, Ambedkar believed, was to fail to see the

danger from the views of, not of the orthodox Hindu, whom he had given up years before as hopeless, but of Gandhi and the Congress. Why could he not isolate the obscurantist and parochial current in this confrontation? In sections below, I address the first two questions, and partly look at the third. I should like to examine the latter at somewhat greater length in the future.

#### INDIAN SOCIETY: AMBEDKAR'S ANALYSIS

The first question which arises is: Why did Ambedkar not endorse the nationalist discourse of this period? There are several answers to this. One explanation for this is given by Omvedt when she writes: "It is impossible to conceptualise the dalit movement in India in the absence of Ambedkar, it is equally difficult to imagine, sociologically, Ambedkar coming of any other region than the Marathi-speaking areas of British presidency."<sup>11</sup> Let us explore this a little bit more.

Omvedt refers to the existence of an important tradition of anti-caste movement in Maharashtra that needs to be seen as part of the response to industrialisation and urbanisation. This was the site of the radical movement of Jotiba Phule's Satyashodhak Samaj, and from the time of Tilak, it had also provided a strong base for Hindu revivalism in the form of a Hindu Mahasabha.<sup>12</sup> In fact, the Indian National Congress held its first session in 1885 in Bombay.

There was another reason for Ambedkar's critical position on nationalist politics. He was a mahar, the largest untouchable caste in Maharashtra. His actions, then, according to Zelliot, "were moulded not only by his own personal background, and achievements, and the Maharashtra thinking of his day, but also by his status as an untouchable".<sup>13</sup> This group he came from had begun social and political movements before he assumed a position of leadership.<sup>14</sup> Behind this identification with a non-brahmin group lay the logic of a movement that was essentially anti-caste and not simply a movement for 'untouchability removal' or 'self-reform'.<sup>15</sup> This is not to say that the Mahar movement in the later 19th century was an isolated movement but only to suggest that all these influences constantly streaming in are employed by Ambedkar in a new sense and directed towards a new solution.<sup>16</sup>

To what extent does his work, in this political scenario, represent more than a resuscitation of known and traditional ideas and to what extent does it deviate from the traditional mode and contain new and original thought? There is no doubt that

Ambedkar's writings chiefly captured the political tradition of their time: the philosophical views of that time must be at least in part responsible for his dissatisfaction with the nationalist discourse – the new political mood after the Montague-Chelmsford Reforms; an awakening among the minorities for safeguarding their interests in relation to the Hindu majority which pointed towards wider political participation in the national movement. Yet, his thesis does not fit in with the dominant discourse on nationalism. One of the reasons behind Ambedkar's verdict on the national movement and its leaders, I believe, was their general indifference to caste issues. The intelligentsia, as part of the Congress leadership, organised first as social reformers against the British, and also organised as nationalists to challenge many aspects of Indian tradition. But they remained very ambiguous towards removal of the caste system.<sup>17</sup> Linked to the debate on social and political reform was the issue of class. Many communist leaders analysed caste in a mechanical class framework and sought to override traditional identities rather than re-interpret them.<sup>18</sup>

Therefore, a plausible explanation could be found in his own solution for liberating the dalits. Ambedkar realised that the identification of Indian culture with Hinduism is incorrect. Because he believed that absorption into Hinduism meant the acceptance of Hindu leadership in the national movement, he felt it would be wiser to take chances with a religion which has many safeguards. At first, he tried to assert the path of radical autonomy, encouraged the dalits to form their own organisations and to deal independently with some basic issues. It means that the dalits themselves "would have to redefine and reconstitute their relations with the whole of Hindu society".<sup>19</sup> But if the dalits were not Hindus, what were they? In fact, a non-Hindu choice seems to have led him finally, to identify with Buddhism.<sup>20</sup>

At the theoretical level, Ambedkar's language turned out to be singularly open to misconstruals. It was not easy for many to accept the Indian National Congress, social reform organisations and the Hindu Mahasabha as irreconcilable opponents of the dalits; neither was it easy to accept the praise accorded by Ambedkar to the British state for raising the status of untouchables. Even more open to misunderstanding was Ambedkar's critique of nationalism: whereas Ambedkar attacked the Congress for their failure to recognise caste issues, he was erroneously taken to reject nationalism altogether. He was supposed to be

not only anti-national but to advocate a separatist policy which was anti-sectarian as well. Opposed by both traditionalists and Congress leaders, Ambedkar reserved his most bitter attack for Gandhi's reformism.

#### DISTRIBUTIVE JUSTICE: DEBATE WITH GANDHI

In this section, I examine the conflict between Gandhi and Ambedkar in terms of their ideological difference on the caste system. Both the thinkers approach the matter from quite different angles. I argue that there are real and serious disagreements between them, especially regarding the conclusions that each of them draws from their premises.

Gandhi had two arguments against untouchability: the unity or the political argument and the ethical argument. I shall examine these in turn.

As a leader working for a national goal, Gandhi argued for removing injustices faced by 'untouchables' because he felt the need to weave the divergent interests in India into a unified opposition to the British; he argued for pursuing this course of reform without challenging the social fabric of Indian society. He emphasised that a political separation of untouchables from the rest of the Hindu population would reduce Hindu plurality vis-a-vis other minority groups, in part, the Muslims.<sup>21</sup>

The ethical argument is premised on the view that Hindu society must rest on moral consensus, that political conflict can only be kept within bounds if there is a moral consensus on the caste system. Gandhi's ethical argument rested on two claims. First, he claimed that the heart of the caste Hindu could be changed by applying moral pressures within the framework of the Hindu tradition. Second, there was an obligation on the caste Hindu to be individually responsible towards the lower caste groups. In his conception of the moral or perfect society, Gandhi maintained that its enduring basis can only be the moral calibre of the individuals who constitute it.

Although Gandhi's views changed over the years, he always believed in the *varnashramadharma*, the divinely ordained division of society into four defined groups according to duty: brahmin, kshatriya, vaishya, shudra. In an exchange of views on this problem, he said:

I do not believe the caste system even as distinguished from varnashrama to be an 'odious and vicious' dogma. It has its limitations and defects but there is nothing sinful about it, as there is about

untouchability, and, if it is a bye-product of the caste system, it is only in the same sense that an ugly growth is of a body or weeds of a crop. It is wrong to destroy caste because of the outcaste, as it would be to destroy a body because of an ugly growth in it, or of a crop because of its weeds...<sup>22</sup>

Later, he distinguished between caste and varna. In his response to Ambedkar's undelivered speech titled: 'Annihilation of Caste' (1936),<sup>23</sup> he said:

Caste has nothing to do with religion...it is harmful both to spiritual and national growth. Varna and Ashrama are institutions which have nothing to do with castes. The law of varna teaches us that we have each one of us to earn our bread by following the ancestral calling. It defines not our rights but our duties...The callings of a brahmin – spiritual teacher – and a scavenger are equal, and at one time their due performance carries equal merit before god and seems to have carried identical reward before man.<sup>24</sup>

To this Ambedkar replied, questioning the logical conclusions of his doctrine: "When can a calling be deemed to have become an ancestral calling so as to make it binding on a man? Must man follow his ancestral calling even if it does not suit his capacities, even when it has ceased to be profitable? Must a man live by his ancestral calling even if he finds it to be immoral?"<sup>25</sup>

Following arguments from justice, rather than arguments for unity, Ambedkar states that existing inequalities cannot be morally defended: to avoid the morally illegitimate exclusion of untouchables one would have to differentiate conceptually and practically between different levels of citizenship.

Ambedkar proposed these arguments when he came into conflict with the Congress, and with Gandhi in particular, on two occasions – the temple entry attempts and separate electorates. Ambedkar put forward arguments based on the principle of liberal equality and distributive justice to sustain his case. Equality meant not the equal status of varnas, but equal social, political and economic opportunity for all.<sup>26</sup>

At first, he made several attempts to gain religious and social rights for the untouchables, by using the Gandhian technique of satyagraha; drinking water from a public tank in Mahad (1927), temple entry to the Parvati temple at Poona (1929), and then the Kala Ram temple at Nasik (1930-35).<sup>27</sup> The failure of temple entry movements demonstrated, according to Ambedkar, that the untouchables were not really a part of Hindu society and would

never be accepted as equals by Hindus within that framework. It was quite obvious that this low threshold concept of a legal conception of equality allows for different degrees of political participation. In short, it does not allow for a corresponding conception of political citizenship. Thus, from a position of questioning the brahmanical social order, Ambedkar moved towards its rejection: raising the issue of conversion by the untouchables in 1935.

But there was another reason. The second occasion was the Round Table Conference held in 1930 at London, where both leaders confronted each other on the issue of the political rights of depressed classes.

Earlier, in the 'Evidence before the Southborough Committee on Franchise' (1919), Ambedkar (invited as a delegate of the depressed classes) had argued eloquently for uniform franchise, for securing access for the depressed classes to the public sphere – to public wells, roads, schools, temples, and cremation grounds – and for special provisions for their adequate representation of their interests and opinions.

Untouchability constitutes a definite set of interests which the untouchables alone can speak for. Hence, it is evident that we must find the untouchables to represent their grievances which are their interests, and secondly, we must find them in such members as will constitute a force sufficient to claim redress.<sup>28</sup>

After the Round Table Conference, (where he argued against a general territorial electorate for the untouchables), the communal award of 1932 gave the depressed classes, a double vote, one in a special constituency and one in the general electorate – a decision which appeared to recognise untouchables as a minority group outside of Hinduism. Gandhi's response was to enter fast unto death on September 20, 1932. He expressed his argument on the grounds for unity between the two:

a heart understanding between the two, the greatest opportunity of repentance and reparation on the part of the suppressors...I would therefore favour widest possible franchise for the suppressed and establish a convention between the two sections for securing proper election of representatives of the suppressed.<sup>29</sup>

Under great pressure from other political leaders, Ambedkar relented. However, the Poona Pact, which followed, recognised untouchables as a political category across British India by providing reservations of seats for the depressed classes in the centra

legislature and in the provincial legislature.<sup>30</sup> Admittedly, all of these changes had hardly any effect on the economic conditions of the untouchables, but it did set in motion an important process of transformation at the level of ideology which I now examine.

#### LIMITS OF AMBEDKAR'S QUEST FOR LIBERATION

In a limited sense, Ambedkar's conception of equality and justice derive from the liberal vision and tradition. But given the context of the colonial state, he departs from that tradition and innovates thinking about justice in a remarkably novel way. There are three components of Ambedkar's theory of distributive justice. (a) equality of opportunity for all citizens, (b) critique of Hindu society based on an autonomous ideology, and (c) establishment of a casteless society by removing oppression and domination. There might be other aspects but for the purpose of this paper and my argument, I shall only focus on these. I shall critically examine each in detail to point out the limitations of this project.

Ambedkar accepted a legal and social conception of equality, which I call the formal principle of a liberal conception of equality. It entails the elimination of arbitrary advantages in a social and economic system, irrespective of whether the inequality results from one's choice or that of another.

(a) All social inequalities are unnecessary, and unjustifiable and ought to be removed.

What he also found desirable was the idea of equality of opportunity for all human beings in the social and political sphere.<sup>31</sup> It was further linked to his argument for more abundant political and civil liberty for dalits. On his account this requires that any government treat all those in its charge as equals, that is, as entitled to equal concern and respect. I also interpret this idea of equality of opportunity as an example of the maximisation of equal liberty. In this view, to demand equality of opportunity is to demand the removal of obstacles that stand in the way of an individual realising his potential.

Ambedkar's initial programmes attempt to integrate the dalits into society and politics through 'modern' political institutions. He put his faith in the constitution and the legislative process, as well as the representative bodies to correct social and economic injustice. Ambedkar's ideal for the low caste groups was to raise their educational standard so that they may overcome the social disadvantages

imposed by their birth, and be in a position to use political power in resolving problems of injustice. His adaptation of western concepts is reflected in the way he used to justify political rights of the dalits based on democracy, fraternity and liberty, in Marathi speeches; he conveyed the implication of these concepts in a single word, *manuski* which means 'humanity'.<sup>32</sup>

While Ambedkar saw the prescriptive uses of the concept of equality in moral and political arguments as quite useful, he was conscious of the inequality of treatment based on caste and tradition. To bring about a more substantial equality must involve treating people differently which is contrary to the formal principle. For such reasons he advocated a separatist policy for the dalits which might accentuate caste distinctions at an initial stage but eventually make these identities unimportant. Therefore, Ambedkar insisted on the right to take into account the special claims of certain communities which had for centuries been excluded from position of equality and respect.<sup>33</sup>

Departing fundamentally from the individualist premise of the equality principle he proposes:

(1) A theory of rights as legal entitlements casting obligations on the members of civil society. The 'untouchables' had a set of rights and the state a duty to eradicate discriminatory practices. Norms of non-discrimination apply not only to government but also to civil society—corporations, schools, places of worship, etc.

Where the rights theorists of the 17th and 18th century tended to regard right as a faculty of possession, Ambedkar encourages us to stress the relational aspect of rights. The important point here is that these rights are put forward as important elements or vital ingredients in a fully realised human life.<sup>34</sup> The core argument is that members of the group suffer because they are neither accorded the same respect nor afforded the same opportunities as other persons or groups. They are prevented from realising their capacities, in other words, they are not treated with full respect and dignity.

(2) The basic human needs of the dalits were not only material (wealth, occupational mobility) but non-material; all have the right to be human and the right to live with dignity and self-respect. Although, he stressed the need for reservation in representative institutions, this is only to acquire equality in other goods. For such reasons, he extended his theory to cover such goods as self-respect, power and honour.

Therefore, I argue, Ambedkar accepted the premise of equality but advocated group-based politics to achieve that goal. The first is constitutive and the second derivative.<sup>35</sup> Ambedkar eloquently pleaded the case the necessary priority of community claims over individual rights on the grounds that these departures from formal equality could be justified in the following way:

*The anti-discriminatory theme:* The anti-discriminatory principle's main purpose is to prevent private practices and legal procedures from stigmatising the individuals involved. This was viewed as necessary given that structural forms of oppression against the dalits were well entrenched. To remedy this social malaise Ambedkar raises the possibilities for political participation of dalits through reservations. It was his view that a legislature 'mainly composed of high caste men, will not pass a law removing untouchability, sanctioning inter-caste marriages, removing the ban of the use of public streets, public temples, public schools...' <sup>36</sup>

*The reparation theme:* The other idea was that of historic injustice suffered by the dalits. This theme was proposed to offset the systematic and cumulative deprivations suffered by lower castes in the past. Ambedkar argues that some oppressive cultural practices and social institutions result in injustice and accumulated disabilities for untouchables.<sup>37</sup>

He was aware of the conceptual incoherence these themes gave rise to when applied to policy issues. But as I have argued so far, this is a derivative political position. In fact, he was to warn of the possibility that these special claims might eat the general rule of equality altogether. Unlike anyone else, he pursued the argument that "the constitution should not only declare that we shall have specific rights that every community will have, but that the constitution should provide ways and means by which we shall be protected in the exercise of these rights".<sup>38</sup>

The second component of Ambedkar's theory of distributive justice was the construction of an 'autonomous' ideology opposed in fundamental respects to the traditional ideology of varna. The central problem, for him, in this regard was the formulation of a counter-ideology which can bring about radical social change; he was concerned to fight for a new society based on equal concern for all.<sup>39</sup> This is evident from his critique of the Hindu community on the following basis: (1) the community as unequal; (2) the community as based on segregation both territorial



and ideological; (3) the closed nature of the community; and (4) the distinction between the public and private sphere.

The first aspect of his critique was directed at the theory of 'chaturvarnya' which makes the principle of graded inequality 'the basis for determining the terms of associated life as between the four varnas'. This is not merely notional, but legal and penal: under this system the shudra is subjected to innumerable ignominies and disabilities so as to prevent him from raising above the conditions fixed for him by law.<sup>40</sup>

The second aspect draws attention to the permanent segregation of people in the Hindu community based on the ideological principle of purity and impurity. He rejects the territorial segregation which accompanies this. While distinguishing between the rights of untouchables and the pure he raises some fundamental questions of citizenship: "But the impurity of the 50-60 million of the untouchables of India, quite unlike the impurity arising from birth, death, etc, is permanent: The Hindus who touch them and become polluted thereby can become pure by undergoing purificatory ceremonies. But there is nothing which can make the untouchables purer...It is a case of permanent, hereditary stain which nothing can cleanse"<sup>41</sup>

The third aspect of his critique is directed at the nature of closed religious communities without entry points. In 'Mr Gandhi and the Emancipation of Untouchables' (1945), he points out that the legislative majorities and minorities are political categories which are fluid subject to the process of party formation and electoral practices. But the Hindu and the untouchable relationship cannot be captured by these categories. Their difference is that 'they are separated by a fundamental and deadly antagonism'. Hindus and untouchables are not fluid categories but they are 'fixed as permanent communities'.<sup>42</sup>

He argues against nationalist attempts to define what it means to have equal opportunities – in terms of having the same distribution of results for major social groups in the public sphere. He revealed the inequality in the social sphere arising out of the nature of closed religious communities, because "most people do not realise that society can practise tyranny and oppression against an individual in far greater degree than a government can... What punishment in the penal code is comparable in its magnitude and its severity to excommunication?"<sup>43</sup>

On the basis of these propositions, Ambedkar's solution for the dalits – the

establishment of a casteless society – went beyond the liberal framework he was located in. Let me try to reconstruct his argument.

From a liberal point of view, Ambedkar was arguing for an individual's freedom to associate; to form communities and to live by their own terms based on equal concern. A corollary of this is that the individuals should be free to dissociate from such communities.

Again, his view placed great weight on the nature of communities as voluntary associations. But, since membership is determined by birth in a Hindu community, rather than by deliberate choice, it is a coercive association. There is no option of entry for those born outside – even though groups might seek to redefine their boundaries. While superficially attractive, the liberal view of the self as a totally unencumbered and radically free subject seemed plagued with difficulties.

This eventually led Ambedkar to locate the distinction between a (voluntary) political community within which an individual exercises his legal rights, and a (coercive) cultural community within which individuals could not even formulate their aims.<sup>44</sup> People who have the same rights to citizenship may not have the same cultural rights. A political community, argued Ambedkar, may not be co-extensive with one cultural community, as is envisaged by the nation state. For Ambedkar the two forms of community do not always coincide. This distinction leads him to argue that individuals are free to leave – to renounce – membership and to reconstitute their own community. Here Ambedkar was mistaken in his assertions about liberalism's implications: there was no good reason for any liberal to support him in this. But I believe it is this very justification that inspired him to seek conversion to Buddhism.

In Ambedkar's opinion the transition from British to Hindu masters signified no emancipatory potential for the masses. The fight for a national cause, according to him, misconstrues the role of swaraj: "In the fight for swaraj, you fight with the whole nation on your side. In this, you have to fight against the whole nation and that too, on your own... In my opinion, only when the Hindu society becomes a casteless society that it can hope to have strength enough to defend itself. Without such internal strength, swaraj for Hindus may turn out to be only a step towards slavery."<sup>45</sup>

It is this total programme of societal transformation which constituted his conception of swaraj. Swaraj was not just

freedom from the British, it was a freedom based on distributive justice.

#### CONCLUDING REMARKS

Ambedkar's critical dialogue with some Congress leaders and his struggles to reform Hindu society occurred within a colonial context. His struggle is not with faith but with false brahmanical beliefs not with religion but with brahmira domination of Indian society. He portrays the nature of the caste system in our society in particular using it to show that Hinduism was incapable of establishing a just political and social order. His view differed from other nationalist leaders and social reformers in that he never claimed higher caste status for untouchables, nor did he ever invoke another claim – that untouchables were pre-Aryan, the original settlers of the land or claimed spiritual equality for lower castes within the Hindu tradition. And most importantly his reforms were not directed towards the caste-Hindus.

Unlike other critiques of brahmira domination and caste hierarchy which focus on the unity argument, Ambedkar's critique provides a justice argument against the caste system. Most nationalists argued that their country was fragmented, deeply divided into a large number of castes, sub-castes and local communities; that is why the Hindus had failed to develop a sense of mutual concern and social compassion. Ambedkar's theory of caste oppressor focuses not only the distributive paradigm (allocation of material goods such as resources, income, wealth or the distribution of social positions, such as jobs) as many contemporary liberal theories do, but also brings out the issues of decision-making (representative institutions for the dalits division of labour (occupational mobility) and culture that bear on distributive justice but were often ignored in national assessments of their social structure.

This argument was premised on two views: (a) the problems of dalits would always have a particularity that could not be subsumed under class or national mobilisation; (b) the status of the dalit was 'irreversible' if they remained isolated within Hinduism. Therefore, he formulated dalit liberation in terms of two solutions – political assertion through separate electorates and ideological liberation from Hinduism by converting to Buddhism.

Unfortunately, the very cogency and persuasiveness of his arguments raises questions as to the broader contours of his thesis. Dissatisfied with the dominant proposals for the reform of the caste system Ambedkar undertakes a recovery of



Buddhism as a religion that relates to individuals with dignity and respect. However, Ambedkar's point that Buddhism provides the needed theoretical framework to understand Indian politics has its weaknesses. Indeed, by spending considerable energy exploring key conceptions in Buddhism such as ahimsa, rebirth, karma, etc., Ambedkar leaves us wondering how helpful Buddhism is if the terminology is so open to interpretation.<sup>46</sup>

Behind this solution lay the laudable ideal that responsibility for removing group identity status lies with the dalits themselves, not with the larger dominant society. But it is an explanation that completely ignores the pernicious effects of casteism in the Indian social fabric. On the flip side, Ambedkar's 'self-help' ideology perpetuates the mythical notion of a 'monolithic' dalit community which made it possible for them to confront other parties. But this political legitimisation also pre-empts questions of interest differentiation among the dalits.

This takes us to my final observations. All this is not to deny that in his critique of the caste system, Ambedkar is clearly arguing for expanding the rights of citizenship to the 'untouchables'. At a more substantive level he is pushing the case for a casteless society without oppression. How was this possible in practical politics?

My own view is that these two perspectives are contradictory if the objectives they focus upon – the promotion of political and social equality, the abolition of the caste system – are conceived as aims in themselves. But unlike the abolition of the caste system, I do not believe, in Ambedkar's writings, that liberal politics with their emphasis on rights, equality of concern and respect, or freedom to associate can sensibly be defended as more than an instrumental objective. He believed that the more an individual's rights are restricted due to his caste location – for example by constricting the mobility in occupation, of residence, of religion, etc – the less possibility is there of social and distributive justice. The principles underlying the caste system unlock the mystery to the inequalitarian distributive outcomes in other spheres. I do believe that it is an important consideration and one that plays a key role in what I regard as the only cogent justification for removing caste system in Ambedkar's work. He poses the question whether separation, in some fashion, from the larger body politic, may produce more tangible results than have previous strategies (Gandhi's and Shinde's) aimed at integrating them into the system. Hence,

his arguments for separate electorates for dalits should be seen as derivative; equal opportunity in liberal politics was not his ultimate goal. In fact, he wishes to achieve much more.

In the most general sense, the dalit community is reconstructed by analysing the structural antagonism and conflict within the Hindu community: the idea of shared meanings, of normative frames and cultural values is questioned. By developing a theory of oppression of the untouchables by locating their exploitation, marginalisation and powerlessness, he highlights the structural and institutional relations that delimit the lives of the dalits. He also gives prominence to their cultural oppression which means how the dominant meanings of our society stereotype one group.

Ambedkar always thought his account of the role of caste system and its ultimate demise was superior to any other. And as history has shown, he was too optimistic in his predictions and not clear enough in this vision. However, mistaken he was in this analysis and however short-sighted he might appear to many scholars, with respect to the discourse of nationalism, the chief application of Ambedkar's political thought may be seen today to reside in his reflections on social and distributive justice. The subsequent course of Indian politics was to prove him correct; it was not the nation state but its opposite, – irreconcilable political clashes between religious communities and caste-wars that would become the order of the day.

### Notes

[This article is a revised version of a paper presented at the conference on 'Colonialism and Liberation', September 19-20, 1997, organised by the Developing Countries Research Centre and Dayal Singh College, Delhi University. I should like to thank the organisers and participants for their remarks and suggestions. I am specially grateful to Neera Chandoke for encouraging me to work further on the paper. Many thanks to Minoti Chatterjee for her comments on the final draft.]

- 1 This paper does not address the changes in Ambedkar's political beliefs after 1940 when he became more famous for drafting the Constitution of independent India.
- 2 A 'real' community is one in which individuals participate no longer as members of caste groups but as individuals.
- 3 See for example, Bipin Chandra, *India's Struggle for Independence 1857-1949* (Delhi: Penguin, 1989), pp 24-29.
- 4 See Ranajit Guha (ed), *Writings on South Asian History and Society, Subaltern Studies*, vol 1 (Delhi: OUP, 1982), pp 1-7, Gyanendra Pandey, *The Construction of Communalism in Colonial North India* (New Delhi: OUP, 1992); Partha Chatterjee, *The Nation and Its Fragments* (Delhi: OUP, 1995).

- 5 For a critique of this emphasis on community in the subaltern studies see Sumit Sarkar, *Writing Social History* (Delhi: OUP, 1997).
- 6 Bhikhu Parekh, *Colonialism, Tradition and Reform* (Delhi: Sage, 1989), p 35.
- 7 Bhikhu Parekh, *ibid*, p 58. Elsewhere, he divides the Hindu responses to British rule into three categories: modernism, critical modernism and critical traditionalism. I find it difficult to locate Ambedkar here because he never considered himself a Hindu. Secondly, he saw the problematic character of modernity and liberalism while being within their fold.
- 8 Susanne Hoeber Rudolph, 'Beyond Modernity and Tradition: Theoretical and Ideological Aspects of Comparative Social Sciences' in R J Moore (ed), *Tradition and Politics in South Asia* (Delhi: Vikas, 1979), p 26.
- 9 See Ambedkar, 'States and Minorities' in W S, vol 1, (Bombay: Education Department, 1989) (henceforth B-ED).
- 10 Gail Omvedt, *Dalits and the Democratic Revolution: Dr Ambedkar and the Dalit Movement in Colonial India* (Delhi: Sage, 1994), p 91.
- 11 *Ibid*, p 139.
- 12 This was also the area where women like Tarabai Shinde and Pandita Ramabai raised their voices against brahmin domination. See Gail Omvedt, *Dalit Visions* (Delhi: Orient Longman, 1995).
- 13 Eleanor Zelliot, *From Untouchable to Dalit: Essays on the Ambedkar Movement* (Delhi: Manohar, 1996), p 160.
- 14 The mahar group maintained streets, walls, and cremation grounds, and removed dead cattle in the village. The establishment of British rule in Bombay presidency gave the mahars an opportunity for service in the army, employment in cotton mills, ammunition factories, railroads, dockyards, and as servants in British homes. Two instances initiated them to organise. The first was the agitation for continuing the recruitment of mahars into the army and lower grades of government service. A second reason was the organisation of mahar caste associations under the name of Somvanshya, a sub caste of mahars which took up limited issues of internal reform and education. For details about mahar, see Zelliot, *ibid*, p 156; Jayashree Gokhale, *From Concessions to Confrontation: The Politics of an Indian Untouchable Community* (Bombay: Popular Prakashan, 1996), p 218-28.
- 15 For instance, important efforts were made by Vitthal Ramji Shinde, member of the Prarthana Samaj, who opposed the non-brahmin party and attempted to draw the mahar community into the Congress movement. The Depressed Classes Mission set up by him around this period focused on education and a reformed Hinduism. See Gail Omvedt, *ibid*, p 143.
- 16 Some clues regarding the anti-Congress stance of Maratha leaders are provided by Rosalind O'Hanlon in 'Acts of Appropriation: Non-Brahmin Radicals and the Congress in Early 20th Century Maharashtra' in Mike Shepperson and Cummins (eds), *The Indian National Congress and the Political Economy of India, 1885-1995* (U K: Avebury), pp 102-46.
- 17 For Ambedkar's attack on the thesis that political reform should precede social reform

- see his article published in 1936 'Ranade, Gandhi and Jinnah' in W S, vol 1 (B:ED 1979)
- 18 See for example Omvedt, *ibid*, pp 181-82. The All India Kisan Sabha till 1940 emphasises the need for an agrarian revolution and an anti-imperialist struggle but surprisingly attempts no major analysis of the role of caste. See M A Rasul, *A History of the All India Kisan Sabha*, (Calcutta: National Book Agency, 1974).
- The issue was also not taken up in great detail in this period by the Communist Party till the political thesis was adopted (at the 2nd Congress, February 26 to March 6, 1948). This document includes the need for caste discrimination to be punishable by law. A separate section condemns Ambedkar as a 'separatist and reformist leader'. See MB Rao, *Documents of the History of the Communist Party of India* (Delhi: PPH, 1976), pp 85, 111
- 19 Omvedt, *ibid*, p 134.
- 20 See Ambedkar, 'Away from the Hindus', W S, vol 5 (B:ED, 1989). I do not at any point assert that Ambedkar began with this position; the process of disillusionment with Hindu as well as Congress reformism was long and arduous.
- 21 For a sympathetic reading of Gandhi's views see FN Madan, *Modern Myths, Locked Minds: Secularism and Fundamentalism in India* (Delhi: OUP, 1997)
- 22 M K Gandhi, *Hindu Dharma* (Ahmedabad: Navajivan Publishing House, 1950), p 318.
- 23 Ambedkar's speech was prepared for the 1936 annual conference of the Jat-Pat-Todak Mandal of Lahore. The conference was cancelled by the reception committee on the ground that the views expressed in the speech would be unbearable to the conference. See W S, vol 1, (B:ED, 1979), p 85.
- 24 See M K Gandhi's response to Ambedkar 'A Vindication of Caste' in W S, vol 1, (B:ED, 1979), p 83
- 25 Ambedkar, *ibid*, p 90.
- 26 Ambedkar W S, vol 1 (B:ED, 1979), p 57.
- 27 A Depressed Classes Conference was held in Mahad, a small town south of Bombay in 1927. Several thousands moved in to drink water from a public tank. Consequently, the tank was purified by the town's people. It is beyond the scope of this article to go into history of these memorable events. What is relevant here is that these satyagrahas generated an intense mobilisation process among the untouchables
- 28 Ambedkar, 'Evidence before the Southborough Committee' in W S, vol 1 (B:ED, 1979), p 250.
- 29 Gandhi wrote this letter to P N Rajbhuj, a chambhar untouchable in Pune. See his conversation with Sardar Patel. Both are cited in Zelliott, *From Untouchable to Dalit: Essays on the Ambedkar Movement* (Delhi: Manohar, 1996), p 167.
- 30 See D Keer, *Dr Babasaheb Ambedkar: Life and Mission* (Bombay, 1954).
- 31 I also endorse that though equality of opportunity is attractively simple it has little to do with equality at all. This formula does not assume the empirical equality of human beings. The problems it gives rise to in this instance are not addressed in this paper
- 32 Zelliott, *ibid*, p 152.
- 33 See for example Ambedkar, 'Evidence before the Southborough Committee' in W S, vol 1 (B:ED, 1979), p 267-68, Ambedkar with the Simon Commission, 'Statement Concerning the Safeguards for the Protection of the Depressed Classes', May 29, 1928 in W S, vol 2, (B:ED, 1982), pp 442-45. He argues for a period of 30 years for the right of the depressed classes for priority in the matter of recruitment to all posts, gazetted as well as non-gazetted in civil services
- 34 Ambedkar argued against the activities of the Hanjan Sevak Sangh which was supporting separate schools, wells and hostels: "What the untouchables want is not education, but the right to be admitted to common schools...the untouchables do not want water. What he wants is the right to draw water from a common well." Cited in 'Gandhi and His Fast', W S, vol 5, (B:ED, 1989), p 372; see also 'State and Minorities. What Are Their Rights and How to Secure Them' in W S, vol 1, (B:ED, 1989), pp 395-96.
- 35 I rely for this distinction in liberal political theory on Dworkin. He distinguishes between constitutive and derivative positions. A constitutive position is valued for its sake. It is not necessarily absolute because a theory may contain different and to some degree antagonistic constitutive positions. See his 'Liberalism' in Stuart Hampshire and Scanlon (eds), *Public and Private Morality* (Cambridge: CUP, 1978), p 116.
- 36 Ambedkar, 'Evidence before the Southborough Committee', in W S, vol 1 (1979), p 264; 'Untouchables of the Children of India's Ghetto', in W S, vol 5, (B:ED, 1989), p 108-09.
- 37 Ambedkar, 'Who Were the Shudras? How They Came to be the Fourth Varna in the Indo-Aryan Society', W S, vol 7, (B:ED, 1990). For a critical examination of these themes in the Indian context see Marc Galanter, 'The Compensatory Discrimination Theme in the Indian Commitment to Human Rights' in U Baxi (ed), *The Right to be Human* (New Delhi: Lancer International, 1987), pp 77-94.
- 38 Ambedkar, 'Dr Ambedkar at the Round Table Conference', December 31, W S, vol 2, (B:ED, 1982), p 538.
- 39 Jayashree Gokhale seems to think that conversion to Buddhism was the ultimate step in establishing a new and separate identity apart from Hindu society and its ideology. My argument is different from hers, see, *ibid*, 156-61.
- 40 Ambedkar, 'Who Were the Shudras' in W S, vol 7, (B:ED, 1990), p 9.
- 41 Ambedkar, 'The Untouchables', W S, vol 7, (B:ED, 1990), p 266
- 42 Ambedkar, 'Mr Gandhi and the Emancipation of Untouchables', 1945, W S, vol 9, (B:ED, 1990), p 416
- 43 See Ambedkar, 'Ranade, Gandhi and Jinnah', W S, vol 1 (B:ED, 1979), *ibid*, p 217.
- 44 See for an elaboration of this argument Will Kymlicka, *Liberalism, Community and Culture* (New York: OUP, 1989).
- 45 See Ambedkar, 'Annihilation of Caste', W S, vol 1, (1979), p 80, 'States and Minorities' W S, vol 1, (B:ED, 1989), p 414.
- 46 See Ambedkar, 'The Buddha and His Dhamma' in W S, vol 11, (B:ED, 1991), pp 329-51.



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# Growth of Literacy in Kerala

## State Intervention, Missionary Initiatives and Social Movements

E T Mathew

*Contrary to the widely-held view which gives 'enlightened' native princes much of the credit for the widespread of literacy in Kerala, the educational transformation of that part of the country was triggered mainly by Christian missionaries (19th century) and movements for the uplift of deprived communities (first half of 20th century).*

AMONG the low-income countries/regions of the world Kerala is widely cited as a unique example of high social development coupled with low economic development. It is well known that Kerala is far ahead of the rest of India in respect of the key indicators of social development, such as literacy, infant mortality and life expectancy. In fact, its achievements in this field compare favourably with those of several developed countries. No wonder that development literature is replete with laudatory references to Kerala's achievements [United Nations 1975, Sen 1994, Dreze and Sen 1995].

This paper discusses how the state reached its present pre-eminent position in respect of one of the key indicators of social development, namely, literacy. In particular it highlights the relative contributions of different agencies/institutions to making Kerala the most literate state in the country. It argues that contrary to the commonly held view that it was primarily the benevolence of native princes and their progressive policies that triggered educational development in the state, the efforts of Christian missionaries during the major part of the 19th century and of the social reform movements during the first half of the present century took the lead in the educational transformation of Kerala.

The role played by the state and the initiative taken by it is often exaggerated. Here is an example. The census commissioner of Travancore (the major constituent of present-day Kerala) stated in his report for 1941 that the high level of literacy achieved by the princely state was the result of successive rulers' personal interest in the educational uplift of the people (Census of India 1941, Vol XXV, Part I, p 155). In support of this assertion, the report referred to the rescript (edict) issued by Rani Gouri Parvati Bayi in 1817 directing that the state (Travancore) "shall defray the entire cost of the education of its people in order that there may be no backwardness in the spread of enlighten-

ment among them, that by diffusion of education they might become better subjects and public servants, and that the reputation of the state may be advanced thereby". Discerning scholars have, however, pointed out that the credit for this proclamation should go to Colonel John Munro, the British Resident (1810-19), who was also the 'dewan' of Travancore for a short period and not to the rani who was then only in her early teens and grossly ignorant of statecraft [Nair 1978: 40].

Since the princely rulers of Travancore were in many respects far more enlightened than their counterparts in the rest of India they took keen interest in the education of their subjects. But functioning as they did in a highly caste-ridden society, the rulers, in spite of their best intentions, most often proved ineffectual in ensuring educational opportunities for members of all castes and communities. Throughout the 19th century the Travancore government did practically nothing to promote education among backward and depressed communities – which together accounted for nearly half the state's population – or among women. This writer contends that the early efforts at the education of the backward classes and women came not from the state, but from the missionaries. In his administration report for 1862-63, the dewan, Sir T Madhava Rao, confessed that very little was done for female education [Pillai 1940: 692]. It was the grant-in-aid education code of 1895 which for the first time provided funds for the establishment of schools for backward classes in Travancore [Travancore Census 1931: 433]. In spite of the concerted efforts of the missionaries, literacy among the vulnerable groups remained extremely low throughout the 19th century.

For breaking the strong casteist barriers to education (and several other aspects of social life), the state had to await the emergence at the dawn of the present century of several powerful social reform movements – such as the Sree Narayana Dharma Paripalana Yogam (SNDP

Yogam), founded in 1903 under the leadership of Sree Narayana Guru (1855-1928) and the Travancore Sadhu Jana Paripalana Sangham, founded in 1907 under the leadership of Ayyankali (1863-1941).<sup>1</sup> The SNDP Yogam led many agitations for ending discrimination against the ezhava community. These agitations were later reinforced by the alliance forged among ezhavas, Muslims and Christians for fair representation in public service and for the total removal of all kinds of discrimination based on caste and community.

It was this alliance which eventually led to the formation of the Travancore State Congress, which spearheaded the freedom struggle in Travancore. In the wake of independence and the establishment of democratic rule based on adult franchise, the backward and depressed castes/communities acquired sufficient political clout to wrest their due share of rights and privileges from the government.

Since the high rate of literacy in Kerala has been largely due to the relatively rapid progress made by the former princely states of Travancore and Cochin, the discussion in this paper will be based on developments in these two regions, especially Travancore.

Broadly three periods are distinguished for the purpose of the discussion: (1) The 19th century, during the major part of which foreign missionary initiative was prominent and close co-operation existed between the state and the missionaries in their educational efforts. In the late 19th century the educational efforts of the foreign missionaries were in several cases supplemented and in a few instances replaced by the indigenous churches. (2) The first half of the 20th century, during which several powerful social movements played a decisive role in the promotion of education. (3) the 43-year period since the formation of Kerala state, when the elected representatives of the people and the governments in power became more responsive to the economic and social

aspirations of different sections of the population, especially the educationally backward regions in northern Kerala. Since developments during this period are more recent and better known, this paper will make only a brief reference to this phase

#### 19TH CENTURY SOCIAL SCENE

For those familiar with only the present, positive aspects of the 'Kerala model' of development, it would be rather shocking to learn that Kerala in the 19th century was a highly conservative, hierarchical and caste-ridden society. According to Travancore census of 1854, the Hindu society consisted principally of brahmins, nairs, backward communities (mainly *ezhavas*) and slave castes (mainly *pulayas*). Brahmins were the only class which, free from all social and religious disabilities, enjoyed near-absolute freedom of action.

All castes below the nairs were treated as low castes. The lowliest of the low in the hierarchy were *pulayas*, *pariahs* and *kuravas* who were agrestic slaves. Untouchability and even unseeability was in vogue.<sup>2</sup> The members of the slave castes could be let on hire or transferred at the choice of the owner, offered as presents to friends or as gifts to temples, and bought, sold, or mortgaged in the same manner as the land on which they dwelt or as the cattle and other property of their owners. The price of a slave varied from Rs 6 to Rs 9 [Mateer 1870:43].

The general circumstances of the backward communities (*shanars* and *ezhavas*) in Travancore were 'most humiliating and degrading'. They were not allowed to carry umbrellas, use footwear or gold ornaments or carry pots of water on the hip. *Shanars* were also forbidden to build houses of more than one storey in height, milk cows or even use the ordinary language of the country [Mateer 1870:41]. Most abominable of all is the fact that the *shanar* women were forbidden to wear any clothing above the waist.

The prevalence of untouchability and 'unapproachability' had for centuries prevented members of the lower castes from acquiring education of any kind except the knowledge handed down from ancestors by word of mouth. Even when institutionalised education began, the only recourse of these people consisted of schools run by the missionaries. Missionary schools which admitted lower-caste children were under the constant threat of withdrawal of the upper-caste pupils. It was this milieu which kept literacy rates in Travancore relatively low.

Discrimination on the basis of caste was not confined to Hindu society. The Christians of Travancore were subjected to several disabilities at the beginning of the 19th century despite their having received rights and privileges from the rulers in earlier periods.<sup>3</sup> Church historian Agur has given a graphic description of the torments and tribulations which the Christian communities had suffered [Agur 1903: 52-55]. Not only Syrian Christians, who have always enjoyed a higher social status than those newly converted to Christianity from lower Hindu castes, but even Europeans were subjected to caste barriers.<sup>4</sup> It was in such an environment that British supremacy was established and along with it missionary enterprise.

#### HERALDING MISSIONARY ACTIVITY

A few events occurred in quick succession towards the end of the 18th century and during the first two decades of the 19th century which paved the way for Protestant missionary enterprise in Kerala. The earliest among them were the formation in 1795 and 1799 respectively of the London Missionary Society (LMS), consisting of Evangelicals, Anglicans and Dissenters, and the Church Missionary Society (CMS), constituted by an evangelical group within the Church of England to help in the propagation of the Gospel in Africa and the east. The second event was the addition of two clauses to the charter of the English East India Company, largely as a result of the pressure exerted by evangelicals led by William Wilberforce when the charter came up for renewal by the British Parliament in 1813. The two clauses related to the formation of a regular church establishment in India and the practice of issuing licences to missionaries for preaching in India.

The third event had a direct bearing on Kerala (Malabar as it was known in those days). It was the visit to Travancore in 1806 of Rev Dr Claudius Buchanan, chaplain of the English East India Company in Calcutta, whom Lord Wellesly, governor-general of all the British possessions in eastern India, had deputed to inquire into the state of Christians in Malabar. Buchanan travelled extensively in the princely state, visited Mar Dionysus, the metropolitan of the Syrian Church, and several ancient Syrian churches. During his interview with the metropolitan, Buchanan proposed the establishment of schools in all the 55 parishes of his (the metropolitan's) diocese. However, no concrete step to

help the Syrian Christians was initiated till the time of Colonel John Munro, resident of Travancore and Cochin.

The fourth event consisted of a political development of far-reaching significance – the establishment of British overlordship in Travancore and Cochin and the appointment of a British Resident in these princely states. Briefly stated, the invasions of Hyder Ali and Tippu Sultan of Mysore tightened the grip of the East India Company on Travancore and Cochin. By a treaty concluded with the company in 1791 the Cochin raja undertook to become a vassal of the English and to pay an annual tribute. In 1795 a formal treaty was concluded between Travancore and the company according to which the raja accepted British supremacy; Colonel Colin Macaulay<sup>5</sup> was appointed British Resident in Travancore as well as Cochin in 1800. A fresh treaty of 'alliance and friendship' concluded between the company and Travancore in 1805 conferred on the former the specific power to interfere in its internal affairs in the event of internal strife or rebellion. The raja also undertook to abide by whatever advice the company might choose to give him in regard to the internal administration of the state [Menon 1967, Government of Kerala 1970].

#### ENTER PIONEER MISSIONS

Colonel Macaulay helped Claudius Buchanan in his labours and research among the Syrian Christians of Travancore. Munro, who succeeded Macaulay as Resident (1810-1819), was still more zealous in the cause of Christianity. He sent an appeal to the corresponding committee of the CMS in Madras asking for a few clergymen of the Church of England to work among the Syrian Christians of Travancore and Cochin. Accordingly, the CMS decided to send a 'mission of help' to the Syrian Church.

Rev Thomas Norton, the first CMS missionary deputed to Travancore, landed at Cochin in May 1816 and settled at Alleppey at the suggestion of Munro. In 1817 he established his first school, with 40-50 children, in the Alleppey mission compound. This was the first CMS primary school established in central Travancore. By 1839 Norton had eight village primary schools with a total strength of 289 pupils [Eapen 1985]. In November 1816 Benjamin Bailey and his wife arrived, and they chose to move to Kottayam in central Travancore, in March 1817. Subsequently missionaries Joseph Fenn and Henry Baker also arrived in Kottayam.

After the arrival of Bailey, Fenn and Baker, Norton gradually withdrew from

the 'mission of help' to the Syrian Church and concentrated on his individual educational efforts in and around Alleppey. The Nortons also took keen interest in the education of girls. In 1820 Norton's wife established a girls' school at Alleppey with 13 pupils; the number rose to 18 in 1829 and 36 in 1840 [Agur 1903:768, Eapen 1985:58]. Norton admitted pupils from all communities in his schools – Hindus (nairs, vellalas, chetties, arayans), Muslims and Christians [Catholics as well as Protestants]. The credit for introducing the modern system of primary education according to many observers, goes to Norton [Eapen 1985:59].

Thomas Dawson, a missionary who had arrived with Bailey, remained in Cochin and engaged himself in the education of the local Jewish community. He established a school for Jews at Mattancherry. With the permission of the raja of Cochin he opened another school at Cranganur. The Dawsons were succeeded by Samuel Ridsdale in 1820. He opened six boys' schools with an enrolment of 294 pupils and four girls' schools with a strength of 64 pupils.

As indicated earlier, the aim of the mission of help was to establish a school in every Syrian parish. The parish schools were vernacular primary schools attached to the church. The first such school was established by Bailey in 1817. In a royal 'neet' (grant) Rani Parvathi Bayi, the then ruler of Travancore, made a gift of land for the school in 1818. The CMS committee offered an incentive of Rs 2-3 per mensem to any person who brought in 30 children to a school [Eapen 1985:62]. The growth of parish schools during the early decades of the 19th century may be seen in Table 1.

The partnership between the Syrian Church and the mission of help came to an abrupt end in 1836 due to serious differences between the two parties. From then on the CMS mission functioned independently as a unit of the Anglican Church in India. The CMS missionaries began devoting more attention to other sections of the population, especially the outcastes. Several schools came to be established under each of the new 'mission stations' established in many parts of Travancore and Cochin. In 1878 there were 141 schools under CMS management with 4,665 pupils including 134 primary schools with 4,113 pupils [Eapen 1985:75]. At the time of its centenary of missionary activities, celebrated in 1916, the society had 307 schools – mostly primary schools – out of which 244 schools received grants-in-aid from the government

and the rest were recognised schools financed by the CMS itself [Eapen 1985:83].

This paper discusses next the LMS's educational efforts in Travancore and Cochin. Kanyakumari, a district of present-day Tamil Nadu, was part of Travancore till the formation of the Kerala state following the reorganisation of states along linguistic lines in 1956. The LMS played a major role in the educational development of southern Travancore. Its educational activities began with the arrival of Rev William Tobias Ringeltaube in Trivandrum in May 1806 after spending more than a year learning Tamil at Tranquebar. It is worth mentioning that the British Resident had procured a passport for the missionary's travel to Travancore and offered to meet his travelling expenses.

Though initially Ringeltaube wanted to settle in Mylaudy, he withdrew to Palamcottah (in present-day Tamil Nadu), in British India, as Velu Thampy, dewan of Travancore, had denied him sanction for building a church there. Due to the direct intervention of Resident Macaulay, however, Ringeltaube eventually received permission to build Travancore's first Protestant church, the foundation for which was laid in May 1809. Ringeltaube's interest in education was kindled by Munro, who in 1813 addressed a series of queries to him about the condition of the Mylaudy Protestant mission. One such query related to the existing state of the educational facilities available to the clergy and the youth.

By the time Ringeltaube left Travancore in February 1816 he had established seven single-teacher schools with a total enrolment of 188 pupils. The curriculum consisted of reading, writing and arithmetic. The missionary, however, lamented the fact that girls never came to school in Travancore [Agur 1903:596]. Munro was as much a benefactor of the Mylaudy mission as he was of the mission of help to the Syrian Church. He obtained from the rani of Travancore, between 1814 and 1819, three paddy fields at very nominal land tax for the support of the Mylaudy mission.

Ringeltaube was succeeded in December 1819 by Rev Charles Mead, who spent 56 years of his life in Travancore and has been called the father of the south Travancore mission. In October 1819 Mead opened a central school or seminary at Nagercoil, admission being restricted to 30 boys. With the active co-operation of Mrs Mead a boarding school for girls was also opened. The Nagercoil

seminary was the first English school opened in Travancore. It was raised to the status of a second-grade college in 1893. While increasing the number of congregations after Ringeltaube left from seven to 15, Mead was far-sighted enough also to provide for a school in each congregation. The Rev Charles Mault joined the south Travancore mission in December 1819 to assist Mead, whose health had been deteriorating steadily.

At the beginning of 1820 the mission started a school in the Nagercoil bazaar to meet the needs of the non-Christian public. This school had 50 pupils two years later. A school of industry was formed in 1820 to provide 'means of subsistence and the advantages of a Christian education at the same time'. Training in 'useful arts' such as printing, bookbinding, tanning and curing leather was imparted in this school. By 1824 the number of schools run by the south Travancore mission had risen to 47, with a total of 1,300 pupils.

For many years the government refused permission for a Christian mission to be established in Trivandrum. In 1838, however, Rev Cox helped by the patronage of Resident Fraser was permitted to commence a mission. The raja granted a plot of land at Kannammoola (Trivandrum) for setting it up. Eight years later there were 14 schools for boys and three for girls under LMS's Trivandrum mission [Agur 1903: 877].

On Mead's retirement from the south Travancore Protestant mission in 1853, General Cullen, the Resident, appointed him the first superintendent of government schools in Travancore. One of his major educational initiatives was to amalgamate the district English schools and the 'vernacular' schools in 1860.<sup>6</sup>

The educational activities of the LMS in Travancore made steady progress. In 1904 the society had 384 schools with 15,641 pupils under its charge [Aiya 1906:447]. These schools were of different levels and types. While we do not have detailed statistics relating to them, it is abundantly clear that the LMS made a substantial contribution to the growth of literacy in Travancore, particularly among

TABLE 1: GROWTH OF PARISH SCHOOLS

Year	No of Schools	No of Teachers	No of Pupils
1819	2	2	66
1821	10	9	253
1824	51	51	1333
1826	29	29	770
1836	25	27	787

Source: Eapen 1985: 63

the lower castes, during a period when educational facilities were virtually denied to them.

#### EDUCATING VULNERABLE GROUPS

Kerala's superior performance in literacy vis-a-vis the rest of India has been due largely to its unmatched lead in the education of women and the depressed communities. The missionaries had targeted these segments in their educational endeavours throughout the 19th century, whereas the state remained indifferent or passive for most part of the century.

Both the CMS and the LMS accorded the utmost priority to female education. In fact, the promotion of female education can be reckoned as one of the magnificently unique contributions of the Protestant missionaries. While the bulk of the schools established by them were co-educational as a matter of policy, these missionaries also opened many girls' schools. As already noted Mrs Norton, wife of a CMS missionary, established a girls' school in 1820 [Eapen 1985:147, Agur 1903:768]. Mrs Benjamin Bailey had a few girls under instruction at her own home, at her own expense, soon after her arrival at Kottayam in 1817. Mrs Henry Baker (Sr) opened a formal school for girls in Kottayam in 1819.<sup>7</sup>

While the missionary ladies laboured in the cause of female education with great dedication during the early part of the 19th century, the government was 'supremely indifferent in the matter'. In his administration report of Travancore for 1862-63, Sir T Madhava Rao, the dewan, candidly admitted that the government had done little for female education in Travancore. At this time there were only two government schools for girls in the state – one at the Trivandrum cantonment, started in 1858 for the education of Christian girls, and the other at Karamana (Trivandrum), opened in 1859 for the education of brahmin girls [Pillai 1940:692-93, Agur 1903:770-71]. Note that while the first missionary school for girls was established in 1819, the first government school for girls was opened only about 40 years later.

It was soon realised that to promote girls' education female teachers in adequate numbers were required. A 'normal school' to train female teachers was established by Mrs J Johnson around 1848. It was the first teachers' training school in Kerala. Later it was merged with the Baker Memorial Girls' School in Kottayam.

Thanks to the inspiration provided by the initiatives of Mrs Norton in Alleppey and Mrs Bailey and Mrs Henry Baker (Sr)

in Kottayam, several girls' schools were subsequently established at leading mission centres in Travancore. They included Mrs Joseph Peet's school at Mavelikara (1838), the school of Mrs Henry Baker (Jr) at Pallom (1871) and Mrs John Chapman's school at Kottayam (around 1847) [Eapen 1985:144-51]. Some of these schools were residential.

The CMS missionaries did not confine their activities in the cause of female education to Travancore. Their efforts reached out to Cochin state also. In Cochin the first girls' school was established by Mrs Samuel Ridsdale, wife of the CMS missionary in the state, in 1826. Three more girls' schools had been opened by her by 1836. Strangely, the four schools together had a strength of only 64 pupils. Mrs Ridsdale is rightly remembered as the pioneer of female education in the former Cochin state. Mrs Henry Harley, who succeeded Mrs Ridsdale in 1836, established a boarding school for girls in Cochin, which was shifted to Trichur in 1841.

J H Bishop, CMS missionary at Trichur [1880-1913] took keen interest in education. Mrs Bishop conducted a boarding school for girls in the mission compound; most of the pupils were drawn from upper caste Hindu families. There were two other CMS girls' schools in Trichur. Kunnankulam, which in course of time emerged as an important CMS mission centre in Cochin, also had several girls' schools. In 1854 it already had three schools for girls [Eapen 1985: 152-54].

No account of the contribution of the CMS missionaries to the cause of female education in Kerala would be complete without mention of the work of the Church of England Zenana Missionary Society (CEZMS), which worked in close co-operation with the CMS in Kerala. Augusta Blandford, the first CEZMS missionary in Kerala, founded the Fort School for Girls in Trivandrum in 1864. This school, started mainly for the education of caste Hindu girls, received the patronage of the Travancore royal family. The CEZMS established girls' schools at Mavelikkara, Kottayam, Olessa, Ernakulam and Trichur as well. In 1906 there were 15 schools under the zenana mission.

The LMS missionaries were equally zealous in promoting female education. As a rule, the schools they established in south Travancore were coeducational. However, parents were generally reluctant to send their daughters to schools. In reply to a query sent by Munro, Ringeltaube replied that girls never came to school in Travancore, which was a great loss. Mead, Ringeltaube's successor, and his wife

opened a boarding school for girls in 1819. It is pointed out that so great was parental prejudice against the school that girls enrolled during a week "were withdrawn during the next week". Apart from the usual subjects like arithmetic and geography, Mrs Mead taught sewing, spinning, knitting, etc., and Mrs Mault crochet, embroidery and pillow lace work [Agur 1903:766-69]. The school started with 14 girls, all of whom were given free boarding.

In 1828 when Mead shifted residence to Neyoor, a girls's boarding school was established there too. Among the many early efforts made to encourage girls' education in Travancore was the publication in 1831 of a tract in Tamil – 'On the Advantages of Female Education', printed at the LMS press at Nagercoil – which was distributed free of cost [Agur 1903:769].

Of the second-generation missionary ladies labouring in the cause of female education in Travancore, mention may be made of Mrs Abbs, who founded a school at Parachalay (Parassala), Mrs Lewis one at Santhapuram, Mrs Cox one at Kannamoola (Trivandrum) and Mrs Thompson one at Quilon. Around these boarding schools, a number of 'village day schools for girls' were formed. In 1837 there were in south Travancore 15 such village girls' schools with a total enrolment of 361 pupils. The strength increased to 1,468 in 1857 [Agur 1903:769-77].

#### DEPRIVED COMMUNITIES

The Protestant missionaries' efforts to bring the deprived communities to school were extremely strenuous. At the early stages they met with failures and breakdowns. For instance, the first school for the education of slave-caste children, opened by CMS missionary Norton at Alleppey in 1835, did not survive owing to lack of interest on the part of the pupils. Fenn opened a school for slaves on Munro Island in 1835 and Baker (Sr) one at Kottayam in 1836. The schools faced vehement opposition from slave-owners.

Joseph Peet, missionary in charge of the CMS district of Mavelikara and a great liberator of the depressed classes, opened several schools chiefly for the benefit of ezhavas and pulayas. One guiding principle was that upper caste children should attend the same schools as the lower caste children. In spite of resistance from vested interests, Peet had 58 village schools under his charge in 1878, including 15 exclusively for the benefit of the pulayas.

In the Tiruvella mission's jurisdiction the first slave school was opened in 1850. It angered the higher castes so much that



the school building was set on fire more than once [Eapen 1985:171]. In spite of such provocations, the movement for the education of slaves gathered momentum and several schools sprang up in other parts of the jurisdiction, thanks to the initiative of John Hawksworth. In 1849 Hawksworth established two boarding schools for the benefit of the slave classes, one for boys and another for girls. In addition to vernacular primary education, the mission also provided English education in these boarding schools.

Baker (Sr) established a slave school in Kottayam in 1836. By 1860 or thereabouts more such schools had been opened in different parts of Kottayam such as Olessa, Velur and Kumarakom. Baker (Jr), son of Baker (Sr), established a slave school at Mundakayam in a shed of bamboos thatched with elephant grass around 1849. Samuel Ridsdale, who served as CMS missionary at Cochin between 1826 and 1836, also made some attempts at educating the slave classes.

During the early periods of missionary enterprise, separate schools were maintained for the slave classes: the higher castes did not favour the idea of their children attending the same schools as the children of the slave castes. According to the Proceedings of the CMS for 1918-19, 205 primary schools in all were run for slave classes, chiefly pulayars and pariahs, with a total enrolment of 6,021 pupils [Eapen 1985:175]. The educational experience of ezhava children during the entire 19th century and the first decade of the 20th century was not different from that of slave-caste children.

The CMS missionaries also took keen interest in the education of a hill tribe known as 'Hill Arrians' (Mala Arayans). The establishment of a one-room school at Mundakayam in 1849 by Baker (Jr) was the mission's first attempt in this direction. This school grew into an English high school in 1939. Baker established schools for the education of the tribals in other parts of the western ghats as well, including Peermade (1850), Erumapra (1851), Koottickal and Melukavu (1852), Kannikkal (1853), Koovapally (1872) and Valakam (1873). The school at Melukavu grew into a high-school in 1968 [Eapen 1985:178-79].

As already noted, during the early decades of CMS missionary enterprise in Travancore separate schools were established for 'slave' and other low-caste children. But in course of time these schools were thrown open to all castes and creeds. When Richard Collins was the principal of the CMS college, Kottayam (1855-65),

the admission of an outcaste student caused so much commotion that he was withdrawn from the college. In a few years, however, the hostility subsided and the college began to admit students from all disadvantaged caste groups.

Opposition to the admission of low-caste children continued much longer in Cochin. An effort to admit them to the English missionary school at Trichur in 1889 was vehemently opposed both by the upper castes and by the government. The missionaries, however, persisted in their efforts, and in 1923 the restrictions were scrapped by a special order of the Cochin government. The admission of three backward-community students to the Cambridge Nicholson Institution (CNI) at Kottayam had raised a storm of upper-caste protest even as late as in 1907. But the missionaries stood firm, and the CNI later became a vernacular middle school for the education of backward classes.

Note that the CMS missionaries began to admit lower-caste children to their schools long in advance of the governments of Travancore and Cochin. It was only with the introduction of Mitchell's Education Code in 1910 that caste-based discrimination in the matter of admissions to schools was abolished in Travancore. The government of Cochin took such a step nine years later. But even after the legal removal of the impediment, instances of upper-caste of pupils boycotting classes because of the 'polluting presence' of lower-caste children continued [Rajendran 1974:24].

The LMS missionaries' role in promoting education of the slave-caste children was not different from that of the CMS. Mead made a startling announcement (circa 1850) that schoolmasters who brought slave-children to school would get an additional payment of one 'fanam' (one-seventh of a rupee) for every slave boy and one and a half 'fanam' for every slave girl admitted to the Christian schools. Within a year more than 1,000 slave children were enrolled in the schools in the Neyoor mission [Agur 1903:892-93]. After moving to Trivandrum in 1855 Mead established (circa 1860) a school for pulayars in the Trivandrum cantonment. The LMS's efforts also substantially helped the educational advancement of the shanars, who constituted a sizeable proportion of the population of south Travancore.

#### ROMAN CATHOLIC MISSION

As we have seen, Protestant missionaries (all of them from England with the single exception of Ringeltaube) were responsible for the introduction of modern education

in the former princely states of Travancore and Cochin during the first half of the 19th century. Although several Roman Catholic (Latin) churches in Travancore and Cochin trace their origin to a period prior to the coming of the Portuguese, the advent of regular Roman Catholic missions in Travancore began only with the establishment of Portuguese power [Agur 1903:200]. Francis Xavier, who came to the Malabar coast as a Jesuit missionary in 1542, travelled extensively through the coastal fishing villages and converted large numbers of 'mukkuvars' and 'paravars' (Hindu fishermen communities), who came to be known as Latin Catholics as distinguished from the Syrian Christians who were converted to the Catholic faith [Mateer 1870:230-31, Agur 1903:208-11, 390-91].

For most of the 19th century the contribution of Catholic missionaries to the educational development of Travancore and Cochin was minimal. Conflicting explanations have been offered for this. According to one view, the Catholic missionaries were not much to blame as most of them were Italians, Spaniards and men of other nationalities who found great difficulty in taking active part in English education [Agur 1903:418]. According to a less charitable view the Portuguese Jesuits and Italian Carmelites who played a dominant role in the administration of the Catholic church did not have any real interest in modern education, particularly English education. For them the English language itself was symbolic of the Anglican rebellion against Roman Catholic supremacy in Europe [Tharakan 1984:40].

The Catholics, particularly the Syrian Catholics, made significant progress in establishing schools only as of the 1880s.

#### SYRIAN CHRISTIAN ENTERPRISE

The introduction of a liberal system of grants-in-aid for the first time in 1868-69 gave a substantial boost to private enterprise in education, which the local churches took advantage of. During an epoch of intense rivalry among different factions of the indigenous Syrian Church, opening a grant-in-aid school in the parish became, according to some observers, one sure way of ensuring the loyalty of the parish leaders. The number of such schools under the indigenous Mar Thoma Syrian Church rose from 134 to 195 between 1879 and 1895 [Jeffrey 1976:124].

The Syrian Catholics did not start conducting well-organised, large-scale educational activities until the late 1880s. There were only five grant-in-aid schools under Roman Catholic management in



1885. The number of grant-in-aid schools under Syrian Catholic management, however, increased to 25 in 1890 and 49 in 1895 [Jeffrey 1976:124]. Father Immanuel (Mani) Nidhry, Pontifical Vicar General (1889-1892) was a leading figure among the Romo-Syrians in championing the cause of modern education. He accorded the highest priority to opening English schools. In one of his speeches he is reported to have said that an English school would be more of a prized asset than the gold crosses of churches – which could be stolen [Tharakan 1984:50].

A major factor which helped Syrian Christian (Jacobite, Marthomite and Catholic) educational expansion was the availability of liberal grants-in-aid from the government. By the end of the 19th century indigenous Christians contributed relatively more than the missionaries to the educational development of the state (Table 2).

It is important to note that the above data covers schools not only in Travancore but also in Cochin and perhaps (a few) in Malabar. Besides, it includes unaided as well as aided schools. In fact, since the grant-in-aid code was very strict,<sup>8</sup> many schools did not qualify for aid. As a result unaided schools far outnumbered aided schools, as shown by Table 3.

It is observed that enrolment in unaided lower primary schools accounted for 55.5 per cent of the total enrolment – covering government, aided and unaided lower primary schools. In promoting literacy among the people, the unaided lower primary schools obviously played a major role. It may also be noted that the unaided schools included also the 'pyall schools', which have disappeared with the passage of time.

#### GOVERNMENT'S ROLE IN EDUCATION

The establishment of the Rajah's Free School in Trivandrum in December 1836 marked the first attempt of the government to impart modern education [Aiya 1906:447]. About the same time, several district English schools were opened at centres like Kayamkulam, Kottar and Chirayinkil and placed under the supervision of J Roberts, who was succeeded by Rev C Mead in 1855 as superintendent of education. There were 22 district schools in 1887. The question of improving vernacular education engaged the attention of the government only during 1865-66. Of course, there were many private vernacular schools in Travancore – pyall schools – before that time. About 1,300 such schools with a total of 50,000 pupils existed in 1891.

In 1866 a 'central school' was opened in Trivandrum and also a school in every taluk in the state. There were 29 vernacular schools attended by 2,152 pupils at the end of 1868-69. Another important step was taken in 1871 with the establishment of village schools. It was soon realised that public expenditure on vernacular education was proving to be burdensome to the government and this led to the encouragement of private agencies through the grant-in-aid system. The number of aided schools rose from 437 to 1,375 between 1881 and 1893 [Aiya 1906:457].

The grant-in-aid code was revised in December 1894. The new rules, known as the 'Travancore educational rules', related to the qualifications of teachers, buildings, accommodation and sanitation, furniture and educational appliances, admission of pupils, etc. A revised curriculum of studies was introduced in 1902, and the schools were classified as high, middle, upper primary and lower primary. In the last two sets of schools the vernacular was introduced as the chief medium of instruction. English was taught only as the second language.

*Female education:* As we have noted earlier, while the missionaries were very active in setting up schools for female education, the government remained rather indifferent. The first concrete step was taken only as late as 1865-66 when the government took over the management of a private school which had existed at the Trivandrum cantonment for a few years. It is this school which was raised to a second-grade college for women in 1897. Out of a total of 3,894 ordinary schools (schools other than training schools and special schools) in the state in 1903-04, girls' schools numbered only 182 and the majority of them were run by the missionaries [Aiya 1906:470].

*Education of backward classes:* In 1855, when slavery was abolished in Travancore, children belonging to backward and depressed (slave) castes did not have access to government schools. Only after the grant-in-aid code was revised in 1894-95 were

funds provided for grants to schools meant for backward classes.<sup>10</sup> The government followed up this initiative in 1895-96 by opening 15 schools for backward classes: four schools for Muslims, seven for ezhavas, two for pulayas, one for marakkans (fishermen) and one for kani (tribals). Another 15 schools were added the following year. About the middle of 1904, the government convened a conference at which it was decided that the government should meet the entire cost of the primary education of the backward classes.

The term 'backward classes', however, excluded converts to Christianity. Further, one of the conditions for eligibility for grant-in-aid was that at least 75 per cent of the total number of pupils on the register should belong to one or the other of the castes recognised as backward by the government's order of 1904.

It is extremely important to note, however that until 1910, when Dr Mitchell's education code was adopted, non-caste Hindus were not admitted to government schools as they were treated as untouchable

TABLE 2: DISTRIBUTION OF CHRISTIAN-RUN SCHOOLS, 1908

Denomination	No of Schools
London Missionary society	393
Church Missionary society (Travancore-Cochin diocese)	296
Church of England Zenana Mission	16
Salvation Army	74
Protestant, total	779
Archdiocese of Verapoly	130
Diocese of Quilon	147
Diocese of Cochin	92
Latin Catholic, total	369
The vicariat apostolic of Changanacherry	424
The vicariat apostolic of Ernakulam	178
The vacariat of Trichur	186
Syrian Catholic (Romo-Syrian), total	778
Malankara Jacobite Syrian Church	175
Malankara Mar Thoma Syrian Church	97
Syrian non-Catholic, total	272
Grand total	2198

Source: Tharakan 1984:151.

TABLE 3: AGENCYWISE DISTRIBUTION OF SCHOOLS IN TRAVANCORE, 1903-1904

Grades of School	Government		Aided		Unaided	
	No of Schools	No of Pupils	No of Schools	No of Pupils	No of Schools	No of Pupils
High school (English)	7	2938	15	4045	3	1173
Middle school (English)	23	2584	19	2235	13	1039
High school (vernacular)	2	1092	—	—	—	—
Middle school (" )	75	17558	9	1073	3	546
Upper primary school	53	6948	30	3281	9	472
Lower primary school	271	19432	951	47286	2211	83184
Special schools	5	304	16	610	6	235

Source: Aiya 1906, Part II, Ch XI, p 451.

nd unapproachable. The new code abolished the differences between ordinary schools and schools for the backward classes as laid down in the government's order of 1904 [Pillai 1940:718-19].

Our survey of educational developments in Travancore has conclusively shown that for most of the 19th century the state played a very minimal role with regard to major issues relating to the modernisation of school education or the promotion of female education and the education of backward sections. Whatever little success the state had achieved in these spheres during the 19th century was almost entirely due to the efforts of Protestant missionaries and the indigenous churches. The relative positions of the more numerous castes and communities with regard to literacy at the beginning of the 20th century is presented in Table 4.

It can readily be seen that throughout the 19th century literacy in Travancore remained low mainly because (1) educational facilities were denied to the backward classes, including the 'untouchables'; (2) female education in general was neglected; and (3) the backward and depressed communities were so numerous that missionary and indigenous church efforts were not able to make a significant dent in their educational status. The literacy levels of five major backward and depressed communities, namely, ezhava, channan, pulaya, pariah and kurava, which together constituted one-third of the state's population in 1901, were deplorably low and posed a major obstacle to the progress of overall literacy in the state. It was chiefly left to two major social movements, one headed by Sree Narayana Guru (1855-1928), an ezhava 'sanyasi', and the other by Sri Ayyan Kali (1863-1941), a pulaya social reformer, to correct this imbalance.

#### SNDP YOGAM

Referring to the progress by the ezhavas, the writer has observed that there has been no parallel anywhere in the world to the tremendous progress made by the community in so short a time. A community which had been confined to the 'gutter of untouchability' put up a heroic fight more valiant than that of the plebeians of ancient Rome for securing basic human rights and produced many distinguished personalities within just 30 years [Rajendran 1974:2].

At the beginning of the 20th century, as already noted, 927 out of every 1,000 ezhavas in Travancore were illiterate. Admission to government schools was denied to ezhavas on the ground of untouchability. Even after the legal removal of that impediment there were instances

of teachers and students belonging to upper castes boycotting classes because of the 'polluting' presence of ezhava students. Further, even if they were educated (in missionary schools in Kerala and elsewhere), employment opportunities were hard to come by: ezhavas were not recruited to government service. In 1891 there was not even one member of the community holding sarkar job on a monthly salary of Rs 10 or more [Jeffrey 1976:109].

Palpu (1863-1950), a founder of the Sree Narayana Dharma Paripalana (SNDP) Yogam, who had completed his medical education (LMS) in Madras, was not granted recognition by the Travancore Medical Council, and had to seek employment outside the state. He championed the cause of the ezhava community at all available fora. During a meeting in 1896, the dewan of Travancore submitted to Palpu that admitting ezhavas to schools and appointing them in government service would be 'contrary to tradition'. However, he held out the assurance that special schools would be granted to ezhavas provided they took the initiative. Though a large number of applications were filed, however, only two primary schools got the go-ahead.

In reply to a subsequent memorial to the maharaja of Travancore signed by 13,176 ezhavas, the dewan promised that special schools could be granted to ezhavas wherever they wanted. He also agreed to consider the possibility of opening separate government schools for ezhavas and other similar castes on a caste-by-caste basis. Since these assurances produced no results, Palpu took the initiative to form an effective organisation. The SNDP Yogam was formed in May 1903 with Sree Narayana Guru, the great social reformer, as the patron.

The first attempt of the organisation was to remove the obstacles to the admission

of ezhavas to government and government-aided schools. The move was opposed by caste Hindus and this led to widespread riots between nairs and ezhavas in central Travancore. In 1907 an order was issued stipulating that ezhava children could be denied admission to a government school only if the school was close to a temple or a palace or if there was the possibility of a riot. It was only in 1910 that government schools were declared open to ezhava children. Even then, however, admission was confined to only 35 government schools [Abhimanyu 1990:85].

Later the Yogam concentrated on establishing its own schools. Narayana Guru's motto was "Strengthen through organisation, liberate by education". It proved

TABLE 5: GROWTH OF EZHAVA LITERACY IN TRAVANCORE

Year	Percentage of Literates to the Population of the Community		
	Male	Female	Persons
1875	3.15	0.05	1.57
1881	12.10	NA	6.30
1901	13.71	0.98	7.30
1911	21.20	1.90	11.50
1921	31.59	8.50	20.07
1931	30.53	12.10	27.30
1941	61.00	32.00	46.50

Source: Travancore census reports for 1891, 1901, 1921, 1931 and 1941.

TABLE 6: LITERACY AMONG PULAYAS (HINDU) IN TRAVANCORE

Year	Percentage of Literate to the Population of the Community		
	Male	Female	Persons
1875	0.19	NA	0.09
1901	0.28	0.05	0.17
1911	1.80	0.10	0.90
1921	3.55	1.19	2.39
1931	5.24	1.30	4.10
1941	25.20	8.7	17.00

Source: Travancore census reports.

TABLE 4: DISTRIBUTION OF POPULATION AND LITERACY LEVEL OF MAJOR COMMUNITIES IN TRAVANCORE, 1901

Major Communities	(Percentages)					
	Government			Unaided		
	Total	Male	Female	Total	Male	Female
Brahmin (Malayali and non-Malayali)	1.5	1.5	1.4	41.45	68.97	11.19
Nair	17.7	17.4	17.8	21.64	37.58	5.71
Christian (Native, Syrian and non-Syrian)	23.6	23.7	23.4	15.57	25.71	5.10
Ezhava	16.7	16.4	16.9	7.30	13.71	0.98
Channan	5.3	5.3	5.3	3.70	6.98	0.36
Pulaya	6.9	7.1	6.9	0.17	0.28	0.05
Muslims	6.3	6.4	6.2	8.21	15.05	0.97
Pariah	2.4	2.4	2.4	0.89	1.56	0.20
Kuravan	1.8	1.8	1.8	0.45	0.75	0.17
Vellala	1.7	1.6	1.7	23.07	43.42	3.14

Source: Census of India 1901, Vol XXVI - A Travancore, Part II Imperial Tables, Table VIII-IX.

to be a great inspiration to the entire community. The SNDP Yogam was formally extended to Cochin in 1938 and to Malabar in 1946. At present it has 13 high schools, eight upper primary schools and three lower primary schools.

As more and more civic liberties were being wrested from the government by the ezhavas, the community was making greater and greater progress in literacy. It needs to be emphasised that the significant progress in literacy it achieved during the period was the outcome not so much of the increase in the number of schools run by the SNDP Yogam as of the community's unfettered access to government schools since the passing of Mitchell's education code in 1910 (Table 5).

While both male and female literacy in the ezhava community made rapid progress before Independence, the rate of growth since 1901 was much higher in respect of female literacy. While male literacy (ratio of male literates to the male population) rose from 13.71 to 61 per cent between 1901 and 1941, female literacy increased from 0.98 to 32.2 per cent.

#### SADHU JANA PARIPALANA SANGHOM

Next to the ezhavas, the pulaya community has been the largest of the backward and depressed classes. Traditionally pulayas formed the dominant slave class in Travancore along with the pariahs and the kuravas. As noted earlier, throughout the 19th century literacy rates in Travancore remained low in absolute terms because large communities like the ezhavas and the pulayas were denied the right to education. While the SNDP Yogam worked mainly for the uplift of the ezhava community, similar movements sprang up among other disadvantaged classes also. Sadhu Jana Paripalana (SJP) Sanghom, established at Vengannur in south Travancore by Ayyan Kali in February 1907, was one of them.

The formation of this organisation was assisted by advice and support from leaders of the SNDP Yogam, which had been formed only a few years earlier [Abhimanyu 1990:79]. During the dewanship of P Rajagopalachari (1909-1914), Ayyan Kali submitted a petition for admitting pulaya children to government schools. On being informed by the dewan that a decision favourable to the depressed classes had already been taken in 1907, he approached the government school authorities and pressed his demands.

Ayyan Kali made a public announcement to the effect that unless pulaya children were admitted in government schools, pulaya labourers would not work in the

paddy fields. The announcement led to conflicts between the landlords (caste Hindus) and pulaya agricultural workers. An 'Ayyan Kali army' was formed to foil the attempt of the landlords to cultivate lands with the help of loyal pulaya workers. There was much turmoil for a year; a compromise was, however, reached soon. On March 1, 1910 the government issued an order according to which all schools to which ezhava children were admitted should also accept pulaya children [Abhimanyu 1990:91].

In a speech in March 1912 in the Sri Mulam Praja Sabha, to which he had been nominated, Ayyan Kali drew the attention of the legislature to the fact that pulayas were admitted to only seven government schools in south Travancore because of resistance from headmasters belonging to upper castes. His insistence on pulaya children being admitted to all government schools led to many clashes. In 1914 Mitchell, the director of public instruction, issued an order which made the admission of pulaya children to government schools mandatory.

The caste Hindus then hit upon a new strategy. The moment depressed caste/community children entered a classroom upper caste children would leave the room *en bloc*. Hence Mitchell issued an order which stipulated that children who continuously absented themselves from class should submit an explanation of their absence to the headmaster and apply for exemption. If the children failed to do so they were to be given compulsory transfer certificates. In spite of this order, violent clashes between the pro- and anti-pulaya groups took place in many places like Ooruttampalam (Neyyantinkara) and Pullad.

In 1914 Ayyan Kali himself started a school at Vengannur. Interestingly, a caste Hindu teacher who was offered a monthly salary Rs 9 (instead of the normal Rs 5) was appointed to the post.

The Temple Entry Proclamation of November 1936 and Gandhiji's active involvement in the uplift of harijans (dalits) on an all-India basis helped the pulayas gradually to get integrated with the mainstream. Gandhiji himself undertook a pilgrimage to temples in Kerala in January 1937; during this mission he visited Ayyan Kali at Vengannur. In due course the initial barriers, which appeared to be insurmountable, were overcome. Literacy among the pulayas as well as other depressed classes advanced rapidly (Table 6).

The series of agitations led by the SJP Sanghom produced spectacular results before Independence, as evidenced by the fact that at the end of the school year 1929-30, only 12 of the 3,641 recognised schools in Travancore kept pulayas and other similarly placed groups out [Travancore Census Report 1931:435]. In a single decade (1931-1941) the pulaya community's literacy level rose by 13 percentage points. Though female literacy lagged behind male literacy, it grew at a much faster rate. It cannot be over-emphasised that it was radical social transformation of the ezhavas and the pulayas which contributed to the rise in literacy in Travancore from 12.36 per cent in 1901 to 42.1 per cent in 1941.

Inspired by the contributions of the SNDP Yogam and the SJP Sanghom to the uplift of the ezhava and pulaya communities respectively, several other organisations came to be started in Travancore.<sup>11</sup> These organisations concentrated their activities in different parts of the state and

TABLE 7: TRENDS IN LITERACY RATES IN KERALA, 1961-91

District	1961			1971			1981			1991		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
Kasaragod	-	-	-	-	-	-	-	-	-	74.8	64.9	69.8
Kannur	34.8	21.0	27.8	63.7	47.1	55.3	72.2	59.5	65.7	82.4	76.5	79.4
Wayanad	-	-	-	55.0	39.1	47.3	64.8	51.5	58.3	74.8	66.3	70.6
Kozhikode	35.3	21.3	28.3	67.6	49.9	58.8	76.6	63.8	70.1	82.5	75.7	79.6
Malapuram	-	-	-	55.3	40.8	47.9	65.9	55.3	60.5	74.5	69.5	71.9
Palghat	30.8	20.0	25.2	54.6	39.2	46.7	64.8	51.5	58.0	74.2	65.4	69.6
Thrissur	30.8	27.9	32.1	66.3	57.2	61.6	77.3	70.2	73.6	81.5	76.9	79.1
Ernakulam	38.2	29.8	34.0	70.5	60.2	65.4	80.7	72.9	76.8	84.5	79.5	82.0
Idukki	-	-	-	62.2	50.2	56.4	72.1	62.5	67.4	79.1	72.4	75.8
Kottayam	38.7	33.7	36.2	76.2	69.5	72.9	84.0	79.3	81.7	86.3	83.8	85.1
Alappuzha	43.9	35.9	39.9	75.2	65.8	70.4	82.1	75.1	78.5	85.4	81.4	83.4
Pathanamthitta	-	-	-	-	-	-	-	-	-	84.8	83.1	83.9
Kollam	38.8	30.7	34.7	70.1	59.8	65.0	78.1	70.2	74.1	82.2	76.8	79.4
Thiruvananthapuram	34.1	25.6	30.1	68.6	56.5	62.5	75.3	65.8	70.5	80.5	75.1	77.8
Kerala	36.9	27.0	31.9	66.6	54.3	60.4	75.3	65.7	70.4	80.8	75.2	78.0

Source: Census reports for the relevant years.

for the benefit of different communities. Their broad thrust was the same as that of the other educational agencies, and over a period of time these organisations reinforced the efforts to educate the major backward and depressed communities.

#### SPURT AFTER INDEPENDENCE

After independence the princely states of Travancore and Cochin were integrated to form the Travancore-Cochin state on July 1, 1949. The present state of Kerala was born on November 1, 1956 as a result of the reorganisation of Indian states along linguistic lines. The Tamil majority taluks of Travancore-Cochin were lost to Tamil Nadu and the Malayalam-speaking Malabar region was added to Travancore-Cochin to form the new state. The formation of Kerala brought about two major changes in the socio-political scenario: (1) the emergence of the Communist Party of India as a strong rival to the Indian National Congress, which had held sway over Travancore-Cochin; and (2) the rise of the Muslim community (and their political organisation, the Muslim League) as a major player.

In course of time coalition governments formed by either the United Democratic Front or the Left Democratic Front became the rule rather than the exception in Kerala. Since both fronts have been of roughly equal strength, each has been pursuing policies which would ensure the greatest possible support from every region and community. This 'balancing act' has resulted in rapid progress of literacy in districts such as Kasaragod, Kannur, Palghat, Malappuram and Wayanad, which were far behind the state average when Kerala was born. The districtwise progress of literacy in Kerala is summarised in Table 7. Note that a rapid advance in female literacy has been the main factor contributing to substantial progress in general literacy wherever it was achieved.

On April 18, 1991 Kerala was declared a totally literate state on the basis of the norms accepted by the National Literacy Mission. The effective literacy rate – the number of literate people in the population divided by total population less population in the 0-6 age group – of Kerala, according to the 1991 Census, stood at about 90 per cent (nearly 94 per cent for males and around 86 per cent for females).

#### CONCLUSION

The impression is often sought to be created by writings on Kerala that the high level of literacy as well as the other

social-sector developments (of the 'Kerala model') achieved by the state is the outcome mainly of the vigorous pursuit of enlightened and progressive policies by the state. Our analysis shows, however, that the state was only one of the players – and a relatively passive one – in the transformation of Kerala into the most literate state in the nation. Compared to the rapid strides made during the 20th century, throughout the 19th century literacy rates in Travancore (and Cochin) – which spearheaded the process of educational development during the British days – remained low because the state denied large sections of the population like the ezhavas and the pulayas education on caste grounds. Although the literacy levels of the caste Hindus were slightly higher than those of the depressed castes during that century, the general literacy level of the state as a whole remained low because of the widespread illiteracy of the high-population backward and depressed classes.

It must shock the admirers of the Kerala model of development to learn that throughout the 19th century the state did very little to promote female education or the education of the downtrodden. Whatever progress was achieved in these fields was due to the efforts of the Protestant missionaries and the indigenous church. The missionaries came to the Malabar coast not at the initiative of the state but as a result of the determined efforts of the British Residents.

While the rulers of the states extended many favours to the missionaries, mainly at the instance of the Residents, the missionaries often faced the hostility of the caste Hindus and the bureaucracy, presided over by dewans (mostly brahmin or foreign) and staffed by caste Hindus. The entry of the indigenous church into educational activities – during the latter part of the 19th century – owes much to the grant-in-aid schemes of the government.

During the first half of the present century the educational efforts of the foreign missionaries and the indigenous churches in Travancore were reinforced by several powerful social movements, among which the SNDP Yogam and the SJP Sanghom, representing the ezhavas and the pulayas respectively, were the most prominent. The organised might of these movements eventually made the government agree to throw its schools open to members of the backward and depressed communities. Once this objective was achieved the

literacy levels of those communities rose rapidly.

The formation of the Kerala state in 1956 resulted in the educational uplift of the backward regions of Malabar (of the erstwhile Madras state), thanks to a patriotic fervour in favour of a united Kerala, political compulsions and an unprecedented expansion of literacy in all parts of the state and among all sections of the population.

#### Notes

[The author expresses gratitude to PR Gopinathan Nair for his valuable comments.]

- 1 The powerful Nair Service Society (NSS), formed in 1914 by Mannath Padmanabhan, was an altogether different kind of movement. As literacy among the nairs was among the highest in the state, the NSS focused on the eradication of superstitious beliefs and social evils, besides working for the economic advancement of the community.
- 2 Custom prescribed that a nair may approach but not touch a brahmin and that a shanar or ezhava must remain 36 paces away and a pulaya slave 96 paces away. Similar distances were appointed for other castes and between different castes.
- 3 The rights and privileges granted to the Syrian Christians during the early centuries were inscribed on copper plates. Such plates are believed to have been executed by rulers like Cheraman Perumal (fourth century), Ayyan Atikal Thiruvattikal of Venad (ninth century) and Vira Raghava of Mahodayapuram.
- 4 Samuel Mateer, a prominent London Missionary Society man who spent nine years in Travancore, has said that Europeans were forbidden to use the main road and were required to traverse a path along the coast where brahmins rarely travelled. He himself had been ordered off a public road by servants of a brahmin priest who was passing along in his palanquin. Mateer refused to oblige. Other missionaries had been assaulted for non-compliance [Mateer 1870:32-33].
- 5 Colin Macaulay was the brother of Zachary Macaulay, one of the founders of the Church Missionary Society in England. No wonder he had concern for the uplift of the Syrian Christians of Malabar.
- 6 Mead retired from his new assignment in 1871 and his end came on January 19, 1873. During his 57 years' residence in India (1816-1873), Mead had contributed a lot to the spiritual and material progress of the underprivileged people of southern Travancore.
- 7 The Baker Memorial Girls' High School, which became a full-fledged English high school in 1903, has grown out of the merger and consolidation of the earliest girls' schools started in Kottayam by the wives of Bailey, Fenn and Henry Baker (Sr).
- 8 The grant-in-aid code stipulated the following conditions: (a) The course of instruction provided should be the same as that obtained

in government schools, (b) The prescribed textbooks should be the same, and (c) only properly qualified teachers should be employed

- 9 The curriculum of a pyall school consisted of some lessons in arithmetic, astronomy, neethi-saram, the thousand names of Vishnu, a portion of the Sanskrit dictionary, easy lessons in casting horoscopes and the calendar, a few verses on medicine and general poetry, all written on palmyra leaf [Aiya 1906:453-54]
- 10 Declared backward for the purpose were the pulaya, pariah, vedan, izhawa, shanar, kurava, vettaran, marakkan, paravan, mukkuva, velan, pullan, malayarayan, talavan, tandan, mutuvan, velutedan, maran and kshaurakan castes, as well as the Mahomedan community [Aiya 1906:482].
- 11 Among such organisations, we may list the following
  - 1 Prathiyksha Reksha Darva Sabha (for the benefit of pulayas and pariahs turned Christians) 1909
  - 2 Central Travancore Pulaya Samajam.
  - 3 The Cheramar Mahajana Sanghom (for the uplift of pulaya converts to Christianity) 1919
  - 4 The South Travancore Sambavar Mahajana Sanghom (organisation of pariahs) 1919
  - 5 The South Travancore Aiyannavar Samajam (organisation of aiyannavar community) 1916

- 6 The South Travancore Chackalavar Samajam.
- 7 The South Travancore Keralamuthali Samajam
- 8 The Kerala Adimajana Sabha (for the common good of kuravas, pulayas, pariahs and vedas)
- 9 The All-Kerala Araya Mahajana Yogam.
- 10 The All-Travancore Varnavar Samajam.
- 11 The Yogiswara Mahajana Sanghom.
- 12 The Travancore Virasaiva Samajam.
- 13 The Keraliya Panar Samajam.
- 14 The Lajna Mohammadiya Sabha.

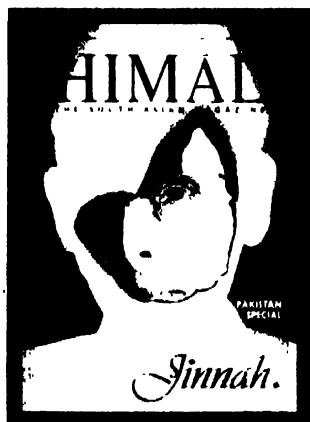
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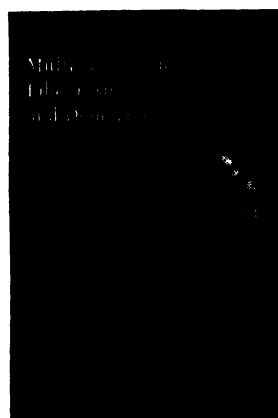
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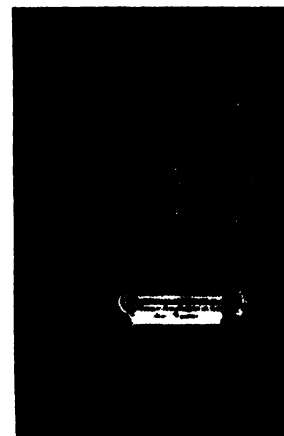
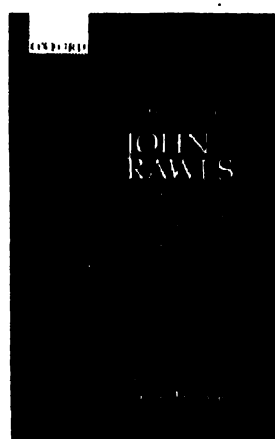


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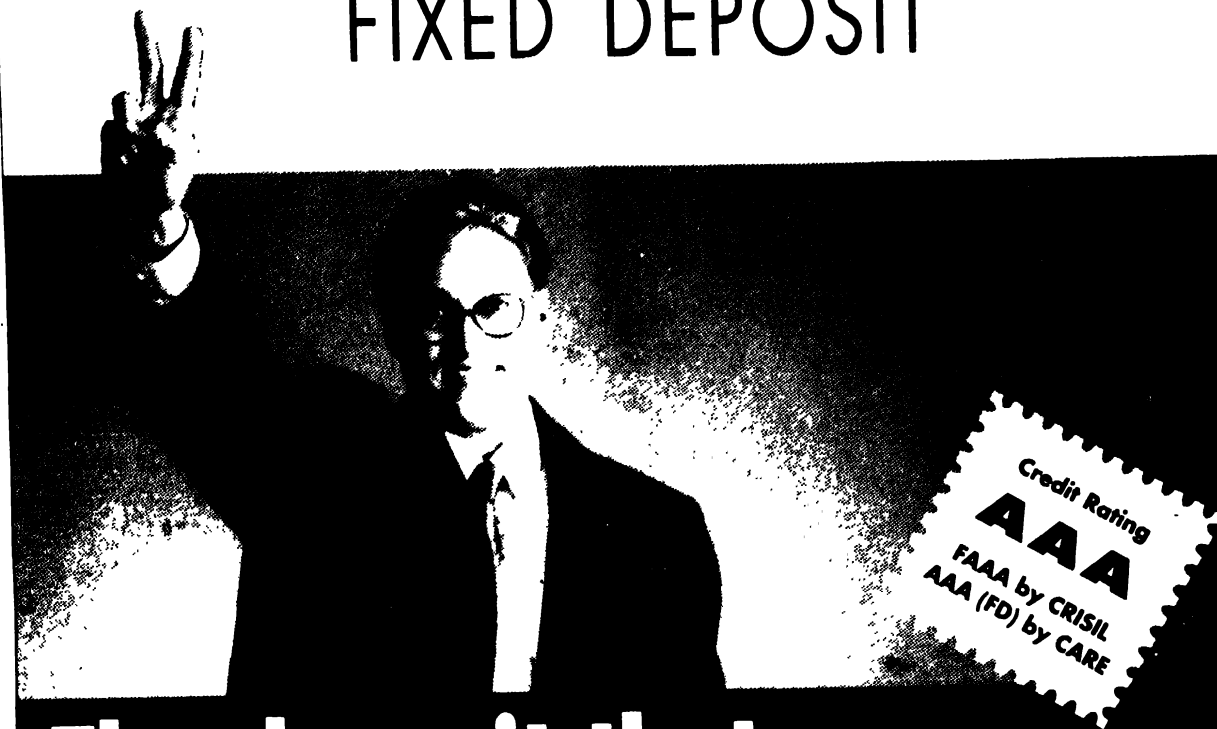
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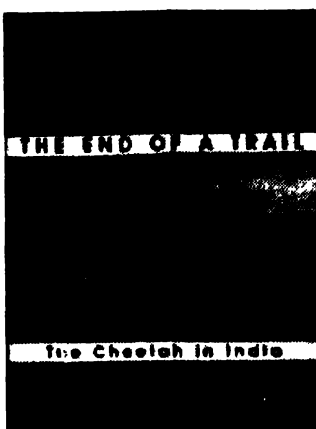
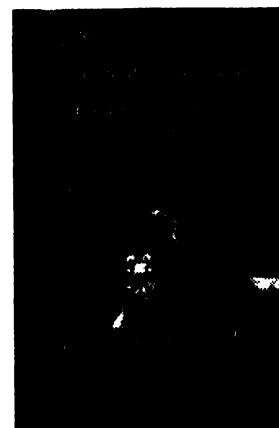
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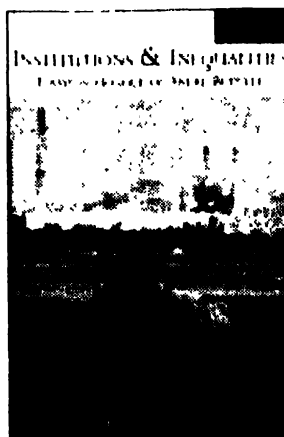
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## Towards a New Financial Architecture

The frequency and intensity of financial crises in recent years is matched only by the plethora of competing explanations of their underlying causes. There is disagreement too on how economies and markets, once sucked into the vortex of such crises, should extricate themselves from the resulting turbulence. There have also been suggestions more recently on how such crises could be better prevented, including through a radical redesign of the standards, rules and governance structures that influence international financial flows. A rapid guided tour through this rough and sometimes inconsistent terrain with the focus on the implications for a new international financial architecture. **2859**

## Village India: Studies and Re-studies

Replication studies are not a feasible way to proceed in ethnography, so anthropologists do the next best thing, the village re-study. A 27-year study of four Badaga villages, representing different phratries and social strata in the Nilgiri Hills in Tamil Nadu, illuminates the process of modernisation of a traditionally peasant millet-farming community **2867**

## VAT for a Federal Economy

Experience gained in several federal economies, both developed and developing, has established the undesirability of subjecting commodity taxation to two levels, the federal and the provincial. Analysis of the efforts over the last 15 years to introduce a VAT system in India in place of union excise duties and state sales taxes with a view to offering an alternative, more appropriate, VAT model. **2875**

## Dealing with Financial Crimes

No country can lay claim to a modern and world class financial system without knowing how to handle financial crimes and scandals. This calls for building up confidence in the regulatory process through swift detection of irregularities and deterrent punishment within a meaningful time-frame. Harshad Mehta's conviction this week in a case relating to the Securities Scam of 1992 has underscored how far we are from these goals. **2833**

## Understanding Globalisation

The implications of globalisation for national and international policies are far-reaching and we need to refine our understanding of them by taking stock of the developments on the ground as also in the thinking about them **2845**

## Agrarian Capitalism

Agrarian capitalism is conceived too narrowly in the literature on India, on models which are simply unrealistic when applied to the social and ecological circumstances of this part of the world. A review article. **2850**

## East Timor and Kashmir

When ideology and realpolitik come in conflict, ideology has to take a back seat. As the hour struck for the resolution on the referendum on East Timor's independence to be voted on in the UN General Assembly, India was a non-enthusiastic joiner-in. For realpoliuk read Kashmir. **2832**

## Smooth Sailing

With the opposition votes split, Mahathir Mohamad's 13-party coalition will sail through the forthcoming general elections in Malaysia, the recent political hiccups notwithstanding. **2844**

## Irrigation Management

The legislation enacted in Andhra in 1997 to enable the participation of farmers in the maintenance of irrigation systems has led to many worthwhile initiatives, but the reforms now need to be carried forward to cover the critical realm of end-use regulation of water. **2834**

## EC's Priorities

In the light of some of its recent actions, there is a strong case for a dispassionate review of the Election Commission's role in the electoral process. **2838**

## Trade Union Data

The trade union data published by the labour bureau of the union government are anything but reliable, resulting in question-marks, for example, over whether or not there has been a secular decline in the degree of unionisation. **2839**

## Asia's Women Leaders

While dynastic charisma is a factor in the rise of many women political leaders in Asia, in the case of Sonia Gandhi it is being cleverly articulated to her advantage in India's current political vacuum. **2842**

## Unemployment in Kerala

K P KANNAN'S paper 'Political Economy of Labour and Development in Kerala' (*EPW*, December 26, 1998) is an excellent portrayal of the dilemmas facing Kerala economy at the present juncture. While trade unions have been successful in improving wage rates in Kerala, they have been much less successful in tackling unemployment.

The writings on Kerala economy during the past two decades or more have largely emphasised the positive side of the Kerala development model, particularly the high level of social development and its consequences. The darker side of Kerala's development experience characterised by a high level of unemployment in the state has until recently been largely ignored in the literature. My own attempts to draw attention to the problem of unemployment in Kerala (*Economic Development and Unemployment: Relevance of the Kerala Model*, Asian Publication Services, New Delhi, 1983 and *Socio-Economic Change and Regional Development*, Deep and Deep Publications, New Delhi, 1991) went largely unnoticed in academic circles. With the publication of K P Kannan's paper and E T Mathew's book (*Employment and Unemployment in Kerala*, Sage Publications, New Delhi) it can now be expected that serious attempt will be made by the state government and all others concerned to tackle the most serious of all problems confronting Kerala economy today – unemployment.

The problem of unemployment is serious since it tends to almost nullify other positive aspects of the Kerala development model. Whatever may be the gains enjoyed by the working class in the state, it cannot be ignored that a large segment of the job aspirants in Kerala are forced to migrate outside the state in search of employment where they have to toil under harsh conditions without enjoying a great deal of the privileges which the labour force in Kerala takes for granted. Migrants from Kerala are living under very difficult conditions not only in the Gulf countries but also in many parts of India. Of what benefit is it to these Keralites that their state has evolved as a paradise of social development when they cannot enjoy living in this paradise but have to migrate to other parts

of the country and abroad in search of employment.

Another factor that has to be taken note of is the fact that the edge that the state of Kerala today enjoys over other parts of the country in social development may not be sustained for very long for the following two reasons:

One, the financial health of the state government is not good enough to permit it to maintain a high level of per capita expenditure in the social sectors in the future. Ultimately, if state government finances are to improve to permit it to maintain high levels of expenditure in social services, it will be possible only if there is a sustained growth in output in the agricultural and industrial sectors of the economy.

Two, the advantage enjoyed by the state of Kerala in educational development is basically restricted to the primary education segment and also school education as a whole. In the matter of achieving universal literacy the other states of India will catch up with Kerala within another two decades or so. Beyond that period the educational achievement of states in India is going to be determined by the level of higher educational facilities in the region. In the matter of providing higher education facilities, Kerala is already lagging behind many other states in India. Tamil Nadu, for instance, has made rapid strides in the field of higher education

such as by implementing the scheme of providing autonomy to colleges and other important measures like improving facilities for professional and vocational education in the state.

Thus the requirement in a state like Kerala is not to look back and take comfort about its achievements in the past but to look forward to the future and work out a policy framework which enables sustained development in the social sectors so that the comparative advantage enjoyed by the state in development activities in this sector is maintained and carried forward. Otherwise the state is likely to slip behind even in the matter of educational development (see P V Rajeev, *Planning For Social Reforms*, Deep and Deep Publications, New Delhi, 1999).

In the past educationally qualified migrants from Kerala could easily find employment in metropolitan cities in India. Today with educational progress in other parts of the country, job-seekers from Kerala are facing increased competition. With dwindling job opportunities outside the state there is all the more reason why the state government should introduce appropriate reforms in its policies and programmes to ensure adequate employment opportunities for the younger generation.

P V RAJEEV

New Delhi

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New Zealand, Australia and Russia	150	100	90	65
All other countries	100	70	70	50

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## Bolting Some Doors

OVER the past decade the nature and structure of health care has been undergoing a great deal of change. With the gradual, though imperceptible, withdrawal of state funding in health care, the expansion of the private sector has become more evident. The growth of health care corporations, tacitly encouraged by the state, has gained momentum. Even as medicare institutions have become 'modernised', personnel have also become more mobile, between urban areas as well as across borders with outmigration of nursing and medical staff becoming more diffused. Simultaneously, the polarisation of health care services in terms of whom they serve has sharpened. In sum the market for health care is becoming better defined with market mechanisms operating across the sectors. While cost of health care has risen sharply for all users, some regulation of the market has become more feasible. This is particularly true in the context of globalisation with health services becoming a well-defined item in WTO negotiations on trade in services. A document currently under discussion of a 10-member group constituted by the union ministry of health and family welfare and to be tabled at the WTO meeting in January has put together proposals for opening the health sector to international trade.

Undoubtedly, the notion of 'opening to foreign trade' an area which has always been considered a component of the welfare commitment of the state and which is, in the main, in a state of grave disrepair and neglect should prompt some criticism and cautions. But equally it is pertinent to acknowledge that such a document is after all formalisation of a process which was set in motion several years ago. The main considerations of the document focus on India's ability to export hospitals and diagnostic clinics and to provide services for patients from all over the world and to 'export' such services/institutions as 'turn key' projects to countries of West Asia and Africa.

The growth and expansion of the corporate sector and its attempts to evolve closer links with the international medicare institutions has been evident from a long time, as early as the first decades after independence. Today international linkages are being sought in many different ways – through research projects; collaborative care, or more directly the selling of Indian medicare facilities abroad, especially in West Asian countries. And it is here that the international certification being so proudly displayed by several corporate hospitals and allied institutions becomes useful. These are after all, necessary accoutrements in a consumer-controlled market, which does not exist in India for medicare and related products. The Indian consumer of health care is hardly likely to be in a position to exercise a choice in purchasing medicare. The market for sophisticated high cost medical care in India is small and cannot be expected to grow significantly enough for the high investments being made on these projects to make

commercial sense. Thus the only reason for this recent and sharp growth in this area is its potential to access foreign markets – to attract foreign patients and to provide a base and infrastructure for replicating such models in other countries, particularly in West Asia and Africa. The continuing expansion of medical personnel, with new high-fee medical colleges emerging every academic year, is led by these perceptions of future growth. If it is to be ensured that some of this expansion of services and its growing sophistication is accessible to people within the country, then it is imperative that some regulations are introduced in the medicare market. How feasible is this for a state apparently in retreat? And if feasible, is the state the most appropriate agency for monitoring and regulating these institutions?

Significantly, in most developed countries, the US, Canada and Britain of course, the state plays a vital and emphatic role in regulating the medicare industry. It is this that has made quality medicare accessible, though not as easily as necessary, to those in the lower economic strata even in the context of spiralling medicare costs. In India, to begin with the state excluded in its planning process the private health care sector. This neglect has produced a scenario, now much written about, of a huge and largely unregulated private sector and a small, inefficient and insufficiently funded public sector in health care. Such has been the blind spot that most states have either never passed legislation separately governing medicare institutions, or have not bothered to frame rules to apply the law. Over the last few years persistent effort by the health movement and medical forums has prompted some movement on self-regulation. Not surprisingly, this has received impetus from the growing global links that the medical profession and institutions are developing. Both research and care institutions are increasingly collaborating with foreign institutions and often receive project funds which in turn demand certain standards and minimum requirements of infrastructure as well as qualifications and training of personnel. The recent renewed attempts to rejuvenate the Indian Medical Council are to be seen in this context.

Clearly and inevitably, the medicare industry will become formally linked to the growing international trade in services. Having acknowledged this it is imperative that the ministerial body now considering the draft document to be presented at the WTO negotiations give careful thought to ensuring that a vital service like good, state-of-the-art medicare remains accessible to those who need it within the country. There is no room for exclusive export-oriented growth in this area. But this will not be easy to ensure without stumbling over WTO requirements. And this is why it is imperative that the ministry urgently make public the draft proposals and facilitate wide-ranging debate among the providers as well as the consumers of medicare.

## Disgraceful Legacy

A TEENAGE, illiterate, tribal girl from Bihar is taken to Paris by one of our diplomats working in the Indian embassy there. While French medical experts who examined the girl, after she ran away from the Indian diplomat's house and was rescued by a French anti-slavery NGO, place her age at 17, her passport shows her age as 19. She ran away from her employer alleging that not only was she overworked and underpaid, but also that she was badly treated. According to the French medical report she was found to have been "recently sexually mutilated".

Ever since this story of the girl made the headlines in the French media, the Indian embassy in Paris has been busy not only denying the allegations but also going a step further and blaming the girl for shirking work and for having run away from her employer's house to escape deportation. It is also reported that pressure is being brought to bear upon the girl's family in Bihar through influential persons not only to get the unfortunate girl repatriated to India at the earliest but also to make it appear that she is of unstable mind and 'doubtful character'.

The whole episode reflects poorly on the practice of the Indian foreign office, inherited from the colonial times, of allowing diplomats to take live-in domestic servants with them when they are posted abroad. This outdated practice ought to have been discarded right at the outset. What is unforgivable is that even women are allowed to be taken abroad as live-in domestic servants of Indian diplomats. In this particular case, an illiterate tribal girl whose age appears to have been deliberately overstated in her passport was taken to Paris and then treated so badly that she was driven to run away from the employer's house and attempt to commit suicide.

Not that similar stories have not surfaced from time to time in the past. But every time the attempt on the part of the Indian foreign office has been to somehow put a gloss on things in a manner that the episode is forgotten at the earliest and no action is taken either to get at the root of the incident or to put a stop to this disgraceful practice of Indian diplomats being allowed to keep live-in domestic servants, including women, when they are posted abroad.

Stories of maltreatment of Indian women migrating to the Gulf and other parts of the world and taking up jobs as

domestic servants are not uncommon. It is estimated that the number of women from India working overseas in domestic jobs could be quite large and may exceed one lakh. From time to time, several of our women workers abroad have had to seek the protection of Indian diplomatic offices. It is also not uncommon to come across stories of indifference shown by our diplomats towards such complainants. The episode in Paris clearly brings out what could possibly lie behind such indifference.

If our diplomats themselves are used to treating their own live-in maids so badly, how can one expect them to have any sympathy for the victims of similar maltreatment by others? What is called for immediately is that the practice of allowing live-in women domestic servants to our Indian diplomats posted abroad is stopped.

## TERRORISM

### Chicken Come Home to Roost

THE latest session of the UN General Assembly which was supposed to move towards a new global consensus on cross-border terrorism, turned out to be yet another exercise in duplicity and expediency, where our foreign minister Jaswant Singh matched US president Clinton in sanctimonious rhetoric.

Both raised the spectre of cross-border terrorism as the gravest danger facing the world community. Clinton urged nations to wake up to meet the challenge posed by terrorism, and appropriated for his government the monopoly role of protecting them - to the extent of suggesting that it should bypass the UN and launch military actions in other countries to fight terrorism. Jaswant Singh echoed similar sentiments by describing terrorism as the great 'global menace'.

But the Indian foreign minister added a new dimension. He embellished his pontification by alluding to the "scimitar of narco-terrorism that cut across the Caucasus to the south Asian subcontinent", his speech being mainly directed against Pak-sponsored terrorism in Indian territory. Singh's choice of the word 'scimitar' is significant. It was used by the English to describe the curved sword of the Muslims who fought the Christian Crusaders in the middle ages. Singh deliberately used the word to revive among his western listeners memories of their wars against scimitar-wielding Muslims. Singh sought to iden-

tify global terrorism with Islamic fundamentalism and tried to appeal to the anti-Islamic Christian sentiments of the past which are being reinforced today in the west by the killings and bombings indulged in by Islamic terrorists not only in the US and Europe, but also in Russia.

There are however two snags in Jaswant Singh's presentation at the UN General Assembly. First, terrorism in the present global context is not solely an Islamic fundamentalist monopoly. There are powerful terrorist groups spread in different parts of the world, who are inspired by various motivations, like the Jewish Zionists in Israel, the anti-semitic neo-Nazis in Germany and other parts of Europe, the white racists in the US - as well as political organisations of nationalities seeking self-determination which resort to terrorist tactics, like the Palestinians or the IRA in Ireland. Secondly, Singh glossed over the phenomenon of the rise of terrorism within India. If terrorism is to be attributed to the 'scimitar' of Islamic fundamentalism, how can he explain the continuing terrorist acts of the Hindu high-caste dominated ULFA in Assam, or the tribal secessionist groups in the north-east, or the Khalistani groups among the Sikhs? It is all very easy for the Indian government to blame Pakistan's ISI for recruiting these terrorist groups in India. But, even if we believe in its allegation, the question remains - why have these non-Muslim separatist groups agreed to be funded and armed by Islamic fundamentalist forces? Clearly, it is not a religious issue, but a problem that cuts across religious or state boundaries, where certain leaders of nationalities determined to carve out their own nation states are willing to take help from any source, irrespective of its religious, ideological or moral character. Thus, we found in the past how Christian Naga insurgents sought military aid from the communist government of China, despite the fact that their Chinese co-religionists were at that time complaining about curbs on their religious activities by Beijing. In recent times, the Sikh militants of the Khalistani movement managed to overcome their community's collective memories of their wars against the Moghuls and the bloodbath of the Partition, in order to receive military training from the ISI in the Islamic state of Pakistan. Of late, if we are to believe the union home ministry's intelligence reports, the ISI has succeeded in attracting the ULFA cadres of Assam who are believed to be receiving training from Pakistani army personnel in camps in Bhutan. Yet, the present leaders of the

same ULFA (when they were members of the All Assam Students' Union) allegedly played a major role in the massacre of thousands of Muslims in Nellie in February 1983 during the assembly elections in the state. Both the patron and its protegee, the Islamic state of Pakistan and the Hindu upper caste dominated ULFA, are apparently prepared to forget the past as long as it suits their respective interests – the former looking for any opportunity to needle India, and the latter hoping to make use of Pakistan's anti-India stance to attain its objective of carving out an independent Assam.

All this skulduggery in relations between the various terrorist groups and their patrons is not confined to the Indo-Pak subcontinent, but can be found all over the world – whether their patrons or trainers are intelligence agencies of states, multinational organisations of mercenaries, international cartels of arms manufacturers, or drug-traffickers who enjoy state protection. But while ritualistically condemning cross-border terrorism, the UN General Assembly quite conveniently ignored these sources that sustain global terrorism.

It is significant that both Clinton and Jaswant Singh shrugged off the past roles of their respective governments in sowing the seeds of what has today assumed the menacing form of a global threat. It was Washington which armed Iraq's Saddam Hussein to fight Iran, backed the Serbian leader Slobodan Milosevic when he massacred thousands in Bosnia, trained Osama bin Laden and the Afghan mujahideens to battle the Russians. Today the chicken have come home to roost. Washington's erstwhile proteges are not only engaged in ethnic cleansing in their own countries, but are also striking back at the US itself. Successive governments in India also had followed a similar policy of aiding or arming certain individuals and groups for immediate gains, who later developed into terrorists posing a threat to the state and the people. One can recall in this connection how Indira Gandhi propped up Bhindranwala against her opponents in Punjab, how the RAW trained the LTTE militants, how even today the government continues to play with fire by arming surrendered militants in Kashmir and Assam who are becoming a new terrorist menace.

Cross-border terrorism is a Frankenstein in the creation of which almost all the states over the last few decades have contributed in some measure or other – whether it is the self-appointed international cop US, or the emaciated but

megalomaniac state of India and the militarily ambitious state of Pakistan in the subcontinent, or whether they are the various states in Africa caught up in tribal conflicts which spill over their borders.

## EAST TIMOR

### Mishandling by UN

EAST TIMOR's resolve to be an independent country has a long history. Its articulation through the UN-conducted referendum of August 30 only signifies that its demand, muffled for decades, has gained sudden legitimacy and an urgency in the corridors of the western powers, who till the other day were engaged in depriving East Timor of the freedom due to it way back in 1975. The most agonising part of this unfolding political drama in south-east Asia is that these powers were indifferent to the sufferings of the East Timorese under the colonial yoke of Portugal and, after the departure of the Portuguese, to avert the threat of a communist takeover and for unfettered access to the oil reserves and mining rights in the archipelago encouraged the appropriation of East Timor by Indonesia, turning a blind eye to the brutalities heaped by the Suharto regime on the East Timorese for more than two decades. Now a 7,000 strong UN peace-keeping force has been hastily constituted to uphold East Timor's right to self-determination against Indonesia-backed, rampaging pro-integrationist militia.

Sadly, the UN too deemed an armed intervention in East Timor necessary only in the post-referendum period, when it was known that the scale of violence unleashed by the pro-integrationist militia, uprooting lakhs and killing hundreds of East Timorese, had been going on for more than six months. The havoc wreaked by the militia on East Timor civilians gained momentum once the Indonesian caretaker president B J Habibie, without

consulting parliament or the powerful military, announced in early May the referendum for autonomy of East Timor in a bid to distance himself from the defamed legacy of his predecessor and to turn the pro-democracy tide amongst the Indonesian voters in his favour for the elections to the house of representatives to be held in June. It is clear from the turn of the events that East Timor had become a pawn in the jostling for presidential power in Indonesia. With the East Timorese providing a low turnout during the June elections, the pro-integrationist militia, spurred by the slighted Indonesian army, indulged in further mayhem to intimidate the East Timorese. In the light of this preceding bloodshed and terror, a referendum verdict against autonomy was bound to set East Timor aflame again.

With thousands massacred, and lakhs displaced as internal refugees and another lakh forcibly evicted to West Timor, the UN's wisdom in conducting the referendum exercise against this violent backdrop is open question. Though Habibie, making his own political calculations, may have given a green signal to the referendum, was it not the UN's responsibility to assess whether the conditions in East Timor were conducive for a referendum, and accordingly should have taken precautionary measures, especially when an unarmed civilian populace was to cast its vote in all probability against the might of an armed nation state? Moreover, with Indonesia itself in the process of setting its house in order, it would not have been a dereliction of duty on the part of the UN to bide time for the referendum, given that the UN otherwise had remained a silent spectator over the years of the atrocities perpetrated against the East Timorese. Had the UN taken steps, taking into account that East Timor, though firm in its resolve to be independent, has yet to gain control over its destiny, at least the magnitude of the tragedy could have been mitigated.

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MANAGER



# CURRENT STATISTICS

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With some moderation in banks' deposit growth followed by a pick up in advances and commercial investments, the excess liquidity in the system has begun to evaporate. As a result, the RBI is hard put to it to avoid pressure on primary yields of treasury bills and dated securities. The secondary market yields on the gilt-edged as well as commercial bonds have already firmed up. Despite 75 per cent of gross market borrowings already done, budgetary compulsions may induce further sizeable borrowings in the months ahead.

## Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82 = 100)	Weights	Sept 18, 1999	Over Month	Variation (Per Cent) Point-to-Point								
				Over 12 Months		Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96	
				Latest	Previous	1999-2000	1998-99					
All Commodities	100.00	364.00	1.2	2.0	8.6	2.8	5.8	5.0	5.3	6.9	5.0	
Primary Articles	32.30	398.20	2.8	2.6	15.8	4.8	11.6	9.3	5.5	7.0	5.4	
Food Articles	17.39	471.30	3.2	2.9	19.9	7.3	16.5	11.7	4.0	9.6	9.8	
Non-Food Articles	10.08	380.50	1.8	0.9	12.4	-0.7	5.8	7.5	8.5	3.5	-1.9	
Fuel, Power, Light and Lubricants	10.66	401.80	0.8	5.3	3.3	5.9	-0.6	-1.2	11.4	16.9	3.7	
Manufactured Products	57.04	337.60	0.2	1.0	5.5	0.9	3.7	3.8	4.0	4.9	5.0	
Food Products	10.14	349.00	1.2	-2.1	9.6	2.1	9.5	4.9	5.5	14.1	-0.7	
Food Index (computed)	27.53	426.24	2.6	1.3	16.5	5.7	14.2	9.5	4.5	11.1	6.3	
All Commodities (weekly average basis) (April 3-Sept 11, 1999)	100.00	358.4	0.3	4.7	6.0	2.8	7.4	6.9	4.8	6.4	7.8	
Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent) Point-to-Point									
			Over 12 Months		Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96	1994-95	
			Latest	Previous	1999-2000	1998-99						
Industrial Workers (1982-100)	424.0 <sup>2</sup>	1.0	3.2	14.8	2.4	8.2	8.9	8.3	10.0	8.9	9.7	
Urban Non Man Emp (1984-85=100)	350.0 <sup>1</sup>	1.2	4.2	13.1	2.9	7.7	9.0	7.2	10.2	8.2	9.9	
Agri Lab (1986-87=100) (Link factor 5.89)	308.0 <sup>8</sup>	1.3	5.1	11.8	4.1	7.7	8.8	3.8	10.5	7.2	11.1	
Money and Banking (Rs crore)	Sept 10, 1999	Over Month	Over Year	Variation Fiscal Year So Far								
				1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96	1994-95		
Money Supply (M <sub>1</sub> )	1030482	5485(0.5)	146070(16.5)	58178(6.0)	62981(7.7)	150872(18.4)	119484(17.0)	97841(16.2)				
Currency with Public	180448	-433(-0.2)	27123(17.7)	11065(6.5)	7746(5.3)	23804(16.4)	13491(10.2)	13829(11.7)				
Deposit with Banks	845443	6147(0.7)	118084(16.2)	46443(5.8)	55146(8.2)	126788(18.9)	105647(18.6)	84162(17.5)				
Net Bank Credit to Govt	426056	8698(2.1)	55780(15.1)	38904(10.0)	39679(12.0)	56554(17.1)	41979(14.5)	30840(12.0)				
Bank Credit to Comm Sector	500155	558(-0.1)	66148(15.2)	9791(2.0)	697(0.2)	57054(13.2)	57008(15.1)	31659(9.2)				
Net Foreign Exchange Assets	169961	-256(-0.2)	20210(13.5)	5598(3.4)	11656(8.4)	26268(19.0)	32597(30.9)	23356(28.4)				
Reserve Money (Sept 10)	267371	1740(0.7)	34205(14.7)	8000(3.1)	6761(3.0)	32969(14.6)	26417(13.2)	5527(2.8)				
Net RBI Credit to Centre %	152584	604(0.4)	11292(8.0)	7167(4.9)	7675(5.7)	11801(8.8)	12914(10.7)	1934(1.6)				
RBI Credit to Banks/Comm Sector	28367	1372(5.1)	9846(53.2)	2880(11.3)	3219(21.2)	10206(66.8)	2028(15.3)	-1555(-54.0)				
Scheduled Commercial Banks (Sept 10)												
Deposits	749844	5881(0.8)	100764(15.5)	35819(5.0)	50595(8.5)	115540(19.3)	92886(18.4)	71780(16.5)				
Advances	374746	1502(0.4)	50691(15.6)	5908(1.6)	24 neg	44759(13.8)	45676(16.4)	24387(9.6)				
Non-Food Advances	353800	2615(0.7)	45770(14.9)	1779(0.5)	3564(-1.1)	40427(13.0)	40790(15.1)	26580(10.9)				
Investments (for SLR purposes)	288105	5095(1.8)	43181(17.6)	33510(13.2)	26219(72.0)	35890(16.4)	28192(14.8)	25731(15.6)				
Commercial Investments and bills rediscounted with FIs	54149	622(1.2)	14074(35.1)	5480(11.3)	8052(25.2)	16645(52.0)	12472(63.1)	4168(27.1)				
@ Includes Rs 17,945 crore on account of proceeds from RIBs since August 28, 1998; excluding them the year on-year and the 1998-99 fiscal year growth of money supply would be 16.9 per cent and 16.2 per cent, respectively. Likewise, bank deposits without RIBs grew by 16.0 per cent and 16.3 per cent, respectively. \$ after closure of government accounts.												
Index Numbers of Industrial Production (1993-94=100)	Weights	July 1999	Fiscal Year So Far		Full Fiscal Year Averages							
			1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96	1994-95			
General Index	100.00	145.2	145.1(5.4)	137.7(4.2)	143.1(4.0)	137.6(6.6)	129.0(5.5)	122.3(12.8)	108.4(8.4)			
Mining and Quarrying	10.47	118.0	115.7(-1.2)	117.1(0.5)	120.3(-1.8)	122.4(5.9)	115.6(-2.0)	117.9(9.6)	107.6(7.6)			
Manufacturing	79.36	149.0	149.2(6.3)	140.4(3.9)	146.7(4.4)	140.6(6.7)	131.8(6.7)	123.5(13.8)	108.5(8.5)			
Electricity	10.17	144.0	144.1(4.6)	137.8(9.3)	138.4(6.4)	130.0(6.6)	121.9(3.9)	117.3(8.1)	108.5(8.5)			
Capital Market	Oct 1, 1999	Month Ago	Year Ago	1999-2000		1998-99		End of Fiscal Year				
				Trough	Peak	Trough	Peak	1998-99	1997-98	1996-97		
BSI: Sensitive Index (1978-79=100)	4702(63.4)	4824	2878(-26.4)	3245	4906	2783	4261	3740(-3.9)	3893(15.8)	3361(-0.2)		
BSI: 100 (1983-83=100)	2172(69.1)	2153	1284(-24.2)	1409	2240	1242	1890	1651(-2.7)	1697(15.9)	1464(-5.5)		
BSI: 200 (1989-90=100)	501(67.0)	495	300(-20.8)	322	512	289	429	380(0.8)	377(14.9)	328(-5.0)		
S and P CNX-50 (Nov 3, 1995=1000)	1403(66.8)	1411	841(-24.6)	931	1423	812	1213	1078(-3.5)	1117(15.4)	968		
Skintra GDR Index (Jan 2, 1995=1000)	895(67.5)	951	531	581	980	515	1015	653(-30.5)	940(1.1)	930(-4.4)		
Foreign Trade	July 1999	Fiscal Year So Far		Full Fiscal Year								
		1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96					
Exports: Rs crore	13209	47467(8.5)	43767(6.4)	141604(8.8)	130101(9.5)	118817(11.7)	106353(28.6)					
US \$ mn	3052	11042(4.0)	10614(-7.7)	33613(-3.9)	34976(4.5)	33470(5.3)	31797(20.8)					
Imports: Rs crore	15485	60488(5.4)	57388(18.0)	176099(14.2)	154176(11.0)	138920(13.2)	122678(36.3)					
US \$ mn	3577	14072(1.0)	13932(2.6)	41802(0.9)	41449(5.9)	39132(6.7)	36678(28.0)					
Non-POL US \$ mn	2849	1131(-6.6)	12108(18.6)	35928(10.3)	32526(11.9)	29096(-0.2)	29152(28.3)					
Balance of Trade: Rs crore	-2276	-13621	13622	-34495	-24076	-20102	-16325					
US \$ mn	526	-3030	-3318	-8188	-6472	-5663	-4881					
Foreign Exchange Reserves (excluding gold)	Sept 24, 1999	Sept 25, 1998	March 31, 1999	Variation Over								
				Month Ago	Year Ago	Fiscal Year So Far 1999-2000	Fiscal Year So Far 1998-99	1998-99	1997-98	1996-97	1995-96	1994-95
Rs crore	131991	111506	125446	-152	20485	6545	8995	22935	22137	21649	-7302	18402
US \$ mn	30294	26276	29530	-84	4027	764	291	3554	3607	5243	-3690	5640

Notes: (i) Superscript numeral denotes month to which figure relates, e.g., superscript 7 stands for July, (ii) Figures in brackets are percentage variations over the specified or over the comparable period of the previous year, neg. negligible

## Money Market Rates of Interest

(Per cent per annum)

Instruments	September 1999				August 1999				September 1998			
	24(RF)	17	10(RF)	3	27(RF)	20	13(RF)	6	25(RF)	18	11(RF)	4
Call money rate (Range: weekly)	6.85-11.25	7.75-12.60	7.75-11.15	7.80-10.35	7.00-10.05	9.60-12.50	8.25-35.00	7.75-9.25	4.00-8.50	7.50-12.50	3.00-9.50	8.50-21.00
Prime Lending Rates: Banks (Major Public Sector)	12.00-12.50	12.00-12.50	12.00-12.50	12.00-12.50	12.00-12.50	12.00-12.50	12.00-12.50	12.00-12.50	12.75-13.00	12.75-13.00	12.75-13.00	12.75-13.00
IDBI	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	14.00	14.00	14.00	14.00
ICICI	13.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	12.00-13.50	13.00-13.50	13.00-13.50	13.00-13.50	13.50-14.00	13.50-14.00	13.50-14.00	13.50-14.00
IFCI	12.50-13.50	12.50-13.50	12.50-13.50	12.50-13.50	12.50-13.50	12.50-13.50	12.50-13.50	12.50-13.50	13.50-14.50	13.50-14.50	13.50-14.50	13.50-14.50
Treasury Bills:-												
14-Day (RBI Auction): Primary	8.61	8.61	8.61	8.61	8.09	8.87	8.61	8.61	8.09	8.09	8.09	8.09
91-Day (RBI Auction): Primary	9.46	9.46	9.46	9.46	9.46	9.46	9.00	9.08	9.00	9.00	9.00	8.00
Secondary: DFHI (mid-point of bid and offer)				na	9.10	9.31	9.17	8.85				
All SGL trading (Weighted YTM) \$	9.26	9.68	9.08	8.86	8.87	8.87	8.86	8.67	8.57	9.12	7.98	8.88
182-Day (RBI Auction): Primary	*	9.89	*	9.89	*	9.89	*	9.10				
364-Day (RBI Auction)												
Primary	10.33	*	10.28	*	10.28	*	10.25	*	9.58	*	9.58	*
Secondary: DFHI (mid-point)	10.30	10.49	10.30	na	9.95	10.15	10.01	9.98				
All SGL trading (Weighted YTM) \$	10.00	10.52	10.39	9.98	10.00	9.99	11.95	11.94	8.97	9.19	9.28	9.44
State Govt. loans (Coupon rates)			11.85	-	-	-	-	-	-	-	-	-
All SGL trading (Weighted YTM) \$	11.79	11.82	11.89	11.74	11.75	11.76	11.81	11.81	12.84	12.27	12.17	12.20
GOI Securities: Primary Auctions	11.74	*	*	*	11.59	*	*	11.48	*	* 11.98 (6-yr)	12.25 (10-yr)	*
Secondary: All SGL trading (Weighted YTM) \$	11.25	11.24	11.09	11.16	10.99	11.07	11.19	11.36	11.57	11.41	11.70	11.58
PSU Bonds yield:-												
Tax free: NSE (traded, weighted) \$	9.01	9.02	8.19	9.04	10.47	8.70	8.94	8.85		10.11	10.31	10.22
NSE (Range: weekly)	9.01-9.90	9.02	7.86-9.74	8.87-10.06	10.47	7.91-10.48	8.79-8.99	8.42-9.16		9.07-10.44	9.89-10.63	9.88-10.47
Taxable: NSE (traded, weighted) \$	13.55	13.79	13.72	12.66	13.40	12.68	14.18	13.69	14.82	14.46	14.58	14.56
NSE (Range: weekly)	12.94-14.80	13.79	13.61-13.85	12.57-14.37	13.27-14.27	10.83-14.13	13.37-14.60	13.39-15.05	14.67-15.55	13.72-15.22	12.02-15.72	11.30-15.57
CP: Primary market (90 days)	na	10.50-11.00	10.25-10.75	10.20-10.25	10.10-9.90	10.25-10.05	10.40-10.00	9.75-9.80	11.25-11.75	11.50-11.75	12.00-12.40	12.00-12.40
Secondary market/NSE	9.92-10.75	10.20-11.00	9.50-10.75	9.30-10.25	9.40-10.10	9.00-12.80	9.78-11.00	8.90-10.75	9.65-10.65	9.74-11.62	9.30-11.50	11.98-12.15
CDs: Primary market (RBI data)	na	na	na	na	na	na	6.50-11.00	6.50-11.00	8.25-12.60	8.25-12.60	7.75-13.50	7.75-13.50
Inter-corporate deposits (30 days) #	na	na	na	na	11.75-12.25	11.25-11.75	10.25-10.75	10.25-10.75	11.00-14.00	11.00-14.00	11.00-14.00	10.00-13.00
(90 days)	na	na	na	na	11.50-12.00	10.50-11.00	10.50-11.00	10.50-11.00	13.00-15.00	13.00-15.00	13.00-15.00	12.00-14.00
Memorandum items:												
(i) Forward premia on the US dollar in the domestic inter-bank market (annualised in per cent per annum) (Weekly average) @												
Spot/Cash	3.97	4.19	3.56	1.88	5.45	5.03	7.36	2.81	3.01	4.94	3.56	7.86
One-month	5.12	5.52	6.33	5.57	4.99	5.36	5.17	4.19	7.14	7.82	8.27	12.19
Three-month	5.05	5.38	5.72	5.23	4.74	5.62	4.76	3.96	7.52	8.22	8.62	10.67
Six-month	5.32	5.58	5.83	5.46	4.85	4.92	5.09	4.47	8.02	8.57	10.33	10.36
Twelve-month	5.45	5.56	5.69	5.49	5.14	5.07	5.24	4.72	8.75	9.19	9.40	10.56
(ii) RBI Reference Rate (Rs/US\$)	43.57	43.54	43.54	43.51	43.50	43.55	43.46	43.45	42.51	42.53	42.51	42.54

Notes: # ICD figures till September 1998 are for a tenor of 60-90 days for Blue Chip and Non-Blue Chip Companies respectively. RF means reporting Friday for fortnightly reporting of conditions of banking business and the fortnight serves as the reserve maintenance period for scheduled commercial banks. @ Based on daily quotations supplied by Meckl Financial and Commercial Services Ltd., Bombay. Weekly averages of inter-bank premia annualised per cent per annum. - no floatation \* no trading \* no auction na not available YTM = yield to maturity \$ Weekly weighted averages.

## ASIAN PAINTS

### Expanded Capacity

ASIAN PAINTS, which has a strong presence in the decorative paints segment, notched a 11.5 per cent increase in net sales in 1998-99. However, a sharp increase in operating expenses resulted in operating profit rising by a mere 2.3 per cent. The main culprit was the sharp rise in costs of raw material such as titanium dioxide and vegetable oils and firm prices in other materials during the first nine months of the year. Titanium dioxide accounts for 30-35 per cent of the company's total raw material imports. Also, lower realisation from phthalic anhydride and pentaerythritol, due to sluggish international prices, had an adverse effect on the company's margins.

The company managed to stem this downward trend by sharply reining in its interest costs (up only 1.9 per cent) through a tight grip over its working capital position. A lower tax provision also provided some relief. Consequently, net profit rose by 18.3 per cent. Encouraged by its balancing act, the company decided to raise the dividend rate from 75 per cent to 80 per cent during the year under review. With earnings per share rising from Rs 16.8 to Rs 19.8, the company's stock price recently touched Rs 400 on the bourses.

The market for decorative paints remained subdued during the year, growing by around 7 per cent, and was adversely affected by a short Diwali season and the extended rains during the year.

A major part of the capacity expansion at the company's Kasna plant was completed and the paints block started production in September 1998, while distemper production began in November. The capacity expansion at the Patancheru plant and the reconstruction of the paints block at the company's plant in Mumbai were also completed during the year. The company's capacity increased by about 37 per cent to 1.63 lakh tonnes.

Asian Paints was in the news last year when British multinational ICI plc attempted to acquire a 9.1 per cent stake in the company. However, the promoters of Asian Paints refused to transfer the shares. Also, when the Indian government decided to close ICI's application

for approval to buy the stake, ICI plc decided to cut its losses by selling off 4.55 per cent of the stake to Unit Trust of India.

Meanwhile, interest in paint stocks seems to be on the rise keeping in mind the improvement in cement offtake and housing loan disbursement figures, which are seen as indicators of construction activity and directly affect the decorative paint market.

For the first quarter of 1999-2000, Asian Paints has posted a 11.4 per cent increase in its net profit over the corresponding period last year. While sales increased by 10.6 per cent over the same period, profit before tax stood at Rs 23 crore (1997-98: Rs 19.51 crore).

During the current year, the company should benefit from its increased capacity. While the expansion of the Patancheru (Andhra Pradesh) plant adds around 37,600 tonnes to its total capacity, the Kasna plant should contribute another 31,650 tonnes.

## BSES

### New Projects

Power distribution and generation major BSES, which supplies electricity to Mumbai's suburbs, only managed to marginally improve its bottomline in 1998-99. Net profit rose by a mere 2.5 per cent, despite a 13.1 per cent increase in net sales over the previous year. This was largely due to a sharp increase in tax provision, which rose from Rs 35 crore to Rs 80 crore. Keeping in mind that the company's income from EPC contracts, computer and international divisions sky-rocketed 359 per cent to Rs 500.4 crore in 1998-99 from Rs 109.1 crore in 1997-98, the mere Rs 6.5 crore increase in the company's bottomline was unimpressive. But for the rise in income, the company's net profit might actually have been lower than in the previous year.

BSES has been engaged in distribution of power to Mumbai for nearly 75 years and covers an area of 220 square kilometres between Mahim to Bhayendar. During the year under review, revenue from sale of electrical energy to the western region grid was lower than in the previous year. Further, reduction in fuel adjustment charges in the tariff also decreased the value from sale of energy.

Meanwhile, for the first quarter of 1999-2000, BSES has posted an increase of 11.4 per cent in net profit over the corresponding period last year. While total income rose by 10.4 per cent, income from the EPC division, computer and international division touched Rs 193.3 crore.

BSES is now planning to set up two more projects. The first is a 500 mw coal-based project in Amravati while the second is a 500 mw gas-based power project in Delhi and Bihar. The latter is to be set up jointly with Gas Authority of India (GAIL) and Damodar Valley Corporation. The company also plans to enhance the capacity of its Kerala and Andhra projects.

Its capital expenditure plans entail an investment of over Rs 2,000 crore over the next couple of years. As a part of its resources mobilisation programme for the ongoing and new projects, BSES plans to float a global depository receipts issue at the beginning of 2000. It has already tied up term loans amounting to Rs 750 crore from various banks and financial institutions for its Rs 220 mw project at Samalkot in Andhra Pradesh and the 86 mw second phase of the Kochi project in Kerala.

Recently, BSES has taken over management control of the state-owned power distribution company, Gridco, in Orissa for Rs 117 crore. While BSES holds a majority 51 per cent stake in three of the state-owned company's four distribution companies, Gridco will hold 39 per cent and the Employees' Trust will hold the balance 10 per cent. The three distribution companies, namely, Nesco, Southco and Wesco, are responsible for power distribution in different zones of Orissa.

## GESCO

### Trying Times

Great Eastern Shipping Company (GESCO) saw a lacklustre performance in 1998-99. Total income increased, albeit marginally, by 2.5 per cent over 1997-98, but the company's operating profit declined by 7 per cent and net profit plunged by 23.5 per cent.

The performance of the company's dry bulk fleet came under severe pressure during the year with both vessel earnings and values showing steep declines. In fact, while earnings from Handy/Handymax

Financial Indicators	Asian Paints		BSES		Great Eastern Shipping	
	March 1999	March 1998	March 1999	March 1998	March 1999	March 1998
<b>Income/appropriations</b>						
1 Net sales	89474	80245	226017	199880	92950	91505
2 Value of production	89708	81497	226017	199880	92950	91505
3 Other Income	1180	760	7940	6791	5135	4204
4 Total income	90888	82257	233957	206671	98085	95709
5 Raw materials/stores and spares consumed	45562	40930	43490	8355	2998	1555
6 Other manufacturing expenses	12853	12188	102589	115889	7878	7356
7 Remuneration to employees	4924	4327	6292	5187	11539	5889
8 Other expenses	14373	11929	17107	19556	37353	39704
9 Operating profit	13176	12883	64479	57684	38317	41205
10 Interest	1758	1726	9809	10466	5610	6350
11 Gross profit	12618	11718	52098	45345	32038	34971
12 Depreciation	2269	1699	17139	15535	16470	15581
13 Profit before tax	10349	10019	34956	29808	15568	19390
14 Tax provision	2400	3300	8000	3500	2800	2700
15 Profit after tax	7949	6719	26956	26308	12768	16690
16 Dividends	3548	3310	6206	5507	6384	12652
17 Retained profit	4401	3409	20750	20801	6384	4038
<b>Liabilities/assets</b>						
18 Paid-up capital	4012	4012	23483	18783	28760	28756
19 Reserves and surplus	26439	22038	190207	168462	92334	91141
20 Long-term loans	16938	12936	109147	115614	93472	83176
21 Short-term loans	4748	6349	594	NA	NA	NA
22 Of which bank borrowings	4748	6349	694	NA	NA	NA
23 Gross fixed assets	41741	32564	272164	250962	257961	212885
24 Accumulated depreciation	11629	9418	64800	46753	86887	68052
25 Inventories	16089	16587	33611	20205	10858	17859
26 Total assets/liabilities	68367	64767	401550	350785	239844	222086
<b>Miscellaneous items</b>						
27 Excise duty	16117	14923	NA	NA	NA	NA
28 Gross value added	20137	18238	58970	53592	46076	43414
29 Total foreign exchange income	900	724	305	983	77492	80544
30 Total foreign exchange outgo	10555	13337	24334	20582	51057	51638
<b>Key financial and performance ratios</b>						
31 Turnover ratio (sales to total assets) (%)	130.87	123.90	56.29	56.98	38.75	41.20
32 Sales to total net assets (%)	171.61	177.00	69.86	66.00	43.32	45.06
33 Gross value added to gross fixed assets (%)	48.24	56.01	21.67	21.35	17.86	20.39
34 Return on investment (gross profit to total assets) (%)	18.46	18.09	12.97	12.93	13.36	15.75
35 Gross profit to sales (gross margin) (%)	14.10	14.60	23.05	22.69	34.47	38.22
36 Operating profit to sales (%)	14.73	16.05	28.53	28.86	41.22	45.03
37 Profit before tax to sales (%)	11.57	12.49	15.47	14.91	16.75	21.19
38 Tax provision to profit before tax (%)	33.19	32.94	22.89	11.74	17.99	13.92
39 Profit after tax to net worth (return on equity) (%)	26.10	25.79	12.61	14.05	10.54	13.92
40 Dividend (%)	80.00	75.00	34.00	32.00	20.00	40.00
41 Earning per share (Rs)	19.81	16.75	18.79	18.61	4.44	5.80
42 Book value per share (Rs)	75.90	64.93	148.00	132.22	42.11	41.69
43 P/E ratio	20.19	NA	10.43	NA	5.63	NA
44 Debt-equity ratio (adjusted for revaluation) (%)	55.62	49.65	51.08	61.74	77.19	69.37
45 Short-term bank borrowings to inventories (%)	29.51	38.25	2.06	NA	NA	NA
46 Sundry creditors to sundry debtors (%)	37.10	47.18	82.96	48.16	80.95	72.85
47 Total remuneration to employees to value added (%)	24.45	23.73	10.67	9.68	25.04	13.56
48 Total remuneration to employees to value of production (%)	5.49	5.31	2.78	2.60	12.41	6.44
49 Gross fixed assets formation (%)	28.18	NA	8.45	9.62	21.17	9.26
50 Growth in inventories (%)	-3.06	NA	66.35	31.34	-39.20	-1.41

NA: means not available.

vessels hovered marginally above their operating costs, earnings from Panamax vessels fell below operating cost level. A lower profit on sale of vessels coupled with a fall of about 8 per cent in the number of vessel operating days following the reduced fleet only added to the pressures on margins. The company claims that its earnings would have been even lower but for the fact that the fleet exposure was hedged through committed cargo contracts and period charter contracts. Another encouraging turn was that while yields for similar vessels in the market dropped by 30 per cent, time charter yields of the company's dry bulk fleet dropped by only 18 per cent in dollar terms.

The continuing effect of the South East Asian crisis resulted in lower trade volumes in the Asian region. This, coupled with the general decline in the tanker and LPG markets had a negative effect on the performance of the company's tanker division earnings.

In a major move, GESCO now plans to demerge its property business and concentrate on its core competency, namely, shipping. The current shareholders will be allotted shares in the new company in the ratio of 1:10. Apparently, the diverse nature of its two businesses has affected the company's overall performance in the past. The low real estate prices prevailing and the falling freight prices have only made matters worse. GESCO has huge funds blocked in real estate which makes managing day-to-day operations difficult.

The demerged real estate business will function under the name of Gesco Corporation and will have a paid-up capital of Rs 28.76 crore. Consequently, the paid-up capital of GESCO will decrease from Rs 287.6 crore to Rs 258.8 crore. While properties worth Rs 120 crore are expected to be sold in the next 12-18 months, the rest of the property will be developed as commercial centres.

Though the move is expected to help GESCO focus on its strengths, it will require more than just a restructuring to perform well. Most importantly, an increase in freight prices will help the company shake off the trying times. Fortunately, the company has decided to reduce its dependence on freight prices by strengthening its offshore operations, which include operating offshore support vessels, oil drilling rigs, harbour tugs and marine construction.



# DISCOUNT AND FINANCE HOUSE OF INDIA LIMITED

## Statement of Shri P. G. Kakodkar, Chairman of the Board of Directors of the Discount and Finance House of India Limited at the Eleventh Annual General Meeting held at Mumbai on September 27, 1999

It gives me great pleasure in welcoming you all to this Eleventh Annual General Meeting of the Company at our new premises. I am particularly delighted to note that DFHI has completed eleven years of successful operations and over this period has grown remarkably well with the net profit going up tenfold and the business turnover increasing manifold. I am happy to state that the Company is well positioned to scale further heights in the coming years.

### Performance during 1998-99:

The report of the Directors and the audited accounts of the Company for the year ended March 31, 1999 have already been circulated and with your permission, I shall take them as read. Before mentioning the salient features of the Company's performance during the year under review, I consider it obligatory on my part to touch upon the developments in Indian economy in general and in the Government securities and money markets in particular as this has got substantial bearing on the performance of your Company.

### Indian Economy:

The growth rate of Indian economy during the financial year 1998-99 as measured by Gross Domestic Product (GDP), is estimated at 6.0%. This is an improvement over the growth rate of 5.0% achieved in 1997-98, mainly due to the turnaround in agriculture. However, the contribution of industrial sector to GDP during the year was much lower than in the previous year. Growth in industrial production, as measured by the Index of Industrial Production (IIP), declined from 6.6% in 1997-98 to 4.0% in 1998-99.

The export performance remained sluggish almost throughout 1998-99 registering a decline of 3.9% in Dollar terms as compared to the previous year. The slump in world trade coupled with erosion of competitive advantage of Indian exports on account of steep depreciation of East Asian currencies had its impact on India's export performance. Imports also registered slower growth during 1998-99 at 0.9% as compared to 6.0% during the previous year.

The primary equity market continued to be dormant during 1998-99. In the absence of quality equity offerings, fixed income securities, mostly from the financial institutions, attracted significant investor interest. The amount mobilised through debt instruments in the primary market during the year was higher than in the previous year.

### Money Market:

As a result of ample liquidity in the system during the first half of the financial year 1998-99, the money market interest rates were mostly in the range of 6.40 - 7.85 per cent. The more than comfortable liquidity position was attributed largely to lower off-take

of non-food bank credit and inflow of foreign currency resources. However, the gross mobilisation during 1998-99 by way of Treasury Bills was considerably less as compared to the year 1997-98.

### Government Securities Market:

In the first quarter of 1998-99, easy money market conditions enabled RBI to complete about 42.6 per cent (Rs. 33,810.30 crore) of the gross budgeted market borrowings of the Government of India. By the second quarter, 75.46 per cent (Rs. 59,900.4 crore) of the gross budgeted market borrowing programme was completed. And by the third quarter, thanks to continued availability of liquidity in the system, the Government of India had not only completed the gross market borrowing programme but had raised an additional amount of Rs. 4,376.82 crore taking the total amount of borrowing to Rs. 83,752.82 crore. In addition, the State Governments also mobilised an aggregate amount of Rs. 12,118.22 crore from the market.

Despite the large scale gross borrowing by the Central and State Governments, the medium- and long-term interest rates during the course of the year remained fairly stable. This was possible partly because of the easy liquidity conditions as mentioned earlier and mainly due to the efficient use of OMO by RBI. RBI also smoothened the yield curve of dated Government securities by issuing Government securities of different maturities.

### Review of operations during the Financial Year 1998-99:

Let me now turn to the working results of your Company during the year 1998-99. The gross profit of the Company (before depreciation and taxation) was Rs. 90.55 crore as compared to Rs. 105.26 crore for the previous year. Net profit for the year 1998-99 is relatively lower at Rs. 58.41 crore when compared with Rs. 67.92 crore recorded in the previous year.

The decline in the Company's gross as well as net profits during the year 1998-99 is in line with general downward trend noticed in the profitability of operations of the majority of the financial intermediaries. The reasons for the decline can be attributed to the increase of 60.51 per cent in the interest expenditure coupled with a sizeable reduction in the spread between the interest received and interest paid on the business operations. However, despite the lower profit for the year 1998-99, the Company's business operations continued to be quite healthy and on the uptrend inasmuch as there was significant increase in turnover in Government securities and call money transactions. Incidentally, the Company, in pursuance of the policy recommended by the Management Consultants, has been diversifying its assets portfolio. Accordingly, the Company

recorded a turnover of Rs. 144 crore in CP segment as against 'nil' turnover during the previous year. Similarly, it achieved a turnover of Rs. 50 crore in CD segment as compared with a small turnover of Rs. 5 crore in the previous year. The Company's outstanding investments in Corporate Bonds, Debentures, etc. stood at Rs. 92.75 crore as at the end of the financial year 1998-99 as against 'nil' investment during the previous year.

In the previous three years, i.e. in 1995-96, 1996-97 and 1997-98, the Company declared a dividend of 14 per cent. Although the net profit of the Company for 1998-99 has been lower, your Directors would like to maintain the payment of dividend at the previous three years' level.

### Other Development in 1998-99:

The Company has already put in place a risk management system recommended by the Management Consultants. Further, the Company has set up an Asset Liability Committee (ALCO) comprising the Company's senior management officials. The scope of the Committee covers areas such as management of market risk, funding and capital planning, profit planning and growth projection and trading risk management. The above initiatives are expected to qualitatively enhance the performance of the Company.

### Y2K Compliance

The Company was using a software developed in-house in 1995 using dBase V based system which is Y2K compliant. To enhance the efficiency of operation, the existing software is being upgraded with RDBMS-Oracle/Developer 2000. The Phase I of the software development covering the day-to-day operations of the Company has been completed and tested. The hardware also has been replaced with the latest Y2K compliant units. Thus, the total system is fully Y2K compliant. The Company has also developed a contingency plan in accordance with the guidelines issued by RBI.

### Review of operations during the current Financial Year 1999-2000:

In the Monetary and Credit Policy for the year 1999-2000, which was announced by RBI on April 20, 1999, several measures have been introduced to strengthen the money and Government securities markets. Some of them are follow-up measures of the implementation of the Narasimham Committee II suggestions. One such is the aim to make call/notice/term money market a pure inter bank market with access to PDs. This is proposed to be implemented in a phased manner so that the existing lenders in the market will have operational flexibility to adjust their asset/liability structure. Keeping this aspect in view, RBI has decided to widen the repo market by allowing more non-bank

entities to deploy their short-term funds in this market. However, this is restricted to only those entities who have SGL account and current account with RBI at Mumbai. This needs to be enlarged by permitting other non-bank entities to operate in the repo market at centres other than Mumbai and also by permitting them to do so through constituent SGL account.

During the first quarter of the current financial year 1999-2000, the call money market generally witnessed a steady trend as the call rates moved in the band of 7.00 to 9.50 per cent barring a few instances of hardening in the month of May 1999 and in September 1999 when the rates touched a level of 12 per cent on account of outflows of funds for subscription to new Government loans and due to short-term liquidity problems. The weighted average call money lending rates of DFHI during the period under review ranged between 7.64 and 9.38 per cent. Relatively easy money market conditions mainly arising out of lackadaisical growth in bank credit and reduction in CRR by a half percentage point from 10.50 to 10.00 per cent effective from fortnight beginning May 8, 1999, enabled RBI to complete about 44% of the gross budgeted market borrowing of Rs. 84,014 crore of the Government of India by the end of June 1999. For mopping up excess liquidity in the system, RBI continued to use the mechanism of Fixed Rate Repo and reduced the rate from 8 to 6 per cent effective March 3, 1999. However, the market participants did not show much interest in this instrument as the call rates generally ruled above 6 per cent during the period under review.

The Company's turnover in the major segments of its activities during the current financial year upto June 30, 1999 as compared to the corresponding period of last year was quite impressive. During the current financial year so far, the market preference being for dated Government securities, which carry relatively higher yield, the Treasury Bills segment has remained somewhat subdued. As a consequence, the Company has to carry higher stock of Treasury Bills. In spite of such a situation, the overall turnover of the Company in primary and secondary markets including repos in Treasury Bills segment was higher at Rs. 1,720 crore than Rs. 1,567 crore in the corresponding period last year.

During the period upto June 30, 1999, the Company has achieved significant increase in its Government securities outright turnover which stood at Rs. 6,574 crore as compared to Rs. 1,212 crore in the corresponding period last year. The aggregate turnover in primary and secondary markets was also substantially higher at Rs. 11,201 crore as compared to Rs. 4,818 crore in the corresponding period of the previous year.

The share of dated Government securities in the overall portfolio of the Company is on the increase primarily because of market preference for these securities when compared to Treasury Bills as the gap on the yields on dated Government securities (of maturity above one year) and Treasury Bills has narrowed considerably and the cost of funds on occasions, is more or less in line with the yields on short dated Treasury Bills.

#### Other Observations and Suggestions:

RBI's latest monetary policy document has dealt in detail about the various structural reforms in the money market. With a view to enhancing the depth and liquidity in the Government securities market, RBI has put greater emphasis on the institution of primary dealers. RBI expects that PDs should play a larger role in the absorption of the primary issues and in market making. In order to promote the retail market segment, the Reserve Bank also has taken steps to revamp the system of liquidity support to

PDs, at the same time increasing the number of primary dealers. As a part of our efforts for the development of the Government securities market and creating greater awareness among investors, a half-day seminar was organised at Ahmedabad on March 17, 1999. Similar half-day seminar was organised by the Company at Bangalore on April 9, 1999. In addition, to increase the coverage of our money market operations and development of the Government securities market by securing a larger reach among investors, we have decided to open the sixth branch of the Company at Hyderabad.

The five existing branch offices of the Company in Ahmedabad, Bangalore, Calcutta, Chennai and New Delhi have been functioning for a period well over 7/8 years. Basically, their main area of activities continues to be call borrowing/lending and to some extent in notice/term money segment besides some trading in commercial bills. The share of the branch offices in call/notice/term money dealing constitutes around 30% of the total turnover of the Company. With an intention to enlarge the scope of the activities of the branches, it has been decided to permit them to deal in Treasury Bills and dated Government securities.

In spite of increase in the number of players in the Government securities market, your Company has been able to maintain its market share besides being the major player in the call money market. In 1998-99, DFHI had 36.45 per cent of market share in call money borrowing and 60.39 per cent in call money lending, which was highest among the Primary Dealers. To retain the current share in business and improve the profitability, the Company had realised that it is absolutely essential that the quality of infrastructure (both in terms of men and material) is substantially enhanced. Your Company had already taken steps to induct additional qualified and experienced staff through a process of rigorous selection from the open market. The Company had also shifted its operations to a more spacious premises with better infrastructure facilities. And with the proposed upgradation of the system and the risk management techniques in place, your Company is now well positioned to face the emerging challenges.

Let me make a mention of some of the significant emerging issues in the debt market with particular reference to Government securities market and their operational relevance to market intermediaries like PDs in general and to your Company in particular.

It is a matter of great satisfaction that RBI has been stepping up its activities in the furtherance of debt market while coming out with wide ranging initiatives in regard to deepening of Government securities market. The introduction of derivative products, STRIPS, enlargement of the scope of the repo market, etc. apart from other aspects mentioned elsewhere are some of the positive steps taken by the RBI in this regard. While the success of these efforts would depend to a large extent on the architecture of the market, RBI as a regulator has the objective of preserving the integrity of the market primarily to boost the investors' confidence. A significant factor in this regard relates to market surveillance. Promotion of transparent market with sufficient disclosure of information on price and other areas of the transaction will assist traders to self supervise their transactions. However, the current market practices are quite poor on transparency requirements. Electronic markets easily allow market surveillance with real time monitoring and also leave audit trails. It is, therefore, absolutely essential alongside the expansion of the market that we move towards total electronic trading so that supervision of market intermediaries does not become quite onerous.

The necessity of the institution of Primary Dealers is well recognised in a market where holding of Government securities is concentrated in

institutions with large sized portfolios and having immediate demands and where the Government financing requirements are sizeable and borrowing calendar is fixed and not very flexible. Support by way of underwriting of primary issues is also undertaken by the PDs as part of their efforts in distribution and trading of the securities. In a market where two way quotes are not fully developed such intermediaries are exposed to substantial liquidity risk. The risk becomes more acute if such primary issues are released in quick succession and also followed immediately by open market operations. In the absence of liquidity, the average time the PDs hold on to such sub-optimal portfolio of securities is prolonged, increasing the risk of exposure to changes in market conditions. In such a situation, market-making support through secondary market window whereby RBI buys securities (in addition to selling) from the PDs under certain conditions is a proposal worth examining. Such secondary market support (in addition to the existing liquidity support) can be in any one of the undernoted forms as is being followed in some of the countries:-

1. Entertaining switch deals from PDs between less liquid into more liquid currently traded outstanding issues.
2. Purchase of maturing securities (just before maturity date) and sale of new issues, the new primary issues will be on the offer side and maturing securities will be on the bid side.
3. Entertain reverse repo upto a specified percentage of secondary market turnovers at rates in line with the yields of the underlying security.

Such initiatives from RBI will tend to reduce the liquidity risk of PDs and encourage them to supply two way quotes, and maintain continuous market condition.

With the unabated emphasis on liberalisation of the financial market and Reserve Bank of India becoming obligingly market savvy, there has been a robust growth in the number of players and variety of instruments and products. To choose among such plethora of options, consumers may rely to an increasing extent on trusted names, resulting in brands of preferred financial service providers or advisors becoming valuable and sought after. Your Company having established an excellent reputation in the market has an unique opportunity to cash on these developments and come out with products/services that are closely linked to its area of proven expertise. Given an environment which gives unfettered rein to entrepreneurial talents, let me assure you that your Company will not be lagging behind in grasping these initiatives and move forward.

#### Acknowledgement

Your Directors take this opportunity to sincerely thank the Government of India, the Government of Maharashtra, the Reserve Bank of India, all Commercial and Co-operative banks, All-India Financial Institutions, National Stock Exchange and approved Brokers for their goodwill and whole-hearted co-operation extended to the Company and look forward to their continued support in future as well.

Your Directors wish to place on record their sincere thanks to Reserve Bank of India and State Bank of India for lending the services of their experienced managerial personnel to the Company. Your Directors also wish to place on record their appreciation for the dedication and competence shown by the Company's team of officers and other staff in the past and look forward to their sustained commitment to enable the Company to retain its role as a key player in the Money and Securities markets.

# Calcutta Diary

AM

*When ideology and realpolitik come in conflict, ideology has to take a back seat. As the hour struck for the resolution on the referendum on East Timor's independence to be voted upon in the UN General Assembly, India was a non-enthusiastic joiner-in. For realpolitik, read Kashmir. The problem will however not go away. Other interested people are around: they will increasingly refer to the nexus between Kashmir and basic human rights.*

IS it already all safe ancient history? Even as late as the seventies, India's voice was among the most strident in United Nations fora in the cause of East Timor independence. India of course was not alone, the overwhelming majority of the Group of 77 countries lent their support to the East Timorese. The western powers by and large continued with their traditional reservations: a politically emancipated East Timor will mean the end of the exploitative role of the international oil corporations and their domestic hangers-on. The weight of moral authority however rested with the revolutionaries; the United Nations General Assembly resolutions reflected the global support they were assured of.

The Soviet Union was still a major presence in the comity of nations; in terms of military prowess, it was thought to be almost on par with the US itself. It therefore did not require excessive courage on the part of third world nations to toe the vociferously anti-colonial East Timor line. The objective of the revolutionaries battling on in the Indonesian island was not the formal wresting of independence alone. Their gaze strayed much beyond; the achievement of an effective social revolution, at the end of which land will be equally distributed and opportunities for enjoying the basic human rights more evenly dispersed. A relevant additional datum was, and is, the ethnic roots of the islanders, setting them apart from the mainland Javanese.

Occurrences since the late eighties have set things even more topsy-turvy than they should have been. The Soviet Union has come to a sorry end; the global drive toward eliminating the last vestiges of colonial subjugation suddenly became a bit of a joke. Whatever external help was trickling in from the international brotherhood of working people for the insurgents in East Timor soon dwindled to insignificance. It was a lonely time for the East Timorese. But their grit saw them through, even as the Indonesian army was fast reaching the end of its tether. The arch reactionary western regimes could not demur at the proposal to have a referendum on the East Timor issue, to be arranged under United Nations supervision in terms

of a formal General Assembly resolution. The military occupiers of the island did not for a moment discard their malevolence; they too could not however come up with a tolerably credible apologia for opposing the referendum.

It was a daring concept, inviting the people of the island to decide in a direct vote whether they desired self-rule. The vast majority of the third world nations have had no stakes in other people's lands. Their anti-colonial and anti-imperialist credentials were beyond dispute, they endorsed with excitement and enthusiasm the proposal for a referendum for the endorsement of East Timor independence.

But times change, and India was no longer found in this crowd. When ideology and realpolitik come in conflict, ideology has to take a back seat. For realpolitik, read Kashmir. In the United Nations General Assembly, this country's traditionally anti-colonial voice has grown thinner and thinner with every day. When the hour struck for the resolution on the referendum to be voted upon, India was a non-enthusiastic joiner-in. Enlightenment had all of a sudden begun to sink in. The formula of a referendum to decide whether the populace in a backward, dependent territory are entitled to receive their independence has awkward implications. If a referendum is agreed to as in the case of East Timor, how could it be denied to the people of Kashmir, more so given the existence of a fifty-year old resolution passed by the UN General Assembly recommending a plebiscite to settle the issue? Precedents are occasionally an inconvenience. Self-interest being self-interest, as far as New Delhi is concerned, East Timor has ceased to be a priority item.

The problem will however not go away. Other interested people are around; they will increasingly refer to the nexus between Kashmir and basic human rights. Whether the government of India likes it or not, some political developments distasteful to it seem inevitable in the wake of the Kargil mini-war. Irrespective of whether the hostilities were called off under intense American pressure on both the warring countries, India's international bargaining position has without question actually

weakened in the wake of Pokhran and Kargil. The way the elections to the Lok Sabha have gone in the valley is likely to create further complications. Even on official reckoning, barely 15 per cent of the electors in the valley chose to participate in the polls. A huge majority of the population there, it is abundantly clear, are not in the least interested in the alluring programme New Delhi draws up for them. Perhaps it was different in the days when Sheikh Mohammed Abdullah was in control and his National Conference had an agenda which raised an echo in the hearts of the Kashmiris. It is now a different ambience altogether; the National Conference has been reduced to a narrow self-serving family outfit, and got corrupted over the years. The virtual take-over of the valley by Indian troops is now providing a tragic epilogue to the entire story.

Everything is fair in love and war – and in the general elections. For electoral as well as extra-electoral reasons, the established political parties are trying their utmost to extract the last grain of advantage from the border clashes. Their calculations have little to do with the wishes and predilections of the valley's people. Indians at all levels will conceivably find it difficult to accept the implications of this piece of verity, but a globalised environment will increasingly lay bare the facts of life. For example, to the practical-minded Americans, whining insistence on observing the tenets of the Simla Agreement of 1972 will be an irritant.

But please take it easy, our mandarins have created enough of opportunities for the superpower to indulge in some twisting of our arms. In fact, the Indian political parties one and all are in a jam. None of them can, for domestic reasons, afford to yield an inch of ground on Kashmir. The valley, the cliché keeps being blared out, is an inalienable part of India, which no power on earth, not even the great and good Americans, can take away from us. Most of these parties, for dear liberalised life, would like to be on the right side of the Americans though. The dilemma is therefore acute.

Given this background, it is going to be awkward in the extreme to be called to look for the fifty-year old commitment for a Kashmir plebiscite. To add insult to injury, there are enough cheeky people now around, both in the United Nations and outside its premises, who may remind our government that whatever political support we once enjoyed amongst the people of Kashmir has, on the eve of the new millennium, evaporated into nothingness.

It is going to be a rough, tough terrain. The administration in New Delhi, whatever its political colour in the post-poll climate, will be, day in and day out, nagged by the superpower. This is only natural, given



our growing dependence on it in economic matters. This is where the East Timor issue too attains a fresh relevance. The natives of that helpless island, 72 per cent of them, have opted for freedom in the just-concluded referendum. They were punished heavily by the Indonesian army for this cheekiness. But things are falling in place. After much humming and hawing, Jakarta has accepted the idea of an international peace-keeping force. Our government has kept mum, congratulating neither the Jakarta junta nor the freedom fighters in East Timor. The notion of a freedom-granting referendum, followed by an international peace-keeping force to guide the transition, is no longer dear to New Delhi. Kashmir casts its shadow. The co-ordinates are no longer the same as in the days of yore.

Those citizens who would like to discuss the underlying issues in a frank non-clandestine manner run the risk of being dubbed, in this heady season, as rank anti-patriotic. But never mind, we will be made to learn our lessons the hard way. And could it be that, sooner or later, colonial decision-makers operating from overseas posts will decide, on our behalf, what is patriotism and what is not?

Between the exit polls and the real thing, the hiatus is just about to disappear. The Kashmir problem will not go away. Now that the campaign days are over, responsible political parties need to sort out which direction their thoughts ought to turn to. But who is to decide the inner meaning of the qualifying clause 'responsible'?

contrast, scores of middle level officers of Indian banks, the small guys with no clout, who have been implicated in the scam, often for technical offences, have simply been destroyed. Abandoned by their organisations, most of them have no funds to ensure adequate legal defence or deal with the slow and often corrupt investigation process.

No country can lay claim to a modern and international class financial market unless it knows how to handle financial scandals and irregularities. This implies building confidence in the regulatory process through swift detection of irregularities and deterrent punishment handed out within a meaningful time-frame.

There are the inevitable comparisons with Nick Leeson, architect of the collapse of the blue chip Barings Bank, who is out on parole, having served his sentence. Or the famous eighties imbroglio involving Drexel, Burnham Lambert Inc – a scandal probably on par with the Securities Scam in India. But investigations were conducted with precision and the main accused, Mike Milken and Ivan Boesky, swiftly sent to jail.

In the Indian situation, the multi-departmental Janakiraman Committee was on the right track and did an excellent job in piecing together the scandal; its only flaw of not having spoken to the accused could have been easily rectified by a judicial commission. But the Janakiraman Committee was discredited because the spotlight had turned on inaction by the Reserve Bank of India itself. Curiously, while there is a continuing clamour for action against the then RBI governor, there is no mention of the case for punishment of the people who were actually in continuous charge of the Department of Supervision for over a decade. The government then insisted, probably deliberately, on blundering further by setting up a multi-party Joint Parliamentary Committee (JPC) and ignoring the fact that several politicians from the ruling party were themselves under suspicion for diverting several hundred crores of rupees from public sector undertakings to brokers and banks under the guise of portfolio management schemes.

The JPC allowed politicians cutting across ideologies to either chase their own particular *bete noirs*, indulge in the most reprehensible horse-trading and leak confidential documents. Two reports later, the JPC is remembered only for the people it let off the hook rather than for its contribution towards improving the system. It also allowed the CBI to pick and choose which cases to pursue and those it should let off. It is no wonder then that the cases against politicians such as B Shankaranand or the Goldstar case involving a former prime minister's sons are not even heard of.

## COMMENTARY

### Harshad Mehta's Conviction How Not to Handle Financial Crimes

Sucheta Dalal

*No country can lay claim to a modern and world class financial system without knowing how to handle financial crimes and scandals. This calls for building up confidence in the regulatory process through swift detection of irregularities and deterrent punishment within a meaningful time-frame.*

THE first reaction to Harshad Mehta's conviction in a case related to the Securities Scam of 1992 is one of relief that the judicial system, though excruciatingly slow, still works. You then realise that the conviction by the Special Court is just one stage of the judicial process and still needs to be upheld by the Supreme Court. This could easily take another three years.

There are 600-odd civil cases relating to the scam pending in the Special Court (the number would have been larger but for the sensible decision by several foreign banks to write off their losses and not press charges). Out of 72 charge-sheets filed by the Central Bureau of Investigation (CBI) for criminal offences, only 46 cases have been filed and of these only three have been disposed of by the Special Court – including the latest one convicting Harshad Mehta. At the pace at which the trial has been proceeding, the scam investigation could easily carry on for the next two decades. In fact the process may actually slow down if a successor to justice Rane, who retires in November, is not found on enough.

It would also be no surprise if the cost of the litigation in several civil cases is higher than the disputed amounts. As things stand, even safe and stodgy investments

such as the Indira Vikas Patra double one's money in a little over five years. If one includes the opportunity cost in terms of having this money blocked up in litigation, the size of the scam could double from the current estimates of about Rs 5,000 crore. So far, the custodian appointed by the government has recovered very little of the money lost.

The litigation itself has turned increasingly meaningless over time, because many of the main accused and key witnesses have died or are no longer available. All senior CBI officials originally connected with the investigation have been transferred. S P Gadhe, the DIG who initially headed the investigation, passed away four years ago. So have others such as National Housing Bank chairman Manohar Pherwani, State Bank of India (SBI) chairman M N Goiporia, SBI's deputy managing director C L Khemani and chief of vigilance R L Kamat and K Dharmapal, the managing director of Fairgrowth Financial Services.

At the same time the country-heads and treasury-chiefs of all foreign banks have all quit their jobs and most of them are no longer in the country. Many of them have been paid truly hefty severance packages to make the parting bearable. By

All this is all the more disheartening because way back in 1956, the brilliant enquiry into the Mundhra scandal by justice M C Chagla had already established an excellent precedent for clean and fair investigation. Justice Chagla, while deciding on a public hearing in 1956, had said, "After very anxious consideration I have decided that this enquiry should be held in public. A public enquiry constitutes a very important safeguard for ensuring that the decision will be fair and impartial. The public is entitled to know on what evidence the decision is based. Members of the public will also be in a position to come forward at any stage to throw more

light on the facts disclosed by the evidence. Justice should never be cloistered – it should be administered in broad daylight." He also decided to take evidence on oath so that those who gave evidence did so with a sense of responsibility and knowledge of "the consequences of giving false testimony".

The Mundhra enquiry was wrapped up in two years, including the appeal to the Supreme Court. In contrast, the JPC insisted on a convenient closed-door investigation with selective briefing of journalists at the end of each day. The investigation into the scam has lost its relevance ever since.

## Participatory Irrigation Management Experiments in Andhra Pradesh

Jasveen Jairath

*In 1997 the AP Farmers' Management of Irrigation Systems Act was passed to enable the participation of farmers in the maintenance of irrigation systems. While this has led to many initiatives on the irrigation and water-use front, the reforms now need to be carried forward beyond supply-side initiatives to include the critical realm of end-use regulation of water, which would affect cropping patterns and agricultural practices.*

ANDHRA PRADESH has three major rivers, Krishna, Godavari and Pennar, whose dependable flows are 2,746 TMC of water, of which 1,846 TMC has been tapped for irrigation, creating an irrigation potential of 4.8 million hectares under major and medium projects. Out of this only 2.84 million hectares is being irrigated, reflecting a gap of about 41 per cent. According to the note on the state's Farmers' Management of Irrigation Systems Act of 1997 (irrigation department, government of AP), "existing usage of water is inefficient, wasteful, inequitable with tail end deprivation being almost universal. Further, widespread deterioration of infrastructure with little or no participation of farmers has aggravated the low utilisation of water of irrigation commands." The area irrigated under some of the major and medium projects was shrinking, in spite of secular increase in capital expenditure (corrected for inflation) and increasing M and O expenses. Finally, the financial returns to the investment in irrigation were very poor due to low rates of water cess and low rates of fee collection. That the performance of irrigation projects in the state on technological, managerial and financial fronts was very poor, was well recognised and acknowledged within the government circles.

The AP Farmers' Management of Irrigation Systems Act was passed against this backdrop in the legislative assembly

on March 27, 1997. The main objectives of the legislation were to provide a legal backing for implementing measures to institutionalise the participation of irrigation users in the operation and maintenance of irrigation systems. That is (1) ensuring equitable and reliable supplies; (2) bridge the gap in ayacut through preparation of suitable operation plans; (3) bring about social audit and water audit in irrigation; and (4) enable the department to withdraw from M and O, and concentrate on the reservoir management and development of new systems. The thrust was on decentralising irrigation management and thereby, according a greater responsibility as well as greater powers to bodies comprising elected representatives of water users. Involvement and control by the users at the local level, it was believed, would constitute an incentive to improve operational performance. The entire exercise would lead to improvement in quality and cost efficiency of irrigation management leading to increased profitability of irrigated agriculture – often in spite of increased cost of irrigation to the user. The process was perceived to be a cost saving venture for the government wherein the released resources could be used elsewhere.

The proposals for operationalising the above ideas envisaged the creation of an institutional structure of irrigation water user with water user associations (WUA) as its basic elements. The main features

of these proposals, as spelt out in the act, may be summarised as follows: (1) The act is applicable to all irrigation schemes major, medium and minor except those under panchayat raj institutions and all minor bodies in the scheduled areas of AP. (2) Every irrigation project would be divided into convenient areas of operation of the project and distributary committees, and WUA at the primary level. The delineation of the areas would be done on a hydraulic basis, which are administratively and functionally viable. (3) Depending on the type of irrigation scheme, there may be single, two or three-tier system of associations/committees. (4) WUAs are the primary organisational units of irrigation water users. Each irrigation scheme may comprise one or more WUAs. While medium and minor projects could comprise of a single WUA, depending on the ayacut, the major projects could be divided into few hundred WUAs, depending on the spread of the ayacut and the spatial distribution of distributaries. These primary units of water users shall regulate and distribute water within its command area. The total area of operation of a WUA will be divided into 4-10 constituencies, depending on the command area. Each constituency shall elect a member of the managing committee of the WUA and shall directly elect the president of the WUA as well. (5) A group of WUAs under a distributary or a group of small distributary comprises a distributary committee (DC). The presidents of all WUAs in a DC are members of a DC. Together they are to select the members of the managing committee and the DC president, who will be in charge of the distributary related matters. (6) Project committees are apex bodies concerned with the management and distribution of water in the command of major and medium projects. All the DC presidents will be members of the PC. The entire project command is to be divided into 7-11 constituencies to ensure adequate representation. The PC will elect a president and 7-11 managing committee members from each constituency. (7) An apex committee chaired by the minister of major and medium projects shall be constituted to formulate broad policy guidelines for the various committees in its command and act as the final decision-making body for resolving disputes. (8) All landholders within localised/authorised area including title holders, tenants and whose name is found in Record of Rights shall be members of WUA with voting rights. All other water users either from non-localised areas or users for non-agricultural purposes will also be co-opted as members but without voting rights. (9) These organisations are charged with the following main functions: preparation

of operational plans at the beginning of each season; prepare a panel of auditors for auditing accounts; maintaining of an inventory of irrigation system within its command; maintenance of records, accounts, list of members and implementing the decisions of the higher committees; preparation of the maintenance plan of the distributary and drainage system of the irrigation project within its command and execute local maintenance works; social audit and water budgeting; conflict resolution; and resource mobilisation.

(10) The resources of these organisations would be: government grants as a share of water fee collected; development grants; loans raised from any scheduled or co-operative banks; income from any sources attached to the irrigation sources; levy or special tax for taking up specific works as agreed upon by the general body of the organisation.

(11) The significant features of the proposals are:

- The right to recall of the president if the general body members are dissatisfied is indeed novel. Provisions have been made for recall of the president if there is a one-third majority of the general body members

- Membership is based only on the fact of owning land in the authorised command of the WUA and not on the extent of the land owned.

- Control over water use is in the hands of localised irrigation water users at the expense of non-irrigation users of water

- Women and landless are excluded from any involvement in water management in the area. The high levels of public investment in irrigation which impact the entire community - directly and indirectly - focus on a fraction of the population i.e. those who practise irrigated agriculture.

Following these proposals and passing of the act in 1997, elections for more than 10,000 WUAs were held (one president and technical constituency members as per the WUA command) and constituted. Subsequent to the elections, extended training was provided to government officers and presidents of WUAs to sensitise them about PIM - its features and its necessity. During the first year activities taken up in canal irrigated areas took the form of silt clearance of channels, followed by strengthening of embankments, small repairs of pipe outlets and drop structures, plugging of breaches, etc. The emphasis during the second year has shifted to the fixing of shutters at the various offtake points. This is significant, as existence of shutters is a precondition of any attempts to institute water regulation. Technical systems of water regulation are a necessary although not a sufficient condition, for implementing any rules of water distribution within water users at the field level and within distributaries at the main system level.

As of now there exists hardly any systematic method of equal water sharing. The water is continuously flowing in all the channels (depending on the quantum of water releases at the head of the system) throughout the irrigation season. As such, the ease of water availability to a user is in proportion to the distance of his land from the head of the irrigation system. Head refers to head of the system, head of the distributary and head of the minor. Similarly tail end refers to the end of a channel - main canal, distributary and minor. The water availability reduces progressively as you proceed towards the tail of a channel. The tail end of a minor at the tail of a tail-end distributary will bear the accumulated losses en route. Similarly, it is possible that the tail end of a head end distributary may get plenty of water while the head end of a tail end distributary gets meagre or uncertain supplies.

In principle, water distribution according to the act is supposed to be on a per acre basis with the cropping pattern left entirely to choice of the farmer. However, as of data, the distribution principle in operation was 'first come first serve' - 'come' in the sense of location of the farmer's plot of land from the source of water. Traditional discrimination based on locational disadvantage exists. In addition there is the disadvantage of smaller size of landholding of the majority of the farmers. Although the DCs did have meetings with the respective irrigation department personnel on the availability of water in the reservoir and the possibility of releases during the ensuing season, this could only be for information. It did not reflect a greater control over the releases or distribution - however, it did create the possibility of farmers planning their production pattern according to the expected supplies. But in the absence of an effective communication system, it is unlikely that such information would reach the general body of farmers for them to respond by taking preemptive action. There was thus very little that is in evidence on redressing the imbalance on the equity front - both the head-tail and land-based inequity regarding distribution of water - due to formation of WUAs and DCs.

Many public discussions (workshops/seminars/publications) have been replete with many a reference to organisations, individuals and experiences vis-a-vis their contribution to and role in participatory irrigation management initiatives. This generates a sense of euphoria and complacency that all is well and we can doze off peacefully. However, one cannot help feeling somewhat uneasy at this emerging state of stupor. To strike a discordant note is deliberately attempted in this piece to provoke a lively debate and evoke counter viewpoints which may tease us out of the peaceful slumber.

The following are some preliminary ideas and perceptions on the experience of PIM in Andhra Pradesh. They are based on an ongoing research project at Centre for Economic and Social Studies, Hyderabad, on the assessment of PIM in Andhra Pradesh. The initiatives on participatory irrigation management in Andhra Pradesh are indeed laudable for their scale and political support. The excitement and activities it has generated at the grass roots level are notable - more so in view of the fact they are part of a government-sponsored programme. To find a parallel situation would be difficult not only in India but worldwide.

The utility of channel improvement works, which is the major activity being undertaken by the WUAs and DCs, can scarcely be questioned. It does however raise the question of sustainability of the efforts and the tempo of the programme. Inability to sustain the dynamism and maintain the systems of creation and use of irrigation networks, has been the bane of most top down approaches. How and why the Andhra Pradesh experiment will escape this fate is not entirely clear.

#### SUPPLY-SIDE INITIATIVE

There are two points to note - one, almost the entire effort is geared to improving the supply-side efficiency - the desilting, construction of lining, drops, pipe outlets, clearing of weeds, strengthening of embankments of channels, etc. Funds for these activities are in fact reaching the WUAs and DCs at the rate of Rs 200 per acre (Rs 100 per acre through WUAs and Rs 100 per acre through DCs). Contractors have been eliminated for minor works (and this is no mean achievement for a government sponsored programme). Physical improvements are in fact being executed. The works are being taken up simultaneously dispersed throughout the state. This has enabled much higher work output in a short span of time. This is in contrast to the earlier situation where the work output was limited, among other things, by the irrigation department's capacity to handle all the jobs concurrently.

As a result of this tremendous effort water wastage due to reduction of conveyance losses has been reduced, increasing the efficiency of water use at a macro level. The increased water availability due to this reduced wastage however, can at best increase the water available for productive use by 15 to 20 per cent. This increase can certainly make the water travel further down the channels - towards the tail end. But it is certainly not sufficient to provide multiple irrigation to tail end areas. For the latter to happen it is absolutely necessary to curtail the amount of water being drawn upstream and divert it downstream. The total quantum of water

is limited in the short run (on the average and with given hardware components). Increased water at the tail can make a significant impact only if it is made available at the cost of upstream farmers, i.e., by controlling their supply. That is, a drastic re-distribution of water needs to happen. How this is envisaged in the overall programme is not clear. To realise this redistribution implies the renunciation by the head end farmers of the disproportionate share of water that they have become accustomed to draw. The lush green paddy fields at the head (of main canal, distributaries and minors) which are over-watered (and very often have lower yields than mid-channel fields) bear testimony to the monopolisation of water by the farmers on the head reaches.

How is PIM in Andhra Pradesh going to effectively ground this redistribution in favour of tail end areas? By control structures? By persuasion and good will? Coercion? Who is going to take the politically unpalatable decision of enforcing this reduction of water to head areas? It is well known that technical structures have been tampered with earlier. Resistance to giving up privileges enjoyed over the years is more likely to be offered and cannot be wished away. Conflict of economic interest is at the hard core of this resistance and farmers are acutely aware of this. The social injustice of head farmers' claim is not an issue of great concern to an individual head-end landowner. From the brief visits to the field areas of Sriram Sagar (SSP) and Nagarjuna Sagar (NSP) Projects, there is evidence of the tail-head issues being discussed in the DC meetings. However, the DC has no executive authority to implement the land-based water distribution agreed to in principle or to take punitive action against those who violate the rules.

Secondly, a major implication of the above (i.e., failure of the tail areas to access significant benefits of increased irrigation) discourages them from paying their water cess (currently at about Rs 200 per acre for wet crops). The revenue collections, which have been traditionally low in most irrigation departments, are bound to continue to be low. This is in spite of the fact that if the irrigation service is satisfactory, farmers do not mind paying the water charges.

The PIM financial strategy was to stimulate revenue collection with higher water charges (recently hiked) by providing better service, such that the WUAs and DCs could be self-financing entities vis-à-vis the M and O works. The Rs 200 per acre financial input matches to Rs 200 per acre revenue collection. If the expected revenue collection is not forthcoming the deficit has to be made up by outside sources.

As of now it is World Bank loans. However, the problem with loans is that they have to be paid back and their flow is time bound. The question is how do we pay back if there is a constant deficit (forget about surplus), and two, what happens when the inflow stops. What happens to all the activity and the excitement generated? The investments in improving the supply network need to be kept up. If funds are not forthcoming for that it will again set into motion the poor revenue-poor M and O-poor collections-poor M and O cycle. And so we are back to square one after the brief spell of heightened expectations and good work.

What then is the alternative? Are we trying to argue against the programme activities? Is it futile? Is it to run down the admittedly useful revamping of the supply channels which was badly required? The argument is for carrying the process of irrigation reforms – which are necessary and inevitable – beyond the narrow confines of a supply-side approach to include the critical realm of end use regulation of water. It is thus to take forward the process, which has been initiated, to logical conclusion by bringing within its purview, the modes of on-farm utilisation of water, the cropping pattern and agricultural practices. The carrot-and-stick strategy (using market and non-market mechanisms) should be used to influence choice of low water consumption crops, water efficient technolo-

gies and adoption of agricultural practices, which enhance water productivity.

There is no dearth of technological options in the country that abide by the above criteria. The idle capacity of research organisation, experts, consultants is waiting to be tapped. What is lacking however is the hesitation to expand the area of PIM reforms to bring water-use within its fold. As of now the AP Farmers Act clearly states that the role of these reforms is to institute rules for equitable distribution of water (on per acre basis). What the farmers do with this water, is their business. It is this aspect that can form the Achilles Heel of the entire programme. If rice cultivation is the only response of water users, the head enders will continue to guzzle the water starving the tail enders of their legitimate due. Any attempt to cut into their water 'right' will be strongly countered. The entire investment at public cost would continue to cater to the privileged few, and further reinforce social and economic inequities.

Increase in area irrigated during the post-reform period has been widely claimed. This is also plausible, given the focus of channel improvement leading to increased efficiency of water transmission. But the extent of area that can be properly irrigated by the water thus released is not well documented. Government records – mainly from revenue department and also from irrigation department – do not clarify the

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'quality of irrigation' received by this 'increased irrigated acreage'. Water touching the tail – after 15 years – also gets entered as irrigation of tail areas. There could be varying degrees of reliability, pressure, speed of water reaching the tail. How satisfactory and significant this 'irrigation' is for the user is yet to be confirmed. The point is that the increase in area irrigated as a result of PIM tends to overstate the case. Field level data point to less optimistic picture. While quantitative figures/data may sound impressive – the qualitative reality they represent is not explicitly specified. There is need for more detailed and reliable data collection mechanisms before a firm statement can be made regarding the systematic increase in area irrigated – abstracting from seasonal/climatic fluctuations – can be made.

As per the feedback from the field investigations data on area irrigated was primarily the responsibility of the revenue department, since they had to charge and collect the water cess along with land revenue. There was a systematic tendency to under-report the area irrigated. Consequently, less revenue needed to be deposited in the treasury. Water charges were in fact collected from a large area, but found their way into the pockets of the revenue department personnel. The low figures for area irrigated in the years preceding the reforms are absurd and ridiculous in some cases – being less than 10 per cent of the visible irrigated acreage. This is one reason why it is so difficult to get data from the local MRO's office. What has happened after the reforms is the greater pressure on the revenue authorities to enter the area irrigated in official records, as the WUAs expect to get funds for M and O in proportion to the revenue that is collected from within their command. Therefore, a large part of the 'reported' increase could also be due to increased 'reporting' and not necessarily due to actual increase in area. The broader point being made is that the data on increased irrigated acreage needs to be subjected to critical scrutiny by further research before arriving at a definite hypothesis about linking the entire increase in area irrigated with the reform induced activity.

However, limited increase in area irrigated due to channel improvement is possible. This increase would be a quantum jump due to initial work. Subsequently, only incremental increase can be expected. For instance, the desilting of channel, which has been clogged for the last 15 years, is bound to show a dramatic change in water flow. Additional repairs would contribute marginally to the enhanced flow of water. This increased flow is therefore more or less a one time increase in water saving. The possibilities of releasing additional water by reduced wastage on

route would therefore be soon saturated and one would have to look for the more critical mechanism for feeding the tail areas, mentioned earlier. That is, by curtailing the supply of upstream farmers.

Involvement of revenue administration brings us to the second point of concern. Recognition of unreliability of revenue records of irrigated area has led to the proposition of conducting 'joint azmaish' (or assessment) to be conducted by a representative each from revenue department, irrigation department, agricultural department and a member of WUA managing committee. This is definitely a welcome step towards streamlining the system of primary data collection. Although not effectively grounded, as of now – it is a matter of time before it is well established. Currently, there is evidence of higher revenue collections under some distributaries. This again requires cautious interpretation in light of the fact that the water charges in the state have been hiked by nearly 100 per cent during the last two years. The increase in revenue collections could be due to higher charges and not necessarily due to larger number of farmers complying with the payment. Here again data is required on the area irrigated for which water fees – at higher rates, has in fact been paid. Disaggregated data analysis is required for positing any hypothesis either way. Hasty over-generalisation is best avoided in the interest of realistic assessment of ground realities.

All the success stories of water management as in Ralegaon Sidhi, Pani Pan chayats, were contingent on the social regulation of water use. There are admittedly constraints of a top down approach

that makes micro-regulation of water use rather problematic – something that has been achieved by painfully slow but sustained efforts of NGOs in different pockets. Social transformation however cannot be brought about overnight by government fiat. It is a slow and painstaking process based on sustained grass roots mobilisation. A strong awareness drive is required to carry the community with the programme. These inputs are critical for conflict resolution – which is necessary part of social change. If not resolution, at least containing the conflicts. Top-down approaches, which cut short on these inputs, run headlong into a myriad of social conflicts between different interest groups. Reconciliation among them within a top down paradigm becomes problematic.

However, even within the constraints of the government programme it may be possible to initiate changes in the water use habits of farmers. This may be stimulated by a combination of inputs from agricultural extension and market instruments by making it economically attractive and practically feasible for farmers to switch to low water consumption crops. This requires efforts to transfer technologies on a turnkey basis from the lab to the field through pilot projects, as well as the push to diffuse these technologies. Research into constraints to diffusion needs to be undertaken for formulating a suitable policy. As of now however thinking along these lines is pre-empted due to the self congratulatory mood in Andhra Pradesh and the ensuing hype. The cloud of euphemism obscures clarity of thought and lowers the probability of confronting the post reform contradictions inherent in the programme.

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# Election Commission: Separating Basics from Frills

J V Deshpande

*In the light of some of its recent actions, there is a strong case for a dispassionate review of the Election Commission's role in the electoral process.*

AFTER a strong and adverse reaction from the Supreme Court, the Election Commission withdrew its ban on the publication by the media of the results of opinion polls and exit polls. This is a pity in a way because, by its withdrawal, the EC has once again managed to avoid a thoroughgoing review of its authority. On an earlier occasion also, when Bihar government challenged the directive of the EC making photo-identity cards compulsory for voters, the EC withdrew its order, rather than test its legal validity. In the present case, because some members of the press and television appealed to the courts as the aggrieved parties, the EC was compelled to withdraw its order banning exit polls. At the same time, its other questionable directives, such as banning advertising on television by political parties or prohibiting media persons from accompanying the prime minister on his plane presumably continue because no one has challenged them yet.

In the light of some of the recent pronouncements of the EC, there seems to be a strong case for a dispassionate review of its role in the electoral processes of the country.

For example, it is hard to find any rationale behind its attempts to ban exit polls and opinion surveys. Conclusions based on sample surveys are a standard part of any scientific inquiry, particularly in the social sciences. Such a survey always comes with an estimate of the error and an alert reader bears it in mind while drawing conclusions. It is very likely that there are some 'commissioned' surveys by interested parties where the conclusions are doctored. But just as 'commissioned' news reports or even editorials in some newspapers do not justify censorship of newspapers, similarly a blanket ban on the publication of exit polls does not fit into a democratic set-up. Anyway, in the past, the Indian electorate has amply demonstrated its ability to be discriminating. Even the near-monopolistic conditions of 1977, particularly of the electronic media, did not save the Congress Party from rout.

The justification advanced by the EC in proposing such a ban is even more disturbing than its action. One of the members of the EC opined that by and large the Indian voter is only "half-literate" and can be easily swayed by such publications. Does the EC believe that the Indian voter has no judgment of his own? Even assuming that exit polls and opinion polls are part of the propaganda of some party or other, is it the responsibility of the EC to filter such propaganda? A statement such as this takes one back to the colonial days when learned men discussed in London whether the Indians were fit for provincial autonomy or for Home Rule or whatever. Disturbing as the statement of the EC is, the fact that it has gone unchallenged by all the political parties, which nominally swear by democracy, is even more worrisome.

Equally preposterous was the EC's alibi while banning advertising on television by political parties. The EC felt that "such advertising gives unfair advantage to larger and more resourceful parties" and that there should be a "level playing field". It is of course expected that the EC will discharge its duties impartially, without fear or favour. Does this mean that it is also the duty of the EC to prop up a party that may be weak in material resources? What if a party is weak in manpower? Or in ideology? It is in the nature of things that the electoral process will weed out the weaker, smaller parties. If the EC can ensure that people can vote freely and without fear of reprisals, parties which have lost their relevance, or which have lost the confidence of the public will surely exit and there is nothing to lament in that.

Under the Constitution, the EC is given "control over the preparation of electoral rolls and conduct of all elections". It has to see to it that elections are conducted impartially, and, one may add, expeditiously without any element of fear. According to some reports, everyone who had reached 18 years of age on December 31, should have had his name on the electoral roll by the next March 31. If the EC had adhered to this excellent norm, the

country would have been spared the unhealthy situation of having a government for six months without any Lok Sabha to answer to. Even the rolls, which were eventually made available, had many lacunae. One of the members of the EC found his name missing from the rolls. This author changed his residence in 1995 and in the elections of 1996 found his name in the supplementary list in the new constituency, which is fair enough. But in 1999 also, his name continues to be in the supplement for which there is no excuse.

The photo-identity scheme, mooted about five years back, will go a long way in reducing bogus voting and allied malpractices. One would have expected the EC to complete the distribution of these cards in the past five years. But the scheme seems all but forgotten today. Do the priorities of the EC change with a change in the commissioners? When they were sought to be introduced first, the Supreme Court, reasonably enough, did not want elections to be held up indefinitely till all the identity cards were distributed. But surely, five years was ample time to complete the process throughout the country, including Bihar, where the next state elections are due soon.

Current political trends do suggest that the services of the EC may be needed more and more frequently in the near future. It is therefore high time the EC got its act together.

This can be done if it concentrates on its basic function, of being ready to hold the elections in a fair and impartial manner and at short notice. Much will be gained if it can have the electoral rolls ready and up-to-date, including the issue of identity cards, say at March 31 and October 31 of each year. This will enable it to hold elections at short notice. The EC also has to keep in mind that the guidelines that it may issue from time to time, are just that – guidelines. They will be acceptable only so long as there is a consensus on their utility. Unlike in the UK, conventions and guidelines which are not codified do not carry the force of law in this country. If they are to be accepted as the law of the land, they have to go through the normal legislative process and sooner the EC takes steps to get the necessary legislation on the books the better. It should expect no help on this from political parties. All of them have prospered under the present system and would not, on their own, like to tie themselves down with a new set of rules. But setting its own house in order should be in the hands of the EC, provided it displays the necessary will and urgency.



# Official Data on Trade Unions

## Some Comments

K R Shyam Sundar

*The trade union data published by the labour bureau of the union government are anything, but reliable, deficiencies in registered unions reporting to state governments and states reporting to the centre being the main reason. As a result there is a question mark, for example, over whether or not there has been a secular decline in the degree of unionisation.*

THE labour bureau of the union government publishes data collected either statutorily or voluntarily from employers and trade unions on various aspects of industrial relations. Among the data statutorily collected are those on trade unions, collected under the Trade Unions Act, 1926. The importance of data on unions needs no reiteration. Assessment of the quality of official data is a necessary prelude to any serious quantitative analysis of the data. The limitations and strengths of official data need to be brought out to facilitate careful data analysis and the generation of ideas for improving the data.

The basic limitations of data on unions have been noted by several [Johri 1967, Rudolph and Rudolph 1987, Shyam Sundar 1993, Venkata Ratnam 1996, etc]. The deterioration in the quality of data on unions published by the bureau is appalling, even condemnable. It is the resulting frustration that has prompted this piece.

According to the Trade Unions Act, any seven workers or employers can form a union and may register it under the Act. Registration entails certain advantages which non-registered unions do not enjoy. Registered unions are required to submit annual returns (which include details of membership) to the registrar of trade unions. Failure to comply with this provision invites certain punishments as mentioned in the Act. This is the statutory basis of union data collection.

Thus, the official data pertain only to registered unions;<sup>1</sup> no information exists on the extent and nature of the 'non-registered union sector'.<sup>2</sup> On the basis of the returns submitted by the registered unions, the labour departments of the states and union territories compile data and send reports to the labour bureau; the latter compiles the reports and publishes the data in the *Indian Labour Year Book* (ILYB, a 'quickie' publication) and *Indian Labour Statistics* (ILS), both annual, and *Trade Unions in India* (biennial).

Two sorts of compliances are involved here: the registered unions should submit correct and complete annual returns on

time, and the labour departments of the states should furnish reports to the bureau also on time.

As has been widely noted and officially admitted, not all registered unions submit returns. Of those that do, some submit delayed or discrepant returns. Such returns are left out of the consolidated returns sent to the bureau by the state labour departments (ILS 1982-86, p 217). As a result, the number of unions submitting returns has been far smaller than that of registered unions. Between 1951 and 1975, the proportion of the registered unions submitting returns<sup>3</sup> ('response rate') ranged from 34.2 per cent in 1974 to 67.1 per cent in 1964-65 (Table 1).

The blame for the inadequacy of the data could be placed squarely on default by unions. While this limitation continued to besiege the data later, a new dimension was later added to the inadequacy.

Since late 1970s, the already deficient union data plumbed greater depths of low quality, thanks to poor compliance by state labour departments. In most of the years in the 1980s the membership data presented excluded at least 10 states (Table 2). The labour bureau informs us that "some states which do not furnish returns in time are excluded in all-India statistics..." (ILS 1982-86).

Blame defaulting state labour departments. Some states have been persistent defaulters. They include Andhra Pradesh, West Bengal and Bihar (since 1977 or so) and Uttar Pradesh, Madhya Pradesh, Himachal Pradesh and Karnataka (since 1980). The number of registered unions in these states in 1975 (the last blessed year for which satisfactory data are available) was 13,687 and the total membership of the unions which submitted returns was 26.08 lakhs (Table 3). The unions which submitted returns accounted for about half registered unions and 40 per cent of reported membership. These are significant union centres for which we have no information throughout the 1980s. It may be immediately pointed out that as the response rate in these states

may be poor the loss of information on account of their default may not be significant.

At least for 1975, the response rate in these states (excluding West Bengal) was not unsatisfactory (Table 3). Unions in West Bengal have had a very poor record of compliance, especially during the 1970s and later. Is it on ideological grounds or on account of simple inaction? If Maharashtra and Kerala (occasional defaulters) are added to the list of defaulting states, the loss of information would be considerable. The very poor record of data for 1980 and 1982 is due to the non-compliance of these union-bulk states.

The labour bureau introduced a revised method<sup>4</sup> of calculating the 'response rate' in 1976 (Table 4) in view of such default. Since then the 'response rate' has been the proportion of registered unions submitting returns in the states furnishing returns to the bureau (see ILYB 1991, Table 4.01, footnote 3, p 70). The 'response' in defaulting state is ignored. This method lends the data some respectability. The non-compliance of both unions and states has reduced the validity and affected the reliability of union data, especially data for the 1980s.

In the case of the defaulting states, who should be held responsible? The defaulting unions or the administrative apparatus? If it is the latter, are the state administrations guilty of non-compliance or late compliance? In either case, what are the reasons? What measures has the bureau adopted for remedying the situation?

The labour bureau provides estimates of registered unions for the defaulting states. The estimates are said to be based on the previous year's figures (ILYB 1984: 77). They are revised from time to time, as is shown in the case of Andhra Pradesh and West Bengal (Table 5). The last year for which information pertaining to the former state is available is 1977, when the number of registered unions was 1905. This figure was repeated till 1983, after which it was revised twice, to 2,838 in 1984 and 3,615 in 1987.

On what basis did the bureau revise the estimates? Is it on the basis of late reports sent by the states concerned? Secondly, how reliable are the estimates? While the labour bureau estimated the number of registered unions in West Bengal in 1985 at 8,965, the labour department of the state placed it at 11,225 [Sen 1996: Table 7, p 447]. The bureau's figures seem to understate the reality.

The reportage since the late 1970s, characterised by the abovementioned shortcomings, further reduces the usefulness of union data. The membership data are far from reliable and of limited validity,



especially the data for the 1980s. They are even dubious, as we note later.

This in turn affects the usefulness of a key index: the degree of unionisation (DU), which is the proportion of the 'organisable lot' in a relevant geographical unit which has been unionised. Apart from the deficiencies of the membership data, problems exist in determining the 'organisable lot' the deflator to membership. For example, should the 'organisable lot' include agricultural workers, military and police personnel, government employees and workers in the so-called 'unorganised sector'?

In India, two series of DU are usually presented, one using census-data estimated

non-agricultural employment, the another using organised sector employment data put out by the directorate general of employment and training (DGET). The census figure is a broad and unrealistic estimate of the 'organisable lot'. On the other hand, disaggregated analyses have shown that DGET data lead to an 'underestimate' of the organisable lot in the case of some industries. Union membership in these industries is found to be greater than employment [Johri 1967, Deshpande and Deshpande 1989, Ramaswamy 1977].

This leads to the problem of membership identification. The registered unions seem to be making inflated claims of

membership, as Ramaswamy has found in Coimbatore mills, [Ramaswamy 1977]. The membership verification exercises<sup>5</sup> usually show that the "claimed membership far exceeds the verified figure" [Johri 1967: 27].

To this extent, the unverified membership figure is an overestimation; but this 'plus' is said to compensate for the 'minus' of non-reported membership [Johri 1967]. But the reportage deficiencies noted here would mean that 'minus' side far outweighs the 'plus' side. On the other hand, deflating recent membership data by all-India figures of organised-sector employment would underestimate the DU, as the membership data do not cover all the states.

These deficiencies should make one cautious of using the DU to study trends. The 'secular decline' noted by Bhattacharjee and Chaudhuri (1994b) between 1960 and 1984 may not reflect reality but poor quality of data. The declining response rates, which the duo also note (p 70), could account at least partly for the apparent decline in membership. As CS Venkata Ratnam has suggested though in a different context, the deflator should include employment only in states for which membership data for the relevant years are available.

What is the alternative to the discredited membership figures? The less damaged measure, the number of registered unions? This is statistically more valid but theoretically less meaningful, while for DU the reverse is true. The number of registered unions deflated by either the number of establishments or employment in the organised sector (it could be called 'rate of union formation') could be used as an 'organisational measure' in place of the DU (Table 1).

The poor response rate of registered unions and poor compliance on the part of states reduce the utility of other data such as income and expenditure of unions and classification of unions by industries or sectors. They also tend to make the publication of detailed information in the biennial 'Trade Unions in India' a wasteful proposition. In any case, the considerable time lag in the publication of this volume and the difficulties of access to it makes this source a least used one.

The labour bureau surely owes the users of official data some explanation for the noted deficiencies, replies to queries and assurances that things would improve in future. How long can we put up with incomplete, not quite valid and unreliable union data?

## Notes

Notes: (a) Data relate to both workers' and employers' unions.

(b) Till 1964-65, the reporting relates to financial year, since 1966 to calendar year.

(c) Since 1976, this includes estimated figures for states from which the bureau did not receive returns (see Table 2 for further information on this).

(d) See the text for explanations of the indices.

(e) Data not available for 1951-60.

(f) Number of registered unions per one lakh employees in organised sector.

(g) Figures exclude Rajasthan (Indian Labour Year Book 1965).

(h) See Table 3 for further information on response rate.

Sources: I.L.Y.B., various issues, the latest issue being 1991, for union data; Centre for Monitoring Indian Economy (CMIE) for employment in organised sector.

<sup>1</sup> This is not the fault of the data collection agencies. The situation can be remedied only

TABLE 1 TRADE UNIONS IN INDIA, 1951-89<sup>a</sup>

Year <sup>b</sup>	No of Registered Unions <sup>c</sup>	No of Unions Submitting	Response Rate <sup>d</sup> (Per Cent)	Membership of (3) (000)	Employment in Organised <sup>e</sup> Sector (000)	DU <sup>f</sup>	Rate of Union Formation <sup>g</sup>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1951-52	4623	2556	55.3	1996	-	-	-
1952-53	4934	2718	55.1	2099	-	-	-
1953-54	6029	3295	54.7	2113	-	-	-
1954-55	6658	3545	53.2	2170	-	-	-
1955-56	8095	4006	49.5	2275	-	-	-
1956-57	8554	4399	51.4	2377	-	-	-
1957-58	10045	5520	55.0	3015	-	-	-
1958-59 <sup>h</sup>	10028	6040	60.2	3647	-	-	-
1959-60	10811	6588	60.9	3923	-	-	-
1960-61	11312	6813	60.2	4013	-	-	-
1961-62	11614	7087	61.0	3977	12090	32.9	96.1
1962-63	11827	7251	61.3	3682	12577	29.3	94.1
1963-64	11984	7250	60.5	3977	13403	29.7	89.4
1964-65	13023	7543	67.1	4446	14234	31.2	91.5
1965 (April-December)	13248	6932	52.3	3788	14997	25.3	88.3
1966	14686	7244	49.3	4392	16192	27.1	90.7
1967	15314	7523	49.1	4525	16314	27.7	93.9
1968	16716	8851	52.9	5121	16322	31.4	102.4
1969	18837	8423	44.7	4900	16625	29.5	113.3
1970	20879	8537	40.9	5120	17050	30.0	124.5
1971	22484	9029	40.2	5470	17059	32.1	131.8
1972	24436	9074	38.4	5708	17978	31.7	135.9
1973	26788	9853	36.8	6580	18820	35.0	142.3
1974	28648	9800	34.2	6190	19274	32.1	148.6
1975	29438	10324	35.1	6550	19668	33.3	149.7
1976	29350	9778	<sup>h</sup>	6512	20166	32.3	145.5
1977	30810	9003	-	6034	20633	29.2	149.3
1978	32361	8727	-	6203	21243	29.2	152.3
1979	34430	10021	-	7474	21884	34.2	157.3
1980	36507	4432	-	3727	22305	16.7	163.7
1981	37539	6682	-	5397	22879	23.4	164.1
1982	38313	5044	-	2999	23493	12.8	163.1
1983	38935	6844	-	5417	24008	22.6	162.2
1984	42609	6451	-	5150	24214	21.3	176.0
1985	45067	7815	-	6433	24578	26.2	183.4
1986	48030	11365	-	8187	25056	32.7	191.7
1987	49329	11063	-	7959	25349	31.4	194.6
1988	50548	8730	-	7073	25712	27.5	194.6
1989	52210	7490	-	6845	25986	26.3	200.9

TABLE 2: DEFAULTING STATES AND UNION TERRITORIES

Year	States and Union Territories
1977	Bihar, WB (2)
1978	AP, Bihar, WB (3)
1979	AP, Nagaland, WB (3)
1980	AP, Assam, Bihar, Gujarat, HP, Karnataka, MP, Maharashtra, Nagaland, Tripura, UP, WB, (12)
1981	AP, Bihar, HP, Karnataka, MP, Nagaland, Tripura, UP, WB (9)
1982	AP, Assam, Bihar, HP, Kerala, Karnataka, MP, Maharashtra, Tripura, UP, WB, (11)
1983	AP, Assam, Bihar, HP, Karnataka, Kerala, MP, Tripura, UP, WB, Chandigarh (11)
1984	AP, Assam, Bihar, HP, Karnataka, MP, Tripura, UP, WB, Chandigarh (10)
1985	AP, Assam, Bihar, HP, Karnataka, MP, Rajasthan, Tripura, UP, WB, Chandigarh, Meghalaya (12)
1986	AP, Assam, Bihar, HP, Karnataka, MP, and Rajasthan, Tripura, UP, WB, Chandigarh (11)
1987	AP, Bihar, HP, Kerala, HP, Karnataka, MP, Rajasthan, Tripura, UP, WB, Chandigarh (11)
1989	AP, Bihar, HP, Kerala, MP, Nagaland, Rajasthan, Tripura, UP, WB, Chandigarh, Delhi and Pondicherry (13)

Notes: Figures in brackets indicate the total number of states for which information on unions is not available in the respective years.

2 We have not mentioned here Jammu and Kashmir, though it is included in some years among the defaulters' list.

Source: ILYB.

TABLE 3: TRADE UNIONS BY STATES AND UNION TERRITORIES, 1975<sup>a</sup>

State/Union Territory	No of Registered Unions	No of Unions Submitting Returns	Membership of Unions in Col 3 (000's)	Response Rate (Per Cent)
(1)	(2)	(3)	(4)	(5)
Andhra Pradesh	1908	566	354	29.7
Assam	188	53	33	28.2
Bihar	1093	696	808	63.7
Gujarat	758	333	289	43.9
Haryana	371	184	68	49.6
Himachal Pradesh	124	56	41	45.2
Karnataka	947	636	370	67.2
Kerala	4446	834	308	18.8
Madhya Pradesh	771	288	161	37.4
Maharashtra	3504	1429	1581	40.8
Manipur	38	28	6	73.7
Nagaland	3	3	1	100.0
Orissa	420	30	35	7.1
Punjab	676	447	204	66.1
Rajasthan	1098	363	187	33.1
Tamil Nadu	2335	1639	729	70.1
Tripura	43	21	7	48.8
Uttar Pradesh	1737	1486	647	85.5
West Bengal	7107	468	227	6.8
Union Territories <sup>b</sup>	1267	571	445	45.1
All India	28834	10158	6493	35.1

Notes: (a) Data relates to workers' unions only.

(b) Of the five UTs, Delhi is the significant centre of unionism; the respective figures for it are: 993, 396, 391, 39.9.

by amending the Trade Unions Act to make registration compulsory, as has been suggested elsewhere [Shyam, Sundar 1993:219].

2 Not even informed guesswork about this sector exists. Queries of interest are: why don't non-registered unions get registered? In which industries or regions are they found to be significantly present? What is the nature of their relations with registered unions? What is the political content of the non-registered union

TABLE 4: RESPONSE RATES ESTIMATED BY OLD AND NEW METHODS

Year	Response Rates (Per Cent)	
	Old Method	New Method
1976	33.3	44.3
1977	29.2	39.9
1978	27.0	38.5
1979	29.1	39.7
1980	12.1	18.9
1981	17.8	45.6
1982	13.2	35.1
1983	17.6	44.0
1984	15.1	28.8
1985	17.3	31.5
1986	23.7	39.6
1987	22.4	36.9
1988	17.4	33.5
1989	14.3	43.6

Source: As in Table 1

TABLE 5: ESTIMATED NUMBER OF REGISTERED UNIONS IN TWO STATES

Year	Andhra Pradesh	West Bengal
1977	-	7167
1978	1905	7107
1979	1905	7107
1980	1905	7107
1981	1905	7107
1982	1905	7443
1983	1905	7443
1984	2838	7443
1985	2838	7443
1986	2838	7443
1987	3615	7443
1988	3615	8965

Source: ILYB (latest being 1991).

'core' of the union movement in India (ibid). These unions, according to Bhattacharjee and Chaudhuri (1994b), "approximate the traditional party-affiliated, centralised unions" (p 69). Indeed, the decline in the response rates is seen as part evidence of decline, even stagnation, of such Unions. It is arguable that traditional party-affiliated unions are better equipped with administrative resources and more alive to legal responsibilities than the new plant-specific non-affiliated unions. But the argument cannot be pressed. It cannot, for example, explain the poor response rate of unions in West Bengal.

4 Bhattacharjee and Chaudhuri (1994b) have used for 1980 and 1982 the 'old' method of calculating response rates - that is the number of unions submitting returns as a proportion of the number of registered unions including estimates for states that have not furnished returns. The figures of response rates derived by this method work out lower than those calculated by the new method (Table 4).

In their earlier paper Bhattacharjee and Chaudhuri (1994a), have used response rates to capture the shifts in union structure. If they have used the old method of calculating response rates for the period 1976-86 also, that would raise questions about the validity of their findings. If, as it appears, the non-reportage union data is due mainly to lapses by the administrative apparatuses of states appears, the response rates are not a commentary on the nature of unions. Secondly, the bureau's 'new' method of calculating response rate is more realistic and indicates better activity or inactivity on the part of unions.

5 The problems relating to verification of membership are a separate issue. Controversy over the 'correctness' of verified membership is old hat (see Venkata Ratnam 1996, *Industrial Relations Newsletters*). As noted elsewhere, the labour bureau remains unshaken in its recognition of central federations for data purposes despite altered union scenes [Shyam Sundar 1993:218].

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# Asia's Women Leaders and Dynastic Charisma

Robi Chakravorti

*While dynastic charisma is a factor in the rise of many women leaders, in the case of Sonia Gandhi it is being cleverly articulated in her favour in India's current political vacuum.*

THE emergence of Sonia Gandhi as a leading politician raises some interesting questions about contemporary politics and the complex value system and rhetoric influencing it. If we look at the recent emergence of many leading female political figures on a global scale, Asia occupies a special place. Several women leaders have recently emerged in the political field in Asia. If we consider the removal of gender discrimination as a ruling factor in improving political ideology and performance, many Asian intellectuals and political analysts may applaud this development comparing it with western countries. Margaret Thatcher was the first woman prime minister in the UK, but the US is still waiting for a woman president. Elizabeth Dole, wife of senator Bob Dole is running for primaries in the presidential contest, but the chances of her even winning primaries for the presidential contest are dubious. It is interesting to add in this context that two European countries recently elected women as president for the first time – one is Switzerland, an old democracy in Europe, the other Latvia, a tiny ex-Soviet state. Latvia's elected female president, Vaira Vikefreiberga, lived abroad for 55 years, returning to Latvia last year. She was a psychology professor in Canada, and speaks six languages.

Sonia Gandhi in a recent speech stressed the factor of gender discrimination as the source of the criticisms levelled against her. In a speech addressed to the AICC delegates on May 25, she said: "No longer shall we tolerate the negative forces which seek to target the dignity of a woman through calumny and falsehood."

This is a questionable statement. Criticisms about her emergence in the political arena after the assassination of her husband are not based on gender discrimination although some Hindu fundamentalists may nurture this attitude in their criticisms. Her mother-in-law was a prominent political leader. Her foreign-born status is presented as a negative factor for her political standing. Her opponents

will exploit this factor while her supporters will stress her association with the Nehru family conferring on her the current status as a leader of the Congress Party. She did not, one may counter-argue, earn it through extensive political activities in the past.

Criticism of Sonia Gandhi's foreign-born status and her dynasty-based claim of representing Congress Party's ideology can be seen as a cover for a more fundamental question: the real credential of her qualification as a political leader other than her dynastic connection to a famous family.

When we look at the recent emergence of women leaders in Asia we find that the influence they exercised on the public mind was partly related to connections with their fathers and husbands who were victimised by opposing forces. Sri Lanka president Chandrika Bandaranaike Kumaratunge's and Bangladesh prime minister Sheikh Hasina Wajed's fathers were assassinated, Benazir Bhutto's father was executed by the military. Sonia Gandhi like Corazon Aquino of the Philippines belongs to the group whose husbands were assassinated. Burmese opposition leader, Aung San Suu Kyi, under house arrest from 1989 to 1995 fighting the army dictatorship in Burma is the daughter of the slain General Aung San. The father of Megawati Sukarnoputri of Indonesia, now emerging as a political leader, is the daughter of Sukarno, considered to be a kind of founding father who was forcibly dislodged from power by Suharto.

The political history and culture of the countries where these female leaders emerged differ. Lifestyle and suffering levels of the female leaders are also different. But, at the same time, one can argue that part of their appeal on the popular mind stems from the inherited aura of connection with famous, powerful relatives and the sufferings they underwent. One can describe this phenomenon as dynastic charisma.

The concept of charisma was coined by

sociologist Max Weber. He distinguished three types of legitimacy and authority – legal-rational, traditional and charismatic. Legal-rational relates to modern society, traditional to pre-modern society, charismatic rests on leaders claiming extraordinary powers and qualities which do not belong to an ordinary person.

The Weberian concept of charisma was used as an ideal-type separate from modern legal-rational mode and pre-modern traditional mode. These three types of authority systems can be mixed and interdependent. Lewis Coser in his *Masters of Sociological Thought* points this out by citing the case of Hitler whose domination was based on his charisma, but it was supported by legal-rational authority of German law and institutions and references to Germanic Volk tradition forming a major element of his ideology of national socialism.

This is an important point to remember when studying the application of charisma in the modern context using traditional values such as family relationship and legal-rational instruments like electoral campaign set-ups and modern methods of communication. In the American context, the publicity building up the family-centred charisma around the Kennedy family is a recent example of stressing traditional family folklore and using modern modes of publicity. In the US when political campaigns are conducted, campaign advisory experts use modern media techniques to project charismatic images of the presidential candidates. Ronald Reagan's victory in the presidential election is an example of how modern legal-rational methods can be used to build up an appealing aura around the candidate. Several books were published describing how Ronald Reagan performed better than his rivals before television cameras through competent training by experts. Under such conditions, grass roots level of politics is unlikely to succeed unless a serious crisis occurs. Onetime governor of California, Jerry Brown who lived a simple life and tried to fight the presidential election by leading a grass roots style campaign associating with common people and using limited and explicit amount of campaign contribution failed miserably.

One can argue that this type of media-manipulated attempts to build celebrity-based charisma may have limited impact in the sense that they become routinised. One can describe it as a process of celebrification in politics, conferring an aura of virtues which are not necessarily earned. Charisma in the Weberian sense,

however, may occasionally emerge in the political arena amidst crisis. Long-time exile Ayatollah Khomeini's emergence in Iran as political icon leading to the overthrow of Shah's regime is such an example. At the same time, it cannot be separated from folk tradition such as Islamic values.

While Sonia Gandhi's emergence as a political leader can be characterised as an illustration of media-manipulated use of dynastic charisma, compared to other female leaders in Asia, her performance and achievements up to now have been insignificant. The hardships that some of the female leaders suffered are also different. Benazir Bhutto and Megawati led sheltered lives while Aung San Suu Kyi has suffered. Chandrika Bandaranaike Kumaratunga of Sri Lanka is facing well-established terroristic Tamil movement which constantly threatens her life like her father's. Another point of difference between Sonia Gandhi and other female leaders is the generational claim of power on the basis of family relationship. She is the third generation and fourth person in succession in the Nehru family claiming political status and power. On the other hand, two acts of assassination had hit the family triggering off widespread public sympathy.

Janet Jagan is the wife of Cheddi Jagan, prominent leader of Guyana of Indian descent, who suffered a great deal including imprisonment and harassment. I interviewed him in the presence of Janet in 1968 during Indira Gandhi's visit to Guyana. Janet is white American. They were married in America during Cheddi Jagan's visit to America as a student. Cheddi Jagan is dead. Janet Jagan became president of Guyana last year.

Before coming to power, she along with her husband underwent a long period of struggle and political experience. Last year *Manchester Guardian* published a long article on Janet Jagan written by Pauline Melville. Janet Jagan was asked if there is a parallel between herself and Sonia Gandhi in terms of dynastic politics. "Absolutely not", she replied, "I have had a long political career of my own."

This is true. Unlike Sonia Gandhi, Janet Jagan had played numerous active political roles which her husband, Cheddi Jagan summarised in a short sentence in his book *The Weston Trial: My Fight For Guyana's Freedom* - "At one and the same time, she combined three jobs - housewife, party secretary and minister." She had held ministerial portfolios of labour, health and housing. She was, also, named deputy

speaker once. Compared to her, Sonia Gandhi's role until after her husband's assassination was basically that of a housewife of a prominent politician.

Janet Jagan also faced protest movements against her political status. Its nature and history are, however, different. It is influenced by the ethnic conflict and rivalry between Guyanese of Indian and African descent which were accelerated by a long history of economic and political divisions developed in the context of

MALAYSIA

## Ninth General Elections Limited Challenge of an Alternative

Vejai Balasubramaniam

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*With Party Islam Malaysia and Parti Keadilan, separately targeting Malay votes, and Democratic Action Party aiming for non-Malay votes, the resultant split in opposition vote will enable the ruling coalition of 13 parties led by Mahathir's UMNO to sail through the forthcoming general election despite some recent political hiccups.*

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JALUR GEMILANG's successful solo circumnavigation of the earth helped raise national prestige but not enough for the national political elite to call for early general elections. The term of the present government expires in May 2000. However, prime minister Mahathir Mohamad reminded citizens and all concerned with the country's affairs of his intention not "to please certain quarters" putting a damper on those eager to assess his government's popularity. The economic and political problems resulting from the Asian financial crisis has posed a test for Mahathir's leadership. But this is not the first time his administration finds itself facing an important political challenge.

The first formidable challenge took place in 1990 when Tengku Razaleigh Hamzah (popularly known as 'Ku Li') jostled unsuccessfully to replace Mahathir as president of the United Malays National Organisation (UMNO), the leading member of the ruling 'Barisan Nasional' (BN, National Front - a coalition of 13 political parties). This challenge which culminated in a split in UMNO as supporters of Ku Li left the party to form 'Semangat 46' (The Spirit of 1946), saw both parties competing for Malay political support in the 1990 general elections.

Although UMNO managed to remain the more attractive of the two, the cam-

Britain's policies in its only colony in South America.

This article is not meant as criticism of Sonia Gandhi. It points out the limitations of her real credentials for claiming superior power in politics. In spite of these limitations Sonia Gandhi may continue to derive support considering the leadership vacuum in contemporary Indian politics and the emergence of Hindu fundamentalism which threatens the secular, liberal and socialist trends.

paign was bitter with both, particularly UMNO, packaging themselves as protectors of Malay interests. Semangat's supporters tend to be overwhelmingly concentrated in northern state of Kelantan, from where Ku Li hails. Following a eight-year stint in the opposition Semangat was dissolved and its supporters including Ku Li joined UMNO "in the interest of Malay unity".

This 'unity' which appears to be threatened following the sacking of Anwar Ibrahim as deputy president of UMNO in September 1997 has also created a vacuum of sorts which Ku Li, among others, hope to fill. But, while the basis of the 1990 challenge was political, directed against the alleged authoritarian and Machiavellian style of Mahathir, that of the present can be attributed to the economic recession which set in late 1997 and is readily the 'deepest' since independence.

But while it is unlikely that the opposition will be able to unseat the BN from power, it could nevertheless lead to an eroding of the coalition's majority in the 'Dewan Rakyat' (the lower house of parliament); and concern over this among other things has caused the government to embark on a campaign to rebuild its image. At issue here is the possible weakening of UMNO's electoral support among the Malays as its claim as protector of

Malay interests appears to be challenged.

Since the May 1969 racial riots, the tacit function of successive government's (and they have all been UMNO-led governments) had as their objective the socio-economic advancement of the Malays. Officially formulated as the new economic policy (NEP), Malays were accorded preferential treatment in government employment, education, and in the economy. In three decades, the NEP has helped expand the ranks of the middle class and the Malay composition in it, as well as create a national bourgeoisie with close links with the government.

Following the drastic reduction in the value of the ringgit against the greenback as a result of Asian financial crisis in September 1997, share prices of companies listed in the KLSE plunged resulting in many of them unable to service their loans. The effort to 'rescue' some of these corporations by the government through the National Economic Action Council (NEAC), via, 'Danamodal' and 'Danaharta' was perceived as saving businesses closely linked to the Mahathir administration. The prime minister, on the other hand, rationalised the policy to save jobs, tax revenue, reviving the economy and protecting Malaysian-owned companies.

In this respect, the opposition by Anwar Ibrahim, the vice-president of UMNO and Mahathir's heir apparent, is noteworthy. As finance minister, his role in the disbursement of funds under the rescue package is critical, inclined as he was towards the language of IMF which propagates transparency, efficiency and accountability among other things. In this light, his sacking from the cabinet and UMNO supreme council on September 2, amidst charges of sexual misconduct, corruption and abuse of power (by using his office to cover up the former) infuriated his supporters and those sympathetic to the dream of an 'Asian Renaissance' – whatever that may mean.

Taking to the streets, Kuala Lumpur, with scenes comparable (all but in magnitude) to those in Jakarta which culminated in the transfer of power from Suharto to Habibie, became the foci of protests by Anwar's supporters in the party and students. Students in the public universities and institutions of higher education in the main had their political voice circumscribed by the universities and colleges act as reflected by their loose organisations. In this context, it became possible for the better organised Party Islam Malaysia (PAS) to play a leading role in the demand for greater political space.

The PAS, which is well known for its opposition to the federal government's modernisation policies which it sees as contributing to decadence, materialism, westernisation, and religious values, has support base mainly confined to the northern states of Perlis, Kelantan and Trengganu. In order to make any significant change in policies at the national level it is imperative the party win more seats at the federal level, and it is in this context that the party rallied behind supporters of Anwar now urging for greater liberalisation, democracy and accountability.

This notwithstanding, the party however has not been able to realise its aim of leading the opposition. This stems from the fact that its more 'traditional' interpretation of Islam and plans to introduce the 'hudud' is not shared by all Muslims, particularly those in the more modern western Malay states. Herein lies the reason for the formation of 'Parti Keadilan' under the leadership of the wife of Anwar Ibrahim, Datin Wan Azizah, by Anwar's supporters in UMNO.

For the exigencies of the 'coming' elections, both PAS and Keadilan appear to be working together though the nature of the political arrangement is quite unclear. Joining Keadilan and PAS in the opposition front is the Democratic Action Party (DAP). While the former parties intended to appeal to the Malay population, the DAP, on the other hand, hopes to garner the support of the non-Malays resorting to its staple such as citizenship rights and equality. The objective of this opposition combine is to deny the BN the two-thirds majority in parliament thus weakening its legislative capability. Yet, the means by which opposition have gone about achieving this end has only contributed to greater polarisation.

In the attempt to win Malay support, PAS and Keadilan have sought to package themselves as alternatives to UMNO. The absence of a clear working arrangement would also result in their vying to contest in the same constituencies, splitting votes and if anything contributing to the victory of BN candidates. The attempt to appeal to voters in Sabah for example too has seen Keadilan raising regional sentiments. DAP, on the other hand, seeks to package itself as spokesperson of the non-Malays and here the party seeks to strengthen its appeal principally among ethnic Chinese voters. While it cannot be denied that regional and ethnic based issues still give rise for concern, they have to be contextualised in wider economic and

political issues affecting the country.

The recently concluded elections in the east Malaysian state of Sabah, where UMNO had won in all the constituencies it contested, saw the defeat of the Sabah centred Party Bersatu Sabah (PBS, Sabah United Party) and victory of the state BN. Taking this as a barometer of its popularity, the national political elite attributed the street demonstration in Kuala Lumpur against them as the handiwork of 'fringe elements', sparking among other things a national 'intellectual' debate on the 'poor' academic performance of 'Malay' students. To manage student political consciousness, by bringing them back to the classroom, as it were, the government's hand was strengthened by its control of scholarships and grants.

While the extent to which this has helped to stabilise politics is uncertain. But the government's handling of the economic recession, particularly its policy of fixing the rate of exchange between the ringgit and the US dollar and the Keynesian type economic policy adopted in 1998, have won it kudos and appear to have stabilised economy. Though the strategy of not to seek funds from the International Monetary Fund have placed the national political elite in good stead in determining economic policy, it will nevertheless at some point have to come to terms with the demands of globalisation. In fact, this can already discerned in measures to reform the country's financial institutions and in policies relating to the Kuala Lumpur stock exchange.

Complimenting the above is the role of radio, television and the mainstream media which by and large are pro-establishment to present Malaysia as a sea of calm. Images and reports of turmoil and images of ethnic and religious strike in the former Yugoslavia, Turkey and Indonesia, help drive home the message of ethnic co-operation.

In this respect the, BN government in general and the Mahathir administration in particular, is able to package itself as working towards unity and political and economic stability. This fact together with the absence of a charismatic leader in the opposition contrasts the present struggle with that of 1990. Yet, while all these is expected to augur well for the BN, the opposition's claim of releasing secret files implicating Malay leaders in the government for corruption will undoubtedly affect UMNO's attractiveness. The extent to which this will influence the BN's majority in parliament, however, remains to be seen.

# Globalisation: A Stock-Taking

Manu Shroff

*The implications of globalisation for national and international policies are far-reaching and we need to refine our understanding of them. It is time to take stock of developments on the ground as also in the thinking about them.*

I PROPOSE to define globalisation, describe its origins and scope, and assess its benefits. I shall then go on to deal with some of the doubts and misgivings about globalisation. The underlying theme of my remarks is that globalisation is only a process and not an objective. The latter has to be defined, somewhat ambitiously, as a global economic and political order. The implications of this for national and international policies are far-reaching and we need to refine our understanding of them. The issues are wider than economics and embrace social, political and cultural aspects as well. I shall only touch on some of these, concentrating on matters economic.

## GLOBALISATION AS A PROCESS

It is important first of all to recognise that when we talk about globalisation, we refer to a process and not a state of being. It is a move or a series of moves towards what may be described as a global economy. The world is moving towards it but is not there yet. The moves are not merely to be understood as conscious efforts by individuals, businesses or governments. These are often responses to impersonal forces of markets and technology rather than originators of what is best seen as a move away from national economies interacting with each other in a variety of ways, towards a fully integrated world economy. It is somewhat ironical that while it is not difficult to define the elements of the process of globalisation (and they keep surfacing in the several discussions of the subject), a clear vision of what one means by a 'global economy' does not exist. Since globalisation is presumably a process of moving away from something that is less desirable to a goal which is more satisfactory, it is best for me to start with our disappointments before coming to our aspirations.

Nineteenth century capitalism is often referred to as the nearest we have to a global economy. Not just capital but labour

too was mobile, international trade was free, national economies were kept in kilter by the operation of the gold standard. The prevalence of free markets and a relatively unfettered price mechanism helped achieve efficient allocation of world resources. While politically, nation states retained full sovereignty, they consciously or implicitly accepted rules of the game which abridged their sovereignty in the larger interests of the global economy. There were deficiencies of the system in practice, but the idealised picture of it has endured.

We, of course, abstract from the fact that the world as it was then comprised mainly Europe and America. The colonies of the imperial powers were joined to the world economy less by market forces than by the fiat of the imperial governments. But allowing for this very major exception, the nineteenth century model may be considered to have several advantages over what followed after the first world war. That as we know was the assertion of economic nationalism even when it tended to hurt the world economy or even the limited national interests of some countries. The collapse of the gold standard, the Great Depression and the pursuit of beggar-my-neighbour policies in the form of trade restrictions and competitive exchange rate depreciations, all these were de-globalising trends, so to say, and it took the second world war and more than a quarter of a century thereafter for a reversal of the trends, propelled by technological change and the information revolution.

Theory followed events. The Keynesian revolution underpinned the role of the state in correcting the deficient outcomes of the free-play of market forces and asserted the autonomy of national economic policies. It provided a powerful theoretical argument for what may now appear as anti-globalisation policies. It may sound ironical that Keynes who had an international outlook and was a key figure in the fashioning of the post-war

multilateral institutions was nevertheless a nationalist first.

The second world war inevitably gave impetus to fairly extensive intervention by the state in economic life, and following Keynes, post-war economies in industrial countries, beginning with Britain, were guided by the objective of full employment to be attained by active demand management policies by governments. True, there was also emergence of international economic co-operation, the principle of multilateralism and the most-favoured nation treatment in trade and so on. The IMF, the World Bank and the GATT became the guardians of multilateralism. Nevertheless, the underlying philosophy was still one of nation states negotiating with one another. I recall that even in the early fifties, Karl Manning at the LSE made a distinction between international order and a world order. In the immediate post-war years, we saw efforts to establish an international economic order; but not yet a world economic regime. I like to think that what we call globalisation is a process of moving away from the 'international' economic order to what might be called a 'global' economic (and political) order. And it shall be my endeavour to define this global order and consider the impact of movement towards it on national welfare keeping in mind the different circumstances in which nations of the world are placed.

Quite early in the second half of the 20th century, the problems of developing countries (the so-called third world) came to be differentiated from those of the industrial nations. A whole corpus of theories sought to define and deal with development issues. Development economics came to be seen as a separate and distinct branch of economics. Most developing countries followed a model of development in which the state played an active role and some of them also chose policies which resulted in closing their economies to the rest of the world. But experience over the years and the successes of others who chose to keep their doors open persuaded them to change track and move towards greater openness. Technological change, the information revolution and the dramatic change in the global political environment following the collapse of the Soviet Union contributed in greater or smaller measure to the progressive integration of the world economy in the decade of the nineties.



It is in this background that a few questions arise. One, is the globalisation process driven by markets and technology or is it the result of conscious decisions of the countries of the world? Two, does it involve integration of the markets for products, some services and capital alone or are other factors of production also part of the process – in particular, skilled and unskilled labour? To the extent that there are strong elements of monopoly and monopsony in some of the markets, what can be done to capture the benefits of globalisation equitably for all nations? Does globalisation affect only economic life or is it pervading political and cultural spheres as well and with what consequences? In short, the questions are about the forces governing globalisation, its scope and the nature and spread of its benefits. Finally, we also need to visualise the kind of global order to which the process of globalisation is leading.

#### ORIGIN AND SCOPE

*Origin:* Globalisation has not suddenly descended on the world. It is part of a process of progressive integration of the world economy through falling barriers to trade and exchange and greater mobility of capital. But in the last decade or so these forces have got a tremendous impetus from the massive changes in communication and information technology. Manufacturing has also undergone a revolutionary change: the importance of traditional raw materials emanating from developing countries has declined and that of knowledge-based services greatly increased. Design, for instance, is more important in the manufacture of an automobile than materials. Similarly in garments and electronic goods. The share of manufacturing in the GNP has declined in most countries and that of the services sector has gone up. In part, this reflects also the enormous growth of financial services; but mainly it is the consequence of the spectacular advances in computerisation and the associated software.

These developments have also changed the nature of world trade. Gone are the days when industrial countries imported raw materials from the developing nations and returned manufactured goods to them. The present-day multinationals choose to locate their plants nearer the sources of cheap materials or labour or markets, not nationally but globally. A manufacturing corporation will have plants located in different parts of the world making components for the product it makes and,

increasingly, parts and components even for its competitors' products. A growing proportion of international trade comprises trade between different branches and subsidiaries of multinationals. It is no longer possible to identify the origin of a product by the place of its final manufacture. Thus a Japanese car may be made in the UK, but it is still Japanese because of the brand name of the corporation which co-ordinates the entire enterprise. The play of market forces has led to efficiency in the manufacturing process, in location, design and marketing. Technology has been a prime mover in this development, but the *freedom of market* has been even more important.

A good example of how freedom from regulation can bring about unexpected development of new products and markets is provided by the emergence of the Eurodollar market in the late sixties and early seventies. Initially, Eurodollar deposits in the post-war period originated with the USSR wanting to hold dollars which were not subject to the US government controls. (Their dollar holdings had been impounded during the war.) But the big push in the Eurodollar deposits came following the Regulation Q of the Federal Reserve System in the US which put a ceiling on bank deposit interest rates. One domestic consequence of this was that the banks competed among themselves by offering attractive gifts to attract deposits. But internationally, dollar deposits moved offshore to London and other European centres in search of better rates. The US interest equalisation tax and controls on bank lending abroad as well as foreign investments added to the attractiveness of the Eurodollar market. The market expanded at a phenomenal rate in the unregulated environment abroad and although the original causes – the Regulation Q and exchange controls – were later removed, the offshore market continued to grow, as Milton Friedman has so lucidly explained ('Eurodollar Market: Some First Principles', *Morgen Guaranty Survey*, October 1969), through the mechanism of credit creation. I refer to this only as an illustration of the potency of freely functioning markets. No one regrets the consequent enormous growth in international liquidity in the seventies and eighties which, aided by the communication revolution and the freedom of exchange rates, met the expanding needs of the growing international trade. It is only when freedom led to excesses (e.g. over-trading by a fund manager of Baring Brothers leading to a major crisis for the bank or more recently, but for different

reasons, the Asian financial upheaval), that doubts began to arise and the need for regulation, not national but international, began to be felt. But of this a little later.

I believe that market forces and technological change have been far more important in the process of globalisation than conscious decisions of governments. There has been no UN resolution on the need for globalisation! True, the opening up of trade has been a matter of bilateral and multilateral negotiations. Similarly restraints on capital movements have been sought to be removed by inter-governmental efforts. Also, the movement towards an integrated Europe has been inspired by governmental vision and efforts. But more often than not, official action has sprung from the pressure of market forces and technological change. Globalisation has occurred despite governments and sometimes in the face of active contrary actions of governments. It is a force by itself, difficult to regulate or control.

*Scope:* As of now, the scope for globalisation does not go beyond the markets for products and some services and the market for capital. When it comes to labour, however, the forces of globalisation are not allowed free play, and conscious and explicit state intervention prevents the emergence of a global market for labour. There are many reasons for this. Labour is not just a factor of production. It is also the recipient of the economic, political and cultural benefits of being part of a society. Social habits and customs differ; and so does the colour of the skin. It is not easy for any society to overcome age-old prejudices. The most important reason impeding freer movement of labour, however, is the desire on the part of the rich countries to preserve their standard of living which breeds restrictions on immigration – a very shortsighted policy. In theory, one could argue that free trade in products should bring about an equalisation of prices of products as well as factors of production. The famous factor-price equalisation theorem asserted this – of course, like all such theorems, under assumptions which do not obtain in practice. No wonder that despite freer trade, factor prices have not tended to equalise across nations. It was believed free trade in goods would in general suffice and there was no need for freedom of movement of factors of production. Ironically, however, this applied only to labour. Freer international mobility of capital became an article of faith with most free market economies and economists since the



seventies until the Asian crisis which has brought some rethinking.

Mobility of capital has been a major element in the globalisation process. But the failure of the world community to recognise the benefits to the world economy of freer movement of skilled and unskilled labour is one of the patent contradictions of globalisation. In all probability, secular economic growth in some of the industrialised countries themselves could be stepped up if they could enjoy greater elasticity in the supply of labour. Even so, immigration restrictions have continued, reflecting the cultural divide among nations and the play of tradition, not to speak of the pressure of organised trade unions, a potent monopolistic force in the way of globalisation. In multilateral trade negotiation, the developed countries have pressed for inclusion of services, but what they have in mind are *enterprises* providing services, such as banking or insurance or hotelling, but not the services of skilled or unskilled labour as such. This dichotomy in their position cannot be sustained for long if the benefits of globalisation are to be maximised and to accrue equitably across the globe.

#### BENEFITS: THE INDIAN EXPERIENCE

There can be little dispute that globalisation promotes competitive efficiency in general. As the area of competition expands, the efficiency gains increase. Enterprises in developing countries, many of which have grown under heavy protection, may find the going tough in the initial phase of globalisation, but as time goes by they begin to adjust, not without pain, but also with a prospect of future benefits. In India, globalisation has meant that corporations plan their strategies keeping in mind the global and not merely the domestic market, whether it is product design, choice of technology, means of finance or opportunities for collaborations and strategic alliances. The benefits of these for corporate growth, modernisation, consumer satisfaction and reduction in costs are beginning to be visible – eg, in the electronic and durable consumer goods sector – after nearly a decade of liberalisation. But there are also limitations arising from the structure of markets and the prevalence of monopoly or monopsony.

The so-called Bombay group has complained that multinationals with their global clout have an unfair advantage over Indian companies and are gradually taking over control of the joint ventures in which they have been partners with a minority

holding. The technological advantage of joint ventures is also getting eroded with foreign partners setting up new 100 per cent subsidiaries for the purpose of expansion based on new research and development, leaving the erstwhile Indian partners in the cold. In mergers and acquisitions too the foreign investors have a financial and managerial edge. Is globalisation meant, it is being asked, to reduce Indian entrepreneurs to the position of minority shareholders or traders? Is this the reward they get for assiduously building up Indian industry, even if it was under heavy protection? The questions are legitimate even if the answers which the protagonists of this view give are not valid without substantial qualifications. In several instances of the so-called de-Indianisation, it is the domestic partner who has taken the lead, lured by the attractive price at which the holding could be sold. Not all joint ventures have seen Indian partners active and prepared to take on their foreign collaborators whenever the interests of the latter are sought to be given precedence over those of the venture as a whole. (Incidentally, overseas companies taking over domestic enterprises is becoming a global phenomenon. In the US, for instance, one-third of all takeovers in the last few months was by foreign companies.)

The demand for a level playing field is at bottom of an argument for state intervention. But once a foreign company has gained entry, it no longer remains foreign. It is governed by the same laws and policies as Indian companies. State intervention can be justified when it can be established that the foreign enterprise (as, even an Indian enterprise) enjoys monopolistic power which distorts the market, though size per se may not be a sufficient reason for intervention. More important is to remove distortions in pricing and other policies which operate to the detriment of the domestic producer. An example of the former is the often one-sided nature of the joint venture agreement which gives undue advantage to the foreign investor, arising from the hold he has over technology or the market. An example of the latter is the compulsions of fiscal policy and foreign exchange management which cause the cost of capital for Indian enterprise to be higher than that for the foreigner. Against these must be weighed the innate advantage which the domestic industrialist has of operating in a known environment and being able, at least in a few cases, of influencing government decision in his favour. The multinational's advantage of size is more apparent than real. Within its

own confines, there is strong competition between different divisions or territorial branches for resources and it cannot be said that its Indian arm has unlimited access to parental resources of a kind as to give a substantial unfair advantage over the Indian rival. Of course, in a conflict situation the parental power can be wielded. But this does not happen too readily, as was demonstrated in the case of ITC. The picture of an all-powerful multinational out to raze Indian industry to the ground is clearly overdrawn.

Nor is it true that multinationals have made inordinate profits and drained resources from India. Traditionally, they have reinvested their profits in business expansion, partly as a result of exchange controls. But even in the freer regime, there is little evidence of net outflow of resources as a result of the operations of multinationals. Indeed, some of them have miscalculated market demand and suffered losses in the consumer goods sector.

The policy implication of some of the doubts about globalisation to which I have just referred to is not that government should take measures to counter the free flow of foreign direct investment but that it must give a breathing space for industry by carefully calibrating the progress towards full freedom for foreign investment. This involves transparent guidelines for takeovers, implicit or explicit governmental help in securing technology transfer and a whole host of reforms in the corporate sector aiming at good corporate governance. It is by asserting our strengths rather than harping on perceived weaknesses that industry should robustly face the challenge of globalisation. Also, a pragmatic approach is needed in preference to doctrinaire pursuits in order to maximise the benefits for the Indian economy.

The episode concerning the entry of Enron in the power sector provides a good illustration of this. I shall not recount the story of Enron as it is well known. But the initial doubts were resolved through negotiations and the participation in equity by the MSEB ensured that some of the financial gains from the investment accrue to the public. The crisis was caused by doctrinaire politicking; it was resolved by assiduous negotiations with a pragmatic approach on the part of both sides. I am not saying that the controversy will not be revived (one hopes not), but it is a signal fact that the benefits of the project have already begun to flow and Maharashtra, it is reported, is no longer a power deficit state.

It may be argued that while foreign direct investment is beneficial, freedom for portfolio investment tends to destabilise the economy. Here again a sense of proportion is needed. We can scarcely take advantage of the information and communication revolution if we shut ourselves from the financial markets of the world. Portfolio investments have resulted in a net positive inflow so far. There is little evidence that they have been a major cause of such volatility as has been observed in the stock markets from time to time. Much of the institutional reform in the secondary markets, e.g., dematerialisation of securities and speedier and more secure payment and settlement system was in all probability expedited by the FII pressures. The advantage that Indian companies have derived by being able to float issues in foreign markets has sprung from the policy of openness to capital flows from abroad.

Globalisation has the potential to bring a veritable revolution in communications in India. Imagine where we would be today if the telecom policy had not been caught in the web of confusion and narrow politicking! And the potential of the Internet for greater productive efficiency, cost reduction and access to new ideas has yet to be exploited. (I do not wish to overstate the impact of computerisation on the growth in productivity. Recent studies of the US economy suggest that the impact is not significant since computerisation results mainly in the substitution of one form of capital by another. But the experience in a developing country may turn out to be different, for no other reason than that it may be an inducement for modernisation.) All in all, whether in the real sectors or the financial, globalisation is helpful to the Indian economy. It has been growth-oriented and has inspired technocrats to spawn vigorous new enterprises in fields such as software and consumer goods which are also employment intensive.

#### BENEFITS AND DOUBTS: GLOBAL EXPERIENCE

Why is it then that doubts still persist? And not merely in India but, one should say, globally? The recent *Human Development Report* of the UNDP gives expression to some of these doubts. Basically, the issue is about equity. The report cites data to show that the benefits of globalisation have not spread evenly among the nations and within each country. It has tended to worsen inequalities of income. Newer kinds of inequalities have emerged, e.g., between those who are

'connected' and those who are left out of the web. (Incidentally, on this criterion, many of us will fall in the category of the deprived!)

Greater connectedness also means faster transmission of ideas and skills, good and bad. Thus the spread of crime and terrorism or diseases or quicker transmission of economic recessions or financial volatility and global unrest generally are sought to be blamed on globalisation. There is also complaint that cultural invasion from abroad is a threat to the survival of national traditions and values. There is some substance in all this. But the report tends to overdraw the picture. For instance, it is simply not true that the cultural flow is all one way and that it represent an invasion. Similarly, new technologies may have given new wings to crime; but so has it to the policeman. Nevertheless, it is true that when one opens the windows one gets fresh air as well as insects and mosquitoes. The answer is not to shut the window, but maybe to put a screen or install an insect repellent. In other words, we must improve our understanding of the national and international policies needed to tackle the possible adverse impact of globalisation. Let me illustrate this by reference to the concerns about equity and financial stability. I shall begin with equity.

#### POLICIES

##### *National Policies*

There is evidence that inequalities of income have increased in the richer countries and that poverty persists in the developing world. But it is not established that these are the consequences of greater market orientation or globalisation. At the national level, we have grappled with poverty removal ever since Independence and our experience suggests that rapid growth is a necessary condition for success. To the extent that globalisation, structural adjustment and economic reforms in general help the growth process they are also an essential adjunct to poverty removal. In this sense globalisation is not antithetical to reduction in the numbers of the poor or greater opportunities for the deprived. We have also learnt that selective state intervention is also necessary to directly deal with the problem. Over the years we have lapsed into a dualistic society. For some goods there is dual pricing, e.g., the public distribution system. For others, there is in practice a segmentation of investments and facilities. The children of the poor go to municipal schools, those of the well-to-do choose private and missionary schools. State

transport is largely for the poor; private buses, or the so-called luxury buses, for others, and so on. Similarly in health and education. The market system for the rich and the middle classes, public investment support for the poor. It is a messy sort of dualism, since public outlays are notoriously inefficient and leaky; and there are distortions of priorities as well. No wonder such interventions have proved costly. What then is the answer?

I would reiterate that nothing we try to do to remove poverty can succeed without rapid and efficient growth. A little more controversial proposition is that we must learn to live with some degree of inequality if that is necessary for the incentive structure required for rapid growth. It follows that we should do nothing to stop the globalisation process, but rather redesign the anti-poverty programmes to make them more effective than they have been so far. Better targeting and greater participation by the beneficiaries, directly or through well chosen NGOs are also required. Of prime importance is the literacy programmes. No country with a poor literacy has recorded sustained high growth. This lesson has yet to be learnt by the Indian policy-makers.

As for financial stability, again, what is needed is reform of institutions and an effective regulatory system. Market failure is endemic in the financial sector, given incomplete information and incomplete markets. A sound institutional base has to be established. Since this takes time, there is case for direct intervention in the form of capital controls, particularly in the external sector of the economy. India was not severely affected by the Asian crisis partly because we had not opened up fully and partly due to the ongoing financial sector reform process. To a large extent the problem of financial volatility has to be tackled also by international measures. The argument is not that globalisation should be stopped. Rather we should develop a vibrant financial system to reap fully the benefits of globalisation.

##### *Global Policies*

Coming now to global policies to tackle the adverse impact of globalisation, I shall refer again to equity and financial stability. The distribution of world income and the enjoyment of world resources are notoriously unequal. Even more important is the clout exercised by the rich nations in world fora. The problem is in the main political. Greater voice for the poor countries in the international organisations has been an ongoing demand of these countries. The foreign aid route is still

alive but not quite kicking. For the poorest countries of the world, especially in Africa, there is little respite from dependence on aid from abroad and, in the case of those with poor or no governance, from the persistence of poverty and inequalities. Globalisation, it seems, may tend to counter some of these inequalities, by the freer flow of capital and technology and the concomitant pressures of interested lobbies favouring host countries. US firms in India for instance are the best spokesmen for India on Capitol Hill.

It must be noted, however, that in the matter of technology and R and D, there is a clear danger of market failure and thus need for intervention by a public agency. R and D which is market driven does not address the problems of the poorer countries, as is so vividly brought out in a recent article by Jeffrey Sachs in *The Economist* (August 14-20, 1999). The whole issue of intellectual property rights particularly in matters having a bearing on public health, genetics and biodiversity, has to be considered in the light of market failures arising from inequalities of incomes and the prevalence of monopoly. The view may be gaining ground that too strict a regime for intellectual property rights may tend towards "privatising public knowledge, thereby creating incentives for misdirecting intellectual energies" (Joseph Stiglitz, Wider Lecture 2, January 1998).

Freer flow of labour will be a powerful force to reduce inequalities. This should have a high priority in any global exercise for equity. No more than a tenth of the unemployment in the industrial countries, according to the UNDP Report, can be attributed to the growing links of these countries with developing countries. Their protectionist attitudes in respect of imports from the so-called low wage countries or even in regard to immigration policies thus appear to have little justification.

The question of financial instability is already on the agenda of global debate about a new financial architecture in the wake of the Asian crisis of the previous two years. That crisis has taught a few lessons to the world community and has provoked fresh thinking about the so-called Washington Consensus. There is greater readiness now to live with some restrictions on capital flows and greater emphasis on an effective regulatory framework within nations and also internationally. The issues are about the mechanisms to deal with private debt crisis, confidence building to restore capital flows after they are disrupted, the need and modality of a lender

of last resort, better information and warning signals, etc. The framework, however, is international, not global. Thus there is no proposal, for instance, of a global central bank. Keynes in his international 'avatar' had proposed a world central bank and a world currency to be called 'bancor'. In the absence of a global vision on the part of the international community, we are nowhere near this and have to be content with SDRs! The paradigm is still that of policy co-ordination.

The underlying truth in all this to my mind is that so long as we remain in the mindset of internationalism, we will not have the ability to tackle the outcomes of globalisation which are no longer within the control of national governments. By internationalism, I mean the framework in which nation states, jealous of their sovereignty, negotiate with each other on global issues with a perspective of maximising national gains and yielding the minimum of their freedom of action. The globalisation process, as it gains momentum, is likely to erode the strength of this framework and must eventually end in a global order. But this is still a far cry.

#### GLOBAL ORDER

Ideally one should be talking about a global state. Such a state will have its own security force, its own budget and taxing power (taxation of fossil fuels, foreign exchange transactions, etc, have been suggested from time to time), its own mechanisms for financing public goods, its central bank, its communication network and the various development departments which one is familiar with in the national context. There are quite a few of these in existence now covering food and agriculture, industry, labour, energy, environment, health, children's education, civil aviation, post and telecommunications systems, and so on. But they are mostly operating within the 'international' mode. The nation state survives with a vengeance. There is reluctance to part with sovereignty in the interest of larger global good. This also compounds the intricate problems of global environment, whether it is climate, emissions or the global commons. True, the UN and its various arms are manned by an international civil service. But that it is not so in practice is well known. (A distinguished civil servant from India once admonished the staff of IMF/World Bank by saying that they had to be international, to be of service and above all civil!) Quite apart from the persistence of national spirit in the international organisations, their working is also hampered at times by the compulsions of geopolitics which

continues to govern the foreign policy goals of major powers. Political and military power will inevitably be unequally distributed. But this inequality gets translated into other fields of international co-operation and tends to negate the benefits of such co-operation.

In this background, the establishment of truly global institutions will not be an easy task. Perhaps the route to them will lie through the operation of two quite distinct and contrary forces. The growing strength and spread of technology and free markets may well diminish the powers of the nation state, but this is by no means certain. As Meghnad Desai has stated, "The big debate about globalisation has been about the power of governments, the state if you like, to counter the effects of globalisation... All governments find that their capacity to shape their economies is limited in the late twentieth century. This is difficult for many to recognise and they refuse to admit the validity of the limits" (public lecture on 'What Should Be India's Priorities in a Globalising World?' published by ICRIER, New Delhi, January 1999). At the other end of the scale is the emergence of hegemonic behaviour on the part of a powerful country which may help evolution towards a unified global order. On an optimistic view, such a country may even act consciously with the objective of helping such an evolution.

The emergence of the single currency in Europe and the progress in the direction of greater integration for a united Europe represent 'global' as opposed to 'international' outlook. But will united Europe, when it comes into being (and there is many a slip between the cup and the lip) continue to display a similar outlook in its dealings with other nations?

The UNDP Report defines what I have called internationalism as a jurisdictional gap. It states, "While the policy issues are global in nature, policy-making is still primarily national in character." The report rightly states that this jurisdictional gap needs to be bridged. It is not primarily a matter of establishing new institutions, but rather of changing the mindset. The problem is similar to that encountered at the national level. A global rather than an international view is what is required for moving towards a genuine global order.

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# Metamorphoses of Agrarian Capitalism

Jairus Banaji

**Ecological and Agrarian Regions of South Asia circa 1930**, edited by Daniel Thorner; Oxford University Press, Karachi, 1996; pp 148.

Daniel Thorner's ecological and agrarian atlas is a remarkable work by any standards. The idea for the atlas was conceived towards the end of the war, when Thorner and Chen Han-seng met and discussed it in Delhi. Much of the work towards creating it was then done in Philadelphia in the late forties, when Chen wrote the monograph which forms the core of the atlas, and the project rounded off some 15 years later, in Paris, where Jacques Bertin of the Cartographic Laboratory (or 'Carto' as it is called) at the Ecole Pratique des Hautes Etudes, Section VI, visualised and co-ordinated the cartographic representations of Chen's argument. Thus the atlas consists essentially of Chen's detailed description of the natural conditions, agrarian relations, crop production and overall economic development, around the year 1930, of 21 regions; two illustrative maps for each region; and the districtwise statistical data on which the land use and crop diagrams are based. The atlas is a fascinating attempt to produce a comprehensive regional mapping of the agrarian state of the Indian subcontinent on the eve of the great financial crash of 1930. It would be hard to imagine a project on this scale and of this nature as a solo, or to imagine it being accomplished at one stroke, and in fact the atlas has a long and chequered history whose full story is best told in the whispered cadences of disappointment and frustration with the boorish intervention of bureaucrats (academic as well as governmental) who, among various disfigurements, proceeded to mutilate the maps by inserting the international boundaries valid in 1981 into maps that were clearly labelled "1930"! This invention of the partition before its time by the Survey of India need not distract us any further, except as a fleeting example of the collective paranoia which breeds in the garbage heap of nationalism. This is a story best recounted by the one person whose labour of love brought the atlas to the light of day, finally, in 1996, with its place of publication in...Karachi; but she is not quite ready to do so!

The 41 four-colour topographical and crop pattern maps are beautifully designed

(the mutilations having been reversed), and arranged in pairs for each region, the two sets being drawn to the same scale. They convey a great deal of information about geographical features, urban agglomerations, the extent of canal irrigation, and so on, and about the kind of cropping patterns that prevailed in the individual regions c 1930. The pie diagrams are designed to show the extent of double-cropping "by giving to the coloured sectors [corresponding to cultivated areas] an extension beyond the circumference of the circle proportional to the area involved". Daniel Thorner notes in his Preface, "The reader will note that we have not tried to provide either statistical data or maps for the various kinds of relationships among landholders, tenants, crop-sharers, and agricultural labourers. For the agrarian problem these relationships are, of course, absolutely central, but statistically they are well-nigh intractable." Thus the statistical tables, compiled by Nicholas Thorner, relate only to land utilisation and the distribution of crops, for each of 300-odd districts, with a classification of crops into 'foodgrains' and 'non-foodgrains' and not the usual, misleading, division into subsistence and cash crops.

The monograph is a central feature of the atlas. Chen's picture is one of staggering agrarian inequalities, widespread indebtedness, the general prevalence of 'uneconomic' holdings, huge fragmentation of operated areas, pockets of agrarian bondage and a steadily advancing tide of landlessness. Of course, these features are presented to the reader in their local, ecological context, and the monograph abstains from any summary other than the descriptions contained for the individual regions. At another level, the legacies of colonial agriculture also left considerable ecological damage. The displacement of food crops by higher-value 'cash' crops, or of inferior foodgrains by those fetching a better price is noted repeatedly. The one theme that emerges consistently through all the regional descriptions is the overpowering influence of that great abstraction, the 'market'. The fate of the Indian

countryside was largely, and of course increasingly, market-driven: the physical landscape, the extent and forms of stratification, the distribution of indebtedness, the pattern of tenancy, the investment in, and upkeep of, wells, were all influenced by the secular expansion of markets and the impervious sway of 'market relations'. Chen is also sensitive to social differences within the mass of the rural population, though he pays more attention, in the end, to the 'landlords' than to the more substantial peasantry. One reason might be the idiosyncratic nature of the evidence presented to the Royal Commission on Agriculture (1926-28), which compiled vivid descriptions of large landowners but interviewed almost no representative of the wealthier class of cultivators or substantial ryots. But the balance of emphasis was also consistent with political trends in the period. A powerful tradition of hostility to the large (or rather 'very large') landowners portrayed them as a major drag on the productivity of the Indian countryside, and Chen seemed to go along with this.

## RICHNESS AND VARIETY

The strength and attractiveness of Chen's monograph is the attempt to construct a sense of regional multiplicity, of the great richness and variety that must have seemed strikingly obvious to an outside observer of the 'Indian' countryside. Excluding Kashmir and Sri Lanka, the rest of the subcontinent was mapped into 21 regions (five in Pakistan, 16 in India). Chen's mapping of regions was clearly uninfluenced by the contemporary evolution of state boundaries, and his disaggregations seem more complex for that reason. Thorner returned to this issue on at least two occasions in the late fifties and suggested a break-up that seems both simpler than Chen's and more in line with the emergence of the states themselves.<sup>1</sup> In the north, UP was treated as two regions, a constant feature of all regional break-ups. Chen also treated North Bihar as a separate region, and lumped Chhota Nagpur with West Bengal into an adjoining one. Thorner was uncertain about this,

and wondered initially whether "North Bihar and lowland West Bengal might not be studied as one region".<sup>2</sup> Chen put all of Orissa into a big southeastern region with its heartland in South-east Madhya Pradesh (Chhatisgarh and Nagpur); they were chiefly rice-producing, with "comparatively little area of ryotwari villages" Thorner seemed to agree with this at first and thought South Bihar might be included here; by 1959 he had changed his mind and decided it was best to treat Chhatisgarh, North Bihar, South Bihar, Orissa, and West Bengal as distinct regions. The real problems began with peninsular India, excluding the coastal belts. As Thorner noted, "there is lack of agreement about where to assign the following four areas: (1) the Khandesh-Berar-Nagpur-Wardha tract; (2) Telengana and parts of Rayalaseema; (3) the Salem-Coimbatore districts of Madras; and (4) parts of Karnatak".<sup>3</sup> The first of these areas was split three-ways by Chen, Khandesh lumped together with Gujarat, Nagpur assigned to 'Central Provinces (East)' (or south-east Madhya Pradesh), and Berar incorporated into the 'Maratha Region'. "Gujarat and Khandesh together form a great alluvial plain, with a more or less uniform soil...", he argued. A rather general geographical characteristic was again the only basis for including the last area ('parts of Karnatak') in the so-called 'Maratha' region: "Karnatak...is really the southern prolongation of Bombay-Deccan". Thorner pointed out, "Dr Chen seems to be alone in explicitly including in the same region [Bombay Deccan], all three Bombay Karnatak districts of Belgaum, Bijapur and Dharwar".<sup>4</sup> On the other hand, the Nagpur-Berar cotton zone of Central India was broken up, largely on the grounds that people consumed rice in Nagpur. Areas (2) and (3) (Telengana, Rayalaseema, and Central Madras) were merged with each other and with the old Mysore state to form one of Chen's most complex regions, called the 'Southern Deccan'. They formed a "dry, high, millet-producing region...dominated by the ryotwari tenure system". Thorner would later say, "When Dr Chen was carrying out his study, I recall his telling me that these were the questions which perplexed him the most".<sup>5</sup> He preferred a simpler demarcation, allowing Madras to retain her interior districts, separating Inland Andhra from Coastal Andhra, and taking the "whole of the new Mysore state as a region"; four regions instead of three, and largely coterminous with the new state boundaries.<sup>6</sup> For Chen the coastal areas were much easier to handle: Coastal

Andhra and the 'Tamil Region' on the east coast, Malabar (as far north as North Kanara) and the Konkan on the west, all came away as independent regions.

Chen demarcated his regions in terms of topography, water supply, crop system, land system, and general economic development. It is worth pausing for a moment to ask what kind of realities these variables express. Pure matter, Sartre argued, "does not appear anywhere in human experience"; if materiality is everywhere, it is also "indissolubly linked to the meanings engraved in it by praxis".<sup>7</sup> As Alice Thorner explains in her foreword "Chen and Daniel were concerned to bring out the constraints on human enterprise imposed by physical factors such as topography or rainfall and, conversely, the ways in which human enterprise affected physical conditions, e.g. depletion or enrichment of soils, raising or lowering of subterranean water tables". 'Constraint' is not causality, and the examples just cited suggest that the meaning of Chen's narratives is more reliably grasped in the language developed by Sartre to describe what he called the "passive syntheses of worked matter", the "domination of man by worked matter", than in the atomising discourses of positivism; for example, the counter-finalities of crop patterns that exhausted the soil and destroyed food security, of projects for the development of agricultural resources which left widespread ecological damage,<sup>8</sup> of tenancy laws that bolstered the more powerful agrarian groups outside the landlord class.<sup>9</sup>

#### THE REGIONS

As a prelude to the discussion that follows, it may help the reader to have a rough sense of Chen's description of specific regions.

*Sind*: a broad, dry alluvial plain stretching from the edge of the Baluchistan Plateau; by 1927 some 7,925 miles of canals were under the Sind administration. With the completion of the Sukkur Barrage, located three miles below the gorge of the Indus, the irrigation system was converted, in 1932, from an inundation to a perennial basis. The less valuable crops of millet are being substituted by wheat and oilseeds, and short staple varieties of cotton by the long staple cotton. Sind's low subsoil water provides excellent drainage. Rice, wheat, millet and cotton form the principal kharifs; ever since 1908 cotton has been substituted for rice; Sind now exports great quantities of both cereals and cotton. There is a large number of big landholders in Sind; in Larkana, for instance, one Khan Bhutto holds over 10,000 acres; all of this

land is leased to tenants-at-will who pay a share rent; tenants-at-will appear to be even more numerous than in West Punjab; more than 72 per cent of Sind's cultivated land is held by big holders who lease the land directly to tenants-at-will on the share rent basis. Tenants in Sind are known as 'haris'; "The hari in Sind corresponds with the 'bargadar' in East Bengal. When he is financed by the landlord, he is directed by him as to the types of crop to be grown". Ref to "loans extended by the landlord to the hari". (On rural money-lenders in Sind cf Cheesman (1982); for sharecropping on large estates, see Majid (1998) showing that Sind landlords integrate tenant labour with 'self-cultivation'.) *Coastal Andhra*: Known as the Northern Circars Region of Madras presidency, this sector accounts for more than half the presidency's total canal-irrigated acreage of 3.8 million acres. Rice is the leading crop but much less dominant here than in Bengal; tobacco is extensively cultivated in Guntur (see Duvvury, 'Commercial Capital', and 'Tobacco Trading'). While the northern parts of Coastal Andhra are dominated by the zamindari system of land tenure, the delta areas of Godavari and Kistna are dominated by the ryotwari; as concentration has gone much further in the delta areas, the percentage of landless tenants and hired labourers is accordingly much higher. In the village of Alamuru in East Godavari, fixed rent in kind ('kuthagai') is collected from the wet crop land; cash rent is collected on dry land where cotton, spice, sugarcane, and plantain are raised; on the Godavari deltas in general, half of the cultivated area yields a cash rent; one-fourth of the cultivated land is under the share rent system ('varam'), the remaining one-fourth bears a fixed rent in kind. In the delta areas an economic holding for cultivation cannot be less than three acres; a large majority of peasants do not have economic acreage to support themselves, e.g. in the village of Alamuru 72 per cent of the 'pattadars' have landholdings of less than three acres, and 90 per cent of the 500 families of tenants cultivate less than two acres each; usury flourishes in the entire region. (Cf Reddy (1996) for a district study, and Upadhyay (1988), Rao (1985), on the commercially-oriented rich peasantry of the southern coastal districts.)

*Southern Deccan*: Telengana, the Ceded Districts of Madras, the whole of Mysore, and Central Madras, a dry, high region in the rain-shadow of the Western Ghats, dominated by millets. In the Ceded Districts, cotton and groundnut have been responsible for deflecting large tracts of

land from the cultivation of food crops; this process started as early as 1905; in Salem, Bellary, and Anantapur, considerable lands under groundnut are being cultivated by 'the untouchables'. Tempted by the high prices of cash or commercial crops, the better-off landowners in the dry region buy more land and convert it into garden land by sinking wells; concentration of landownership is thus accelerated; sixty per cent or more of the owner-cultivators in dry areas are indebted. The southern Deccan on the whole is a ryotwari area; in Telengana, the transfer of land is especially fast in Warangal; most of the wet lands have been taken over by the 'deshmukhs' (bosses of the village) who use 'bhagelas' (serfs) to cultivate their lands; in one case, out of 912 acres of transfer of wet lands 848 acres went to the deshmukhs; in Warangal, of 489 tenants investigated in 1930, as many as 403 (82 per cent) were simply tenants-at-will. 'On the wet lands, however, there is more serfdom than tenancy'. (This is something we can come back to, since it illustrates the need to move away from abstractions to a more precise or rigorous description of the relations at work.) The Nizam of Hyderabad used to have a private estate called serf-i-khas which was estimated at 5 million acres. According to a government investigation in 1943, the total ryotwari area that changed hands from 1931 to 1943 in Madras was roughly 10.3 million acres; of this total, about 20 per cent went to non-cultivators. (Thus the bulk of the transfers were within the peasantry, to the richer groups. Cf the homologous process in Bengal described by Mukherji (1986). The primary cause of this concentration of landownership has been the foreclosure on debts; at least 28 per cent of the ryots and tenants in the typical villages of Bellary and Anantapur have become partially hired labourers; this is why the proportion of agricultural labourers in Madras has increased from less than 35 per cent before 1920 to 43 per cent since then. (The best historical work on the Madras dry region is by David Washbrook, esp. Washbrook (1973) and (1994)).

*Gujarat and Khandesh:* A great alluvial plain, "one of the best agricultural regions of India"; Gujarat itself divided into four distinct areas. In north Gujarat the water level in the wells is sinking, the heavy water tax and low agricultural prices have contributed to a decrease of irrigation farming; cotton, oilseeds, and in some places tobacco are the important non-food crops; well irrigation is responsible for the considerable area of tobacco cultivation

in parts of central Gujarat; also, owing to irrigation difficulties, paddy was displaced by cotton in Kaira after the great famines of 1899 and 1901. The Khandesh cotton peasant as a rule is fairly well off, but he, too, has to rely on the moneylender for loans to start cultivation. "In Khandesh and northern parts of Gujarat the acreage for groundnut reached 3,16,000 acres in 1926-27, whereas it had been only 4,500 acres in 1912-13". The main tobacco area is Kaira; the effect of commercial crops in Gujarat and Khandesh has been tremendous: "There is no doubt that the gradual decline in the cultivation of food crops and substitution of them by other crops generally for commerce and export is one of the chief causes of peasant indebtedness." Ref to the 'well-to-do cotton-growing peasants' of north Gujarat: "Generally the cotton growers here keep a running account with the village moneylender (sowcar) and sell their produce either to or through him." Seventy-five per cent of the total cultivated area of Bombay-Gujarat is held under the ryotwari system; in Ahmedabad and some other districts of Gujarat 'talukdari' tenure prevails; a survival of the joint village community paying a fixed sum of revenue as a whole is called 'narvadari' tenure; "The revenue of a narva village is assessed in a lump sum and collected by the village headman, known as moksha Patel. Each narvadar pays in proportion to his share of the total village land. All narvaders, however, are jointly and severally liable for failure to pay the total revenue or a part of it." B R Naik contended that the land revenue was 40 to 50 per cent of the net return from the field: "Had it not been for the sowcars, government would not have collected the revenue all these years"; holders of large areas of land easily shift their revenue burden to their tenants. Ref to "decline of the middle peasantry"; in Saurashtra 45 per cent of the village families are agricultural labourers; in most districts the majority, and even 'overwhelming majority' of rural families have holdings insufficient for subsistence. In west Khandesh, in 1917-22, there was a very marked increase in the number of holdings below 15 acres; moreover, "there was a decrease of the better-off owner-cultivators (middle peasantry)". Ref to the "great reservoir of agricultural labourers" throughout this region; by 1931 they had increased to 54 per cent of the total rural population; undoubtedly, Gujarat leads all other regions in the high percentage of agricultural labourers; a considerable number come from Kathiawar for cotton picking. "A significant number of the farm hands

are called halis"; of them Chen says they are "not free wage-earning workers but virtually serfs". (Thorner himself allowed for a category which he called 'unfree hired labourers', and it is surely more accurate to see the halis as a labour force of that kind. See Breman, *Patronage and Exploitation* for a study of these workers.) Description of Walchand Hirachand's estate near Malegaon. Chen clearly sees Walchand as a 'capitalistic cultivator', but argues that the number of such cultivators barely grew in the thirties and the acreage cultivated with the help of hired labour even declined: "agriculture in this region is not developing along capitalistic lines". (Cf Rutten (1986), for a description of entrepreneurial farming among the 'middle-large farmers' of Kheda district, where tobacco is the main commercial crop; and Bates (1981) for their antecedents.)

#### INDEBTEDNESS, LAND TRANSFERS AND TENANCY

Even these brief descriptions show that decades of agrarian development had left large sections of the rural population beleaguered by indebtedness, land transfers, and the widespread prevalence of tenancy. The commercialisation of grain trading in the earlier decades of the twentieth century "had far-reaching implications for the employment of labour", leading to a "general disemployment of permanent and tied farm servants and a casualisation of wage labour" and the rapid proliferation of small farms.<sup>10</sup> At any rate, inequalities worsened, the small farm sector was being pulverised, and the land-poor were swelling alarmingly. The Depression supervened on countryside where the engrossment of land had already left the majority of households deprived of sufficient acreage for subsistence. Chen's repeated observation of the generally high percentage of 'uneconomic' holdings was drawn from evidence compiled by the Royal Commission on Agriculture before the crisis of 1930. Depression and famine were powerful agents of land concentration,<sup>11</sup> and by the forties the situation would have been considerably worse. However, beyond these general patterns, the regional map is one of diverse configurations and distinctive social trajectories: at one extreme, Sind encapsulated the virtual obliteration of a free peasantry through the long-standing domination of the large estate owners and their fierce control over the haris;<sup>12</sup> at the other, on the east coast, the Kistna and Godavari deltas saw the rise of a numerous class of wealthy cultivators controlling large pools of migrant labour in 'an unbroken sea of



irrigated rice-fields'.<sup>13</sup> These were very different agrarian societies, even if the forces at work in each of them (canals and commercial expansion) were broadly the same. Other regions were less clear-cut, mixed in their composition and trends, though generally reflective of a pattern of deepening impoverishment and growing polarisation. Thus Western India was characterised by a greater predominance of the 'middle peasantry', with markets still dominated, to one degree or another, by professional moneylenders. In the dry region of Madras presidency, a minuscule but powerful 'magnate' element in the peasantry exerted overwhelming control over the mass of poorer ryots, who were described to the Commission as a 'struggling proletariat'.<sup>14</sup> Finally, there were strong ecological influences on the pattern of rent and on levels of landlessness, especially in the south.

Chen was uncertain about the general characterisation of these trends. He viewed agrarian capitalism as the growth of large-scale farming based on hired labour ('Gutswirtschaft'). The private farms carved out of 'sir' land by the relatively more enterprising zamindars in UP were a 'rudimentary' form of 'capitalistic agriculture'. They were described by Chen as 'Junker type farms' and said to number "at least 401 in the entire province". However, "The enterprising zamindar-managed farms have not made much headway"; "the general tendency is to lease land to cultivators instead of cultivating it themselves".<sup>15</sup> The implication here is that the decision to opt for tenancy as opposed to wage-labour was not based on rational considerations but (presumably, and by convention) a reflection of deep-rooted *mentalites*. In Gujarat, too, agriculture was "not developing along capitalistic lines" because the acreage cultivated with the help of 'hired labour' had ostensibly declined.<sup>16</sup> These judgements need to be assessed with some care.

To begin with, an overly rigid dichotomy between tenancy and wage-labour does not easily chime in with the considerable fluidity with which tenants became labourers and vice versa. There is clearly something suspect in the ensuing image of their moving into and out of wholly distinct, structurally opposed, 'relations of production'. (Tenants frequently worked as labourers and labourers as tenants.) Secondly, tenancy and wage-labour were not watertight categories. Chen's own monograph shows this in his treatment of the poorer class of tenants. The Punjabi 'muzara', the Sind haris, the 'adhiars' and 'krishans' of Bengal, and the

'verumpattamdars' of the Madras presidency were simply labourers recruited under forms of tenancy which gave their landlord-employers' full control over hire and fire. The majority of these groups worked as sharecroppers, and Chen would have agreed with the view propounded later, on the basis of Spanish and Latin American evidence, that "sharecroppers are often more akin to piece-workers than to serfs".<sup>17</sup> For example, he points out, "the one-third share of the crop kept by the krishan really represents his low wage, and a krishan, though nominally a tenant, is in reality a contracted labourer";<sup>18</sup> about the form of varam under which the tenant provided only his labour and kept some 16.5 per cent of the produce for himself, he states, "In reality he is a contracted labourer for cultivation".<sup>19</sup> The argument here is not that the use of these forms of tenant labour constitutes capitalism, but that their presence (and 'tenancy' more generally, that is, tenancy as such) does not rule out capitalism in agriculture, and should not be construed as doing so. To return to the UP zamindars, judgments about the rationality or lack of rationality of the Indian landlord class would surely be more reliably framed if they took account of the fact that "landowners compare the effects of hired-labour and the effects of tenant-labour on labour costs",<sup>20</sup> and that in this sense at least the use of tenant labour, that is, "leasing land to cultivators", could have a rational basis.

#### AGRARIAN CAPITALISM

These are preliminaries. The more general, and substantial, point is that agrarian capitalism is conceived too narrowly in the literature on India, on models which are simply unrealistic when applied to the social and ecological circumstances of this part of the world. The later 19th c was a complex watershed beyond which lay legacies that are still alive today. The spread of new cash crops, the consolidation of dominant agricultural castes, the restructuring of rural credit markets, and the cycles of dispossession through which the stronger and more expansive groups increased their control at the expense of a less substantial peasantry were major developments common to most parts of the country and would clearly have hung together in some way. There are at least three broad forms in which we can see capitalism at work in the Indian countryside, and we can call these commercial capitalism, large-scale agrarian capitalism, and peasant capitalism, respectively. If we define these as forms of capitalist economy, it is clear that the relationships

between them were exceedingly complex, that is, both ecologically variable and mutable over time. Large-scale agrarian capitalism or Gutswirtschaft failed to establish itself in the core regions of the countryside, a fact which was abundantly clear to the Royal Commission already in the 1920s. It is the sense of this failure which hangs over the monograph even 20 years later. In contrast, however, commercial capitalism was widespread, as it still is, while peasant capitalism emerged with a strong base in the gradual consolidation and expansion of substantial peasant elites throughout the country.

The commercial capitalism of the late 19th c integrated trade, moneylending and the global business of the large export houses in complex and ramified networks that fanned out to cover whole regions. These links have scarcely been reconstructed in detail for any of the main commodity markets. For example, an official appointed to investigate the operation of the Deccan Agriculturists' Relief Act noted in passing, in 1883, that "The larger Sowkar must also have suffered through the losses of the smaller owing to the latter's inability to repay loans; and it is possible that in some cases they may have found it hard to meet their engagements with the great trading houses in Bombay".<sup>21</sup> The circulation of capital intermeshed with a hierarchy of trading levels, cascading down these levels to the myriad advances through which merchants, planters, and moneylenders sought control over household production.<sup>22</sup> If rural employers used debt as a means of tying workers down,<sup>23</sup> as they have done everywhere and throughout history, and rich peasants used debt as a means of dispossession and land engrossment,<sup>24</sup> commercial capitalists were chiefly interested in establishing control over commodities, and the drive to control the labour and resources of the household was in general incidental to that aim. The limiting case of such control was the 'vertical integration' of the more aggressive mercantile businesses into land control and agrarian production, so that commercial capitalism came to share a boundary with 'large-scale agrarian capitalism', and the failure of the latter to stabilise in the core regions can partly be seen against this background.<sup>25</sup>

But failure is not the same as non-existence, and Chen's monograph is full of vivid descriptions of wealthy agrarian capitalists. He drew those descriptions from the volumes of evidence compiled by the Royal Commission. The Commission solicited the views of landowners (and officials, engineers, etc) on a wide range of



subjects geared to improving agriculture. The chief interest of their testimony lays in its possible reference to their own farming operations, and these vignettes seem as attractive today as they obviously did to Chen. To begin with, we should note that the landed elites of the zamindari areas were not totally impervious to "[taking] a personal interest in the business of farming". The commissioner of the Patna division told the commission, "most of the big zamindars have large areas under private cultivation", referring to the *zarat*.<sup>26</sup> In Awadh, where, "owing to the nature of the land tenure, it was easier – to arrange for compact areas", the number of model farms more than doubled to 964 by the late twenties.<sup>27</sup> "The zamindars are waking up", said a leading landowner of Gorakhpur, whose own home farm comprised about 600 acres cultivated mostly by labourers paid in cash.<sup>28</sup> The *Atlas* contains other examples of such big agrarian capitalists. The bania landlords of the Central Provinces are a striking case: Messrs Chandrabhan Bihari Lal were a private firm of large-scale agriculturists and grain-merchants in Jabalpur, with a total estate of 60,000 acres and 5,000 under direct cultivation through hired labour paid mostly in kind at a standard wage valued at Rs 7-8-0 per month. Wheat was the main crop, and the workforce comprised "about 400 men on the permanent list". "We have tried to make our farms as compact as possible in our villages", said a member of the family to the commission.<sup>29</sup> In the late 19th century, Marwari banias invested heavily in the wheat tracts, and some, like the Raja Gokuldas of Jabalpur, even "moved into industrial undertakings at the end of the century".<sup>30</sup> In Sind, "Hindu traders were keen to start up their own farms; much of the profit they made from trade was invested in land, particularly in the cotton-growing areas of eastern Sind".<sup>31</sup> In Bombay presidency, Walchand Hirachand told the Commission he "took to agriculture as a business". He was the owner of a 'big estate' seven or eight miles from Malegaon in Nasik district, 1,800 acres, 700 of this under irrigation, "almost mechanised", as he described it, growing cotton, sugarcane, chillies, tobacco and bananas, with further plans for a "very big fruit plantation" of 100 acres. All this was based on 'permanently paid labourers' and seasonal labour. There was no obvious indebtedness in this workforce and loans, when they were given, were free of interest.<sup>32</sup>

So large-scale agrarian capitalism had certainly emerged but it failed to take off, to establish itself as the dominant form of

agricultural production, except in regions such as Kuttanad in Kerala, where special circumstances favoured its growth.<sup>33</sup> The zamindari capitalism of the north, perpetually hesitant, was finally doomed by nationalism and the partition. The integration of landholding with the grain-dealing and moneylending businesses in the Central Provinces failed to transmute itself into a more widespread form of large-scale, mechanised wheat farming. However, these abortions emphasise not the weakness of the capitalist spirit in India but its meticulous application. The Commission preferred to explain the stagnation of large-scale agriculture by the 'conservative mentality' of the zamindars.<sup>34</sup> By contrast, the zamindars explained to the Commission that 'large farms' were a prerequisite for 'men of capital and enterprise', and that for agriculture to be a paying proposition what mattered was not the rate of profit but its absolute mass.<sup>35</sup> It is also worth drawing attention to Chitta Panda's argument that, in the more extreme circumstances characteristic of Bengal, 'zamindars lost all interest in improving their estates', and that their 'apathy towards improvement' was in fact a 'rational' response.<sup>36</sup>

#### 'PEASANT' CAPITALISM

What did develop, then, and almost with a vengeance, was a diffuse and relatively entrenched form of 'peasant' capitalism. The colonial sources are replete with references to the 'richer ryots', 'wealthy farmers', 'substantial cultivators', 'big agriculturists with substantial assets', 'large jotedars', 'well-to-do substantial yeomen', 'big influential ryots', etc. In the historiography of colonial India, no region has seen a sharper focus on the 'rich peasant' element than Bengal, largely because Rajat and Ratnalekha Ray were willing to disregard the orthodoxies of nationalist historiography and underline the divided or stratified nature of Bengal village society towards the close of the 18th century. The impact of colonialism cannot be visualised as the creation of a 'uniformly downtrodden peasantry',<sup>37</sup> nor can it be seen as a movement from no differentiation to considerable differentiation. These images downplay the considerable 'stratification' with which most villages entered the period of strong commercial expansion in the 19th century.<sup>38</sup> The Mughal revenue system had presupposed the existence of 'dominant peasants',<sup>39</sup> and that legacy survived till well into the 18th century. The *narvadar*s of the Charotar or the powerful village heads who dominated the Bengal villages be-

neath the shadow of the huge zamindaris inherited from the administration of Murshid Quli Khan are almost perfect exemplars of these pre-colonial rural oligarchies.<sup>40</sup> On the other hand, the 'capitalist' differentiation of the peasantry which gathered momentum from the 1880s was not a mere replication of those hierarchies. Ratnalekha Ray argued that, by the 1930s, "the scene had still not changed substantially" in the North Bengal districts where the big jotedars had been a powerful element in the early 19th c. "Such change as occurred...lay in the direction of further extension of the influence of the jotedars and greater ramification of their political and economic control over the villages".<sup>41</sup> "In economic terms, the class of large farmers found by Buchanan-Hamilton in Dinajpur in 1808 was the same as the jotedar class observed in the district in the 1930s by the next surveyor, F O Bell."<sup>42</sup> Yet Ray also refers to the Dinajpur jotedars of the depression years as 'capitalist jotedars',<sup>43</sup> so all this tends to convey the impression that they had always been capitalists of some kind. Panda has argued that in Midnapore "the emergence of a group of powerful peasants reduced the zamindars as a class to a level of insignificance".<sup>44</sup> This can always be read as a bold re-assertion of the jotedar thesis but 'emergence' suggests that the earlier hierarchies were now increasingly grounded in, and affected by, new economic and legal realities. Nakazato emphasises the growth of a land market in creating a 'new' process of stratification after the 1880s.<sup>45</sup> Hardiman has argued recently that the willingness of some peasants to expropriate others implied a distinctively new set of peasant attitudes, a "powerful change in peasant consciousness".<sup>46</sup> These are interesting pointers to a 'reshaping of agrarian society' from the bottom upwards. In large parts of the country these were decades characterised by the steadfast upward mobility of a range of middling agricultural castes.<sup>47</sup> Most accounts highlight the expansion of new cash crops, the extension of irrigation, or the growth of a 'peasant land market'. More fundamentally, however, the growth of agrarian capitalism at the village level was at least partly a response to the pervasive threat of other kinds of capitalism and their considerable hold over large sections of the peasantry. In their own subjection to the market, the more substantial cultivators would be forced to accumulate to retain their landholdings or progressively lose their independence to larger landholders and commercial capitalists. These struggles were underpinned by major

advantages (or disabilities) of caste, and waged by means of legal protection for occupancy rights and expanding peasant control over rural debt markets. In Punjab 'agriculturists' ousted 'non-agriculturists' from control of the debt market.<sup>48</sup> In the east, the Bengal Tenancy Act of 1885 precipitated a large-scale movement of land transfers in the last two decades of the 19th century.<sup>49</sup> In UP the largely successful pressure for commutation of rents eroded the position of both landlords and the mass of labourers. Agrarian legislation abandoned the 'tenants-at-will' to their fate, and government showed little interest in the fortunes of the vast and steadily expanding pool of rural wage-labourers.

The rural labour market is certainly the least understood sector of the colonial economy, because of our manifest lack of a totalising conception of its structure and operations. The self-diremptions of the understanding are legion in this field. 'Wage labour' is counterposed to 'bondage', 'hired labour' to 'tenancy', 'feudal' attached labour to 'free' casual labour, and so on. The upshot of all this is that wage-labour emerges as a veritable Garden of Eden, and markets are shorn of the coercion and sheer exertions of power which are integral to the way they function in reality.<sup>50</sup> Substantial cultivators in particular made widespread and extensive use of farm servants or permanent labourers who were subjected to various degrees of bondage. The summaries reproduced earlier show that Chen regarded such workers, the *halis* of Gujarat or the *bhagelas* of Warangal district, for example, as 'serfs', 'de facto serfs', or 'virtually serfs'. These descriptions are purely conventional and have little value from a scientific point of view. 'Unfree hired labourers' would be a much better description for them.<sup>51</sup> About the *halis*, Shukla wrote, "The only thing, and a very valuable thing indeed, is his own labour, and this he pledges, as it were, for the money borrowed...".<sup>52</sup> Farm servants like *halis* and *bhagelas* were paid wages, generally in kind, and Chen's sources refer to the landowners who employed them as 'employers', 'employing landowners', as well as 'masters'.<sup>53</sup> Farm servants were a category of hired labour.<sup>54</sup> That the deployment of these forms of hired labour was characterised by considerable coercion, including debt bondage, especially in the colonial period, is incidental to the essential nature of the relationship as a domination of wage-labour. The dispossession of tribal 'castes' such as the *halpatis*,<sup>55</sup> and the role of caste in institutionalising the landlessness of the

'agricultural labourer castes' were part of the way agrarian employers managed, and retained control over, the labour market.

Farm servants, field labourers, and the mass of sharecroppers and tenants-at-will formed a vast pool of hired labour which was crucial to the agrarian expansion of the 19th century. There was also considerable flexibility in the way these categories of labour were actually structured and deployed. For example, labour tenancy was fairly widespread, though it is scarcely ever mentioned in the academic literature on India. Under this system, labourers were given a small plot of land to cultivate for a nominal rent or rent-free. Daniel Thorner called these 'tie-in land allotments' and stated, "Land allotments of this type...are very widely reported for attached workers".<sup>56</sup> In 'Types of Employer-Labourer Relationships in Agriculture', published a year later (in 1957), he and Alice Thorner noted several instances of this type of arrangement, for example, the system of *chanamalu* found in districts like Guntur.<sup>57</sup> N G Ranga provides an interesting description of 'chanamalu' in the mid-twenties. "The ryot leases out a certain amount of land to his servant on certain conditions which are more favourable to the latter than are usually allowed to an ordinary renter. In return for such a privilege, the servant agrees to send his wife and other people in his family to work for the customary wages for the same employer, whenever their services are demanded, even if he can get better wages from other ryots."<sup>58</sup> Ranga's account was later reproduced verbatim by Sayana, who added, "When a cultivating big landlord leases out his land in the village, he may have reason to choose very poor ryots or farm labourers as his tenants in order to command constant and assured supply of labour...In other words, the system of tenancy sometimes works out into a method of mustering labour to work on land".<sup>59</sup> Ranga's description makes it clear that the 'cultivating big landlords' referred to by Sayana were in fact the more substantial cultivators ('ryots'). A recent study by Lucia da Corta shows that labour tenancy is still used in Andhra Pradesh today, and has even expanded since the seventies. Referring to it as 'tied labour through lease', she writes, "capitalists use such arrangements not merely to secure labour at peak periods but also in order to reduce labour costs of men and their families".<sup>60</sup>

#### TENANCY AND WAGE LABOUR

Now just as much of what passed for tenancy was simply a form of wage labour,

so a lot of rural wage-labour was characterised by debt bondage and embedded in the wider institutions of caste and tribal oppression. One of the most striking examples of this is the case of the 'agricultural labour caste' attached labourers of Kuttanad employed by the large nair and syrian Christian tenant cultivators who invested in the reclamation of paddy fields from the later part of the 1880s. These reclamations were handled by organised groups of 'enterprising farmers' and financed by state funds and commercial banks,<sup>61</sup> while the workers were drawn from the landless *pulayan* and *paraiyan* castes. Thus here is an example of a manifestly oppressive system of 'attached labour', rooted in both caste and debt bondage, being deployed by a class of agrarian capitalists. Alex George produced a vivid description of this period of increasing capitalist investment in the pages of this journal, but referred repeatedly to the labour system as a 'feudal' one.<sup>62</sup> This 'feudal' system is said to have prevailed 'even when' capitalist investment was made in paddy cultivation, or 'even during' the stage of increasing capitalist investment<sup>63</sup>—anomalous characterisations since no claims are made about the 'co-existence' of different 'modes of production'. George himself notes that the labourers in question were employed on wages,<sup>64</sup> in other words, that their labour was covered by the wage form, and 'feudal' is simply a loose way of referring to the use of coercion in the control of a labour force that played a major role in the largely labour-intensive agrarian capitalism of the reclaimed tracts. In the Telugu districts the 'paraiyans' attached to the *raiya*s or cultivators appear to have been called *palalu*, 'hired labourers', and they too were subject to serf-like conditions, since employers sought to reclaim labourers who fled.<sup>65</sup> In a memorandum on rural labour submitted to the Royal Commission, Radhakamal Mukherjee described the *padiyals* of the Madras east coast as 'a sort of serf', yet noted that their wages were generally paid in kind.<sup>66</sup> Dharma Kumar describes the *padiyals* as "hired farm servants receiving wages in kind", and notes that they were frequently 'hired for very long periods'.<sup>67</sup> The Bihar *kamiyas* were likewise wage labourers, though conventionally described as bonded labourers or 'bond servants of their masters', since their wages were likewise 'converted' into 'loans'. As one official noted, piercing the web of appearances that surrounded these ways of controlling hired labour, "The fiction is usually kept up that the labourer is in

his master's debt". B B Chaudhuri points out that peasants of superior castes were major employers of such labour, and cites the following observation: "Possessors of a larger kind of farm, with area from 15 to 30 highas, and even less, know the importance of preserving this class [the kamiyas] alive." These 'middle class farmers' were said to "devote all their influence and much of their substance to keep the really poor in the district",<sup>68</sup> that is, prevent them from migrating.

The substantial peasant elites who emerged in large parts of the country must have accounted for a considerable part of the demand for permanent farm servants and migrant workers. By 1879 the patidars were described as "the most thriving class of cultivators, many of them tilling their fields entirely by hired labour".<sup>69</sup> In Birbhum and Bankura hired labourers were usually employed by "well-to-do farmers holding from 30 to 80 highas".<sup>70</sup> By the twenties it was possible to claim, "In the villages the more substantial cultivators, such as the jotdars of Bengal, the patidars in Gujarat, the lingayats of Bombay and the superior peasant proprietors of the Punjab, now take a less active part in field operations than before and employ farm hands".<sup>71</sup> In Guntur, where FCV tobacco expanded rapidly in the depression years, "wage labour constituted the predominant form of labour input for farm size classes above one acre".<sup>72</sup> In Gujarat, too, there was a huge 'reservoir' of landless labourers by the 1930s, the Census classifying over half the rural population as agricultural labourers.<sup>73</sup> Thus Chen's statement that in Gujarat this was a period when agriculture was "not developing along capitalistic lines" seems at least mildly surprising.<sup>74</sup> But Chen sometimes replicates the descriptions of his immediate sources with a literalism that is liable to mislead, and that is certainly the case here. M B Desai proposed two arguments, first, that the number of farmers relying exclusively on hired labour was 'very small', and secondly, that the acreage cultivated "with the help of hired labour" had gone down (since the thirties).<sup>75</sup> Both arguments together were meant to show that "there is no tendency towards capitalistic farming in Gujarat". However, what Desai meant by 'very small' is shown by his reference to Ahmedabad: "In Ahmedabad instances of farmers depending entirely on hired labour for agricultural operations were not many... On a rough estimate it may be said that only about 10 per cent of the farmers depended entirely on hired labour".<sup>76</sup> Yet by the benchmark of other districts elsewhere in the country, 10 per

cent was on the high side. For example, Ramkrishna Mukherjee estimated the size of the jotedar/rich farmer class as 8 per cent of all rural families in Bengal.<sup>77</sup> In his own classification of the Deccan peasantry, Woodward estimated the 'higher class' of rayats to be "not more than 10 per cent of the cultivating class".<sup>78</sup> Responding to the general tenor of Woodward's report, at least one official described this group of 'prosperous agriculturists' as 'rayat capitalists' who were progressively dislodging the sowkars from the debt market.<sup>79</sup> In fact, it is hard to see how a class of cultivators relying exclusively on hired labour could be substantially in excess of some level such as ten per cent. Moreover, Desai himself noted that all the 'prominent classes of farmers' in the main Gujarat districts such as Broach, Kaira, and Surat, "employed hired labour in the fields".<sup>80</sup> As for the acreage covered by the application of different forms of labour ('domestic' and 'hired'), Desai never explained from where these figures were obtained or how they were calculated. No source is cited for the table produced on p 152 of his book. It is likely that the data for 1931 were drawn from the Census of that year, but Desai himself points out that the 1941 Census "does not supply figures of persons in various agricultural occupations".<sup>81</sup> The only reference to all this is a cryptic note which states that "The shares of domestic and hired labour have been ascertained by taking the number of workers from the family of the cultivator and outside and calculating the days for which they worked in the fields during the year".<sup>82</sup> It is not obvious what Desai meant by this but this method, clearly, would not have revealed the amounts of family/hired labour-time actually consumed or expended. Indeed, it is extremely doubtful if Census figures could provide even the vaguest indication of this, since the compilers of the Census did not examine the pattern of labour expenditure on the model adopted, for example, by the ICAR studies of the 1930s.<sup>83</sup>

The true extent and nature of differentiation might also be concealed by an uncritical "obsession with the average size of holdings".<sup>84</sup> This is best demonstrated by Chen's use of the UPZAC figures on the distribution of landholdings in UP. He notes, for example, that "1.5 per cent of the UP landlords hold 58 per cent of the agricultural land", without the concomitant clarification that much of this land was in fact in the possession of a privileged tenantry that imposed formidable limits on the power of the taluqdars.<sup>85</sup> He also remarks, "the committee has found

that 46,39,331 or 37.8 per cent of the cultivators have holdings of less than one acre...", without wondering whether such marginal holders could seriously be construed as agriculturists at all.<sup>86</sup> The UPZAC figures were the subject of trenchant criticism by both Neale and Stokes, who pointed out that a very large part of the rural proletariat of the United Provinces, who were merely allotment holders, were lumped together with the mass of agriculturists proper.<sup>87</sup> The effect of this, paradoxically, was to obscure the profound differences between the 'true agriculturists', such as the more substantial peasantry with which Charan Singh himself was connected, and the bulk of the rural poor, who, in UP at any rate, "crowded into the ranks of the lower tenantry"<sup>88</sup> rather than accumulating, more obtrusively, as a mass of landless agricultural labourers. Stokes suggested that the Committee "failed to obtain accurate figures of cultivating holdings" and grossly inflated the numbers of cultivators through double-counting, so underestimating the average holding.<sup>89</sup> More interestingly, the committee "stood at the end of a long tradition of UP Congress politics on the agrarian question. For its special purposes the committee chose to give prominence to the extremes of the landholding structure – at one end the large revenue-paying landlords and at the other the mass of petty agriculturists struggling for existence on minute holdings. It passed over in silence the intermediate peasant elite... the calculation of the average holding as an arithmetic mean was a wholly unreal process... For the average was completely thrown out by the mass of small holders occupying a relatively small portion of the land."<sup>90</sup> Since much of Chen's monograph does in fact deal with 'average' holding size and the extent of 'uneconomic holdings', these criticisms of UPZAC's evidence contain a more general relevance.

The references that follow the notes update the bibliography contained in the monograph, but selectively, with no reference, for example, to classics like Krishna Bharadwaj's *Production Conditions in Indian Agriculture* or to any of the feminist and directly ecological perspectives that have opened up since the eighties. For its part, the *Atlas* is bound to remain essential to any bibliographical list in the agricultural history of India and Pakistan.

## Notes

1 Thorner (1957:46-47) and (1962:39-47).

2 Thorner (1957:47).

3 Thorner (1957:47)

- 4 Thorner (1957:47f).
- 5 Thorner (1957:48).
- 6 Thorner (1962).
- 7 Jean-Paul Sartre, *Critique de la raison dialectique*, t 1 (Paris, 1960) 247.
- 8 Whitcombe (1971:ch 2).
- 9 Robb (1997) on the Bengal Tenancy Act of 1885.
- 10 Washbrook (1994:141ff).
- 11 Chen, *Atlas*, 85, col iii.
- 12 See Cheesman (1982:ch 2), Ahmed (1984)
- 13 Cf Washbrook (1973:188ff). For their successors, see Upadhyay (1988). The phrase 'unbroken sea, etc.' is cited from George Paddison's written memorandum to the Royal Commission on Agriculture, *RCAI*, iii, 316
- 14 Washbrook (1982:158-66), also 'Economic Development and Social Stratification in Rural Madras: The 'Dry Region' 1878-1929', in Dewey and Hopkins (1978:68ff) 'Struggling proletariat' from Anstead's memorandum, citing V N Visvanatha Rao, *RCAI* iii 59
- 15 Chen, *Atlas*, 72
- 16 Chen, *Atlas*, 120, based on M B Desai, *The Rural Economy of Gujarat*.
- 17 Martinez-Alier (1971:283).
- 18 Chen, *Atlas*, 85.
- 19 Chen, *Atlas*, 140.
- 20 Martinez-Alier (1971:254)
- 21 H Woodward to the Chief Secretary to the government of Bombay, June 25, 1883 in *Papers Relating to the Deccan Agriculturists' Relief Act during the years 1875-94*, (Calcutta, 1897), vol I, p 345; emphasis mine
- 22 For a brilliant case study see Fisher (1978), highlighting the tensions inherent in the system
- 23 E.g. *RCAI*, ii/1 314, Guha (1999 177ff), on the domination of the Bhils through 'debt bondage'.
- 24 Nakazato (1994) and (1996), Mukherji (1986).
- 25 Bayly (1983:400, 433), Bates (1988 260ff)
- 26 Heycock in *RCAI*, xiii 229.
- 27 Whitcombe (1980:169f).
- 28 Sardar Kirpal Singh in *RCAI*, vii 243
- 29 *RCAI*, vi 430-41, cf *Atlas*, 107, Harnetty (1987:205) and the general survey in Stokes (1978a:esp 258ff).
- 30 Bates (1988:esp 261f).
- 31 Cheesman (1982:449)
- 32 *RCAI*, ii.1. 518-37, cf Chen, *Atlas*, 119f
- 33 George (1987:esp A-145-46
- 34 *RCAI*, vii, 244, et passim
- 35 *RCAI*, vii 134
- 36 Panda (1996:39, 70).
- 37 See Robb (1997:285f) and the salutary arguments there and throughout the book
- 38 E.g. Ray (1979: esp 190) Kumar (1965:28f), Ludden (1985:183 et passim).
- 39 Richards (1993:192f), McLane (1993:54-56).
- 40 Bates (1981:776f), Ray (1975)
- 41 Ray (1979:206f), emphasis mine
- 42 Ray (1979:273-74).
- 43 Ray (1979:207). Cf Ghosh (1950:109ff, esp 118), referring to "larger holdings associated with a more capitalist organisation" as characteristic of Region I (which included Dinajpur).
- 44 Panda (1996:171).
- 45 Nakazato (1996).
- 46 Hardiman (1996:272-76).
- 47 Washbrook (1973) offers a vivid sketch of the commercial and political expansion of the main peasant castes in the Kistna and Godavari deltas; Bates (1981) looks at the fortunes of the Patidars in a period which saw complex self-defeating strategies within the community (Clark (1983) on the systematic recourse to female infanticide) as well as the rapid advance of a 'lesser' Patidar peasantry.
- 48 Bhattacharya (1985:315ff).
- 49 Nakazato (1996)
- 50 Sartre, again, is the exception, refusing to confuse the real freedom of the worker (which lies in consciousness) with the pratico-inert freedom of the wage-contract.
- 51 Thorner (1962:8).
- 52 Shukla (1937 116).
- 53 Iyengar (1931 esp 113, 132), who refers to the bhagelas as both 'serfs' and 'employees', and to the zamindars who employed them as both 'masters' and 'employers'
- 54 In the medieval countryside the corresponding type of labourer was not the serf but the 'famulus' or full-time labourer.
- 55 Breman (1985)
- 56 Thorner (1962:173ff, at 176f).
- 57 Thorner (1962 33-36).
- 58 Ranga (1926 122)
- 59 Sayana (1949 233-34), wrongly transcribing 'renter' in Ranga's passage as 'rentier' Cf Satyanarayana (1990:128-29)
- 60 da Corta (1999 91-94).
- 61 See Varghese (1970 119-20), describing the farmers behind the reclamations in the lowland areas of Travancore as "capitalistic entrepreneurs" and "capitalistic farmers of the region"
- 62 George (1987)
- 63 George (1987 esp A-145, 146)
- 64 George (1987 A-142), "the tenant cultivators of Kuttanad made the pulayas and parayas attached labourers at cheap rates of wages", and passim
- 65 Kumar (1965 46)
- 66 Mukherjee, *RCAI* vii 394-95.
- 67 Kumar (1965 41, 45).
- 68 Chaudhuri (1969 241f), who also notes that "The majority of agricultural labourers were not bonded labourers".
- 69 Kheda Gazetteer, cited Bates (1981 788)
- 70 Chaudhuri (1969:241).
- 71 Mukherjee, *RCAI* vii 396.
- 72 Duvvury (1986 51)
- 73 Chen, *Atlas*, 119. The 1951 Census claimed that the 1931 estimate was grossly inflated, but its own concepts were thoroughly confused and subjected to a devastating attack by Thorner (1962:131ff).
- 74 See note 16 above.
- 75 M B Desai, *Rural Economy of Gujarat*, 151ff, leading Patel (1952), to conclude that "capitalist farmers are much less than 5 per cent of total cultivators.."
- 76 Desai, *Rural Economy*, 153; emphasis mine
- 77 Mukherji (1986:PE-19).
- 78 Woodward (n 21 above), 336.
- 79 Justice West on the report of H. Woodward, in *Papers relating to the Deccan Agriculturists' Relief Act* (n. 21 above), 389.
- 80 Desai, *Rural Economy*, 153-54
- 81 Desai, *Rural Economy*, 21.
- 82 Desai, *Rural Economy*, 153, n. 1.
- 83 Eg. Guha (1985:131).
- 84 Stokes (1978:221).
- 85 Chen, *Atlas*, 71, col ii.
- 86 Chen, *Atlas*, 71, col iii
- 87 Neale (1962:esp 276), Stokes (1978: Ch 9, esp 221f).
- 88 Stokes (1978:221).
- 89 Stokes (1978:221).
- 90 Stokes (1978:222-23).

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# From Crisis to Redesign

## A Lexicon for the New Financial Architecture

Jayendra Nayak

*Several proposals made for re-architecting the international financial system are fraught with moral hazard and could thereby raise the probability of future crises occurring, although their immediate containment may be easier. This paper examines alternative ways in which financial crises are analytically represented, where explanations based on the fickleness of sentiment and of the panic that ensues compete with explanations based on the real economy antecedents and underpinnings of the crisis. Possible responses during a crisis are studied and measures for crisis prevention analysed. The implications of this for the new international financial architecture are discussed.*

THE frequency and intensity of financial crises in recent years is matched only by the plethora of competing explanations of their underlying causes. There is disagreement too on how economies and markets, once sucked into the vortex of such crises, should extricate themselves from the resulting turbulence. More recently, and provoked partly by policy statements from multilateral institutions and inter-governmental groups, there have been suggestions on how such crises could be better prevented, including through a radical redesign of the standards, rules and governance structures that influence international financial flows. Here too, the several proposals which have been made seek to tug governments in contrary directions. They cannot all be feasible and, where feasible, they cannot all be right.

This paper provides a rapid guided tour through this rough and sometimes inconsistent terrain. The 1990s have chronicled an extensive set of financial crises: ERM, Mexico, east Asia, Russia, Brazil and Long-Term Capital Management (the last a crisis quickly contained), as also some spectacular derivatives losses like Barings and UBS. Some crises have started with a run on banks, others in a steep fall in the domestic currency, and in several crises the two markets are inextricably linked. A useful starting perspective is to recognise that in all crises, explanations based on the fickleness of sentiment and the panic that ensues, compete with explanations based on the real economy antecedents and underpinnings of the crisis. If international financial markets were informationally efficient, they would react quickly but in moderation to fresh news about changes in fundamentals. Instead, as they sometimes react through episodic crashes, changes in investor sentiment must

necessarily be incorporated into the analysis.

The paper is divided into six parts. The first two sections examine alternative explanations of crises based on apparent investor irrationality and on escalating risk. The third section discusses possible responses during a crisis. The next two sections examine how crises may be prevented, first through measures taken at home, and then through the creation of what has come to be ambitiously termed the new international financial architecture. A final section offers concluding comments. The paper focuses on conceptual issues, including ways in which crises are analytically represented, rather than on their empirical characterisation.

### I

#### Are Investors Irrational?

Several explanations of crisis are anchored to the apparently inexplicable behaviour of investors and lenders, and of the panic that this behaviour can generate. Even where it is conceded that there are weaknesses in the fundamentals (the banking system may be fragile, the current account deficit may be high or firms may have leveraged dangerously by borrowing overseas) the suddenness with which crisis descends is inexplicable, triggered by a drastic shift in sentiment but without any perceptible change in fundamentals. In characterising this, the build up of sentiment is as important as its implosion. Economists have had a long-standing fascination with bubbles.

**Bubbles:** These are rapid increases in asset prices, unrelated to fundamentals, occurring as a continuous process with a rise at any point in time fuelling expectations of further price rises. Assets are mispriced when prices diverge from their fundamental values, but in the case of bubbles the divergence is more than a

random disturbance. Today's price is high because tomorrow's price is expected to be higher. When expectations are reversed, bubbles are followed by crashes. Here again, sudden price reversals on account of new information entering the market would not be regarded as a bubble imploding, but where sentiment changes without significant new information, it would. It has been customary to characterise several intense price booms as representing bubbles, from the Tulip Mania in Holland in 1636 to the South Sea and Mississippi bubbles in 1720.<sup>1</sup> More recent empirical work suggests however that investors responded rationally to market fundamentals in these cases, and these were therefore not bubbles.<sup>2</sup> This has spawned analytical work which has questioned whether bubbles are at all sustainable over long periods of time, and also whether bubbles can be *rational* in the sense that the mispricing is a function of fundamentals.<sup>3</sup> The jury is out on whether the run-up to the east Asian crisis represented a bubble. Arguably, confirmation by hindsight may be irrelevant, as it is the beliefs of investors at the time that are germane. In a sentiment-centred explanatory model, it suffices for investors to believe that a bubble has formed which is likely to implode. It leads to herding and contagion.

**Herding and contagion:** While herding refers to the similarity of behaviour by investors *within* a market, contagion refers to similarity *across* markets, and both have acquired a new found relevance after east Asia. They are widely regarded as evidence of irrational investor behaviour. Investors herd when they respond weakly to direct information signals from markets where they have invested, but instead mimic closely the behaviour of other investors in these markets. Herding could, however, represent rational investor behaviour under



certain situations, for instance where an investor without strong research capabilities in a market imitates the investing pattern of an investor with such capabilities. Even for investors who are strongly research-driven, their private information about markets may differ from price signals emanating from these markets. For instance, an investor may be more optimistic than the widening spreads on sovereign bonds issued by a government may warrant. Yet he would trade more profitably if he were to be guided by bond prices rather than by his optimism. Again, if investors react in a broadly similar manner in correlated markets (those which are at the same stage of growth and have similar risk characteristics) contagion could well represent optimising behaviour. Within the new lexicon of financial crises, therefore, there are situations where herding and contagion can represent rational behaviour. So can financial volatility and noise.

**Excess volatility and noise:** Price volatility increases during a financial crisis, and this enhanced volatility is also often regarded as irrational. The notion of *excess* volatility is, however, conceptually meaningless, as there is no benchmark for normal volatility, even when financial markets appear relatively stable. Instead, it is standard analysis to regard financial markets as peopled by *information* traders (those who trade on authentic and accurate information) and *noise* traders (those who do not, including those who trade purely for generating liquid funds). Noise traders bring liquidity to markets, but also lead to asset prices diverging from their fundamental values. While the proportion of noise trades would arguably increase during a financial crisis, noise trading is often profitable over short time horizons, and therefore represents rational investor behaviour.<sup>4</sup>

**Hedge funds and leveraged positions:** After east Asia the behaviour of portfolio investors, and particularly of hedge funds, is sometimes characterised as destabilising. Hedge funds typically leverage strongly, and shifts in their perceptions of markets can therefore have a multiplier impact on markets, exacerbating market volatility. Notwithstanding this, a reality check on east Asia confirms that the financial reversals there during the crisis were dominated by overseas creditors, and portfolio investors into equities had a much milder impact.<sup>5</sup> Further, while hedge funds have attracted much criticism, it is necessary to recognise the dichotomy within these funds: there are the directional players, who take a long-term view on a market and are prepared to commit capital

towards betting on this view; and there are other hedge funds which play on price differences between complementary markets (such as between a stock index and certain pivotal stocks which constitute the index or between differently rated bonds). It is really the directional players whose leveraged positions particularly accentuate the pressure on markets (as with the ERM), but most hedge funds do not fall into this category.

**The multiple equilibria model:** This model has become central to expectations based analyses of financial crises. The model is self-fulfilling in that changes in expectations lead to shifting equilibria. The model was first developed to explain bank runs, in a context where banks issue liquid short-term liabilities to depositors and have long-term illiquid assets in the form of loans.<sup>6</sup> If depositors' expectations change suddenly, as in a panic, the outcome can be self-fulfilling. A high asset price equilibrium gives way to a low asset price equilibrium, not because the bank is initially insolvent but through a dramatic change of expectations among depositors, leading them to withdraw their deposits. The resultant sale of illiquid assets by the bank at prices significantly below their value on its books forces it into insolvency.

What begins then as a crisis of illiquidity soon develops into a crisis of insolvency, and the model has been extended to cover external country debt where short-term overseas creditors lend either to longer-term projects or to domestic banks whose assets are illiquid. Banks generalise to countries in this view, and external creditors then lend against the balance-sheet of a country (represented by its macroeconomic policy stance and economic indicators like the level of foreign currency reserves and the government's fiscal deficit). The central bank has short-term liabilities (payable out of its reserves) and long-term assets, and a run by creditors triggers a currency crisis.

How credible is this model? It clearly contains no explanation of why expectations may change, and illiquidity and insolvency are often difficult to tell apart. "Given that everyone thinks that everyone else will withdraw their funds, each individual should immediately withdraw his funds. If only the depositors had stayed calm, the assets would have paid off thereby justifying the depositors' faith in the bank. The equilibrium outcome for the bank – good or bad – then depends entirely on the passions of its creditors. This is the most successful model of a banking crisis in the economic literature."<sup>7</sup>

Notwithstanding this cynicism about the 'black box' nature of how panic develops,

the model has found a new-found popularity in recent years and has been at the centre of several economists' explanations of the crises of the 1990s. The Korean crash and the Mexican currency crisis seem particularly appropriate examples of multiple equilibria arising out of panic-driven changes in expectations. The reason for the panic may well be irrational, but the key point is that the investor response to it within the model is rational. It is rational for an investor to panic when all other investors do.

**Second generation currency crisis models:** Currency crisis models build in greater behavioural details of the responses of agents. The models recognise that it is the capital account rather than the current account that triggers balance of payments crises, and provide explanations for steep currency devaluations in a market which pits currency speculators against the government. In first generation models of currency crises, speculators optimise while the government adopts a rule-based approach to (say) credit expansion and pegs a key currency price.<sup>8</sup> Rising domestic credit induces speculators, without warning, to strip the government of its reserves, and the attack is timed to prevent speculators from earning subsequent speculative profits, implying that speculators operate in a competitive market. The currency consequently crashes when reserves are positive, and the timing of the crash emerges endogenously from the model.

In second generation models the government optimises by choosing an exchange rate, while speculators have expectations about the future value of the currency. These expectations can alter randomly, and consequently these models do not solve endogenously for the timing of the crisis, and belong to the family of the bank-run model which leads to multiple equilibria.<sup>9</sup> These currency crisis models will henceforth also be referred to generically as the multiple equilibria model.

## II Domestic Firms and Banks: Escalating Risks

In contrast to the formalism of multiple equilibria models, explanations more firmly anchored to changes in fundamentals can be expected to offer a more intuitive story of financial crises as they unfold in particular countries. Yet the macroeconomic story is a puzzle. East Asia has shown that financial crises can occur even when economies have a high underlying rate of growth supported by exceptionally high saving rates, the fiscal account is comfortably in balance, and inflation rates are low. Crisis can attack



countries where, in addition, the current account deficits are moderate.<sup>10</sup> It is the microeconomic weaknesses, and the inadequacies of the regulatory and supervisory mechanisms within the financial sector to contain them, which are prone to trigger the crisis. In east Asia domestic firms and banks voluntarily took on dangerously high levels of risk, thereby precipitating the crisis. Banks took on unduly high risks on both sides of their balance-sheets, leading to adverse selection in their asset portfolios and vulnerability in meeting their liabilities. Worse, during the crisis some of the very best financial intermediaries and corporates faced the spectre of acute insolvency. This phenomenon cannot then be captured within the analytical framework of marginal firms falling prey to moral hazard, but becomes a deeply systemic problem.

Although there may not be government profligacy, the consensus after east Asia has run as follows: by leaving the restructuring and reform of the financial sector to late in the process of economic development, difficulties cascade for the effective regulation and supervision of the sector. When credit expansion is brisk, and the number of banks and other credit institutions permitted to grow rapidly, their supervision needs to be backed by disclosures which alert supervisors to weaknesses in asset portfolios and by a legal system which permits ready enforcement. While this consensus might have established an agreed agenda for financial sector reform, moral hazard and adverse selection are ubiquitous and their containment problematic, as the examples below indicate.

**Asset financing:** Adverse selection is aggravated when high levels of asset financing by banks occur, whether for real estate or for equities, based less on rigorous analysis of project viability or borrower creditworthiness and more on the availability of collateral. When the business financed becomes insolvent and asset values fall sharply, banks stand exposed as possessing insufficient collateral.<sup>11</sup> This is part of a wider problem of poor quality lending which includes credit being channelled preferentially to borrowers identified by governments.

**Corporate leveraging:** One of the distinctive features of east Asian firms was that they were highly leveraged. The extreme case was in South Korea where the top 30 chaebols had an average gearing of 4.70 at the end of 1996, but debt financing rose elsewhere in east Asia as well. Between 1988 and 1996, average interest expenses of the business sector as a proportion of GDP doubled in Indonesia, South Korea and Malaysia, and rose to 2.5

times in Thailand. When the quantity of outside debt rises so sharply during the buoyancy of a business cycle, its quality is in danger of deteriorating. A sharp rise in the proportion of credit to GDP then presages the accumulation of non-performing assets.<sup>12</sup>

**Overborrowing in foreign currency:** With overseas debt the firm is subject to a double whammy, and the impact of currency depreciation on a steep corporate debt overhang can hasten corporate insolvency. This impact is still containable, however, if foreign debt is suitably hedged or if the composition of foreign debt in total corporate debt is small. Exchange rate pegs which are strongly defended can lead to a dangerously high level of unhedged foreign borrowing during the run-up to a crisis.<sup>13</sup>

**Absence of currency derivatives:** Moral hazard is implicit when governments maintain pegged exchange rates (or indeed narrow band exchange rates). By providing an illusory view that currency risk is benign, they also retard the development of a deep and liquid foreign exchange derivatives market, where each borrower firm could manage its own currency risk. Emerging markets typically miss this point, with both the government and market participants believing that the primary responsibility for managing currency risk lies with the central bank. Instead, central banks would do well to foster the creation of an onshore liquid currency derivatives market, in the absence of which such markets invariably move offshore, and unhedged domestic investors are the worst hit when the markets fall steeply.

**Implicit guarantees:** Many overseas creditors have lent to banks, to finance companies and (in some countries) to corporates in emerging markets on account of higher yields backed by the perception of implicit credit guarantees. Some economists argue that this was the proximate cause of the sell-off in east Asia in 1997, as creditors realised that implicit guarantees were worthless.<sup>14</sup> If risky outcomes are represented by a probability distribution, creditors often lent as though the lower tail of the distribution did not exist.

Perceptions of implicit guarantees arose because east Asian governments, in pursuing a strategy of making available credit to industrial firms, could not allow the banks to fail, thereby making it very attractive for overseas creditors to lend to such banks on the capital account on the balance of payments was liberalised. This is an important distinguishing factor between east Asia and Mexico.<sup>15</sup>

**Underdeveloped equity markets:** Underdeveloped equity markets make it

easier for corporates to raise debt and thereby risk over-leveraging. Liquid equity markets facilitate inflows of capital which are subject to less volatile swings (as these markets are more self-correcting than short-term debt markets) and therefore lower the risk in permitting foreign capital inflows. These markets become deeper and more liquid when supported by a large and fast growing domestic fund management industry.

### III Fighting the Crisis

**Inadequate instruments – the macro-economic dilemma:** For economies with liberalised capital accounts which are sucked into the vortex of a crisis whose outcome can have multiple equilibria, two priorities compete immediately for government's attention: maintaining confidence among overseas investors; and ensuring that the crisis does not drive local firms and banks with extensive unhedged foreign currency borrowings into insolvency. Both require the exchange rate to remain stable, for otherwise a vicious cycle develops of falling exchange rates, loss of overseas confidence, further outflows and an even steeper exchange rate fall. In recent crises and in the very short run, governments with the assistance of the IMF and other multilaterals have reached out for three mechanisms to keep the exchange rate stable: sharply raising interest rates; organising an overseas debt reschedulement; and negotiating alternative lines of credit to substitute for the outflows. If confidence does not return quickly, and the limits to debt reschedulement and alternative credit lines have been exhausted, more overseas investors can be expected to leave, and the pressure on the currency can be relieved only through periodic rises in the interest rate, which very soon lead firms into insolvency. If the currency is allowed to depreciate in order to relieve the interest rate pressure on firms, confidence is further eroded, outflows resume and pressure on the exchange rate further tightens.<sup>16</sup> If the crisis was triggered through a realisation of the fragility of banks, the latter need to be rapidly recapitalised, putting renewed pressure on the government's resources and risking a further hike in interest rates.

The vicious cycle can be expected to continue until a drastic import compression leads eventually to a balance on the external account, and the financial crisis thereby leads to a large output contraction. As they have grappled with this, governments have sought an enhanced level of liquidity support from the multilateral institutions and industrialised country governments,

while broadening their intervention options to include fiscal support to the banks and the imposition of exchange controls. In assessing the impact of these macroeconomic policy interventions it is helpful to distinguish between what have been described as hard-money and soft-money strategies.<sup>17</sup>

The hard-money strategists would defend the exchange rate at all costs in the belief that this is critical to recreating investor confidence. Of course, the credit squeeze needed to support this will compromise the ability of the government to recapitalise banks, but the latter can be phased in as long as the exchange rate is stable provided local depositors do not withdraw their money. The very high interest rates needed to achieve this would very soon make firms insolvent and the success of this strategy therefore depends on the quick restoration of overseas confidence.

The soft-money critics argue that domestic insolvencies will occur faster than the restoration of overseas investor confidence, and the avoidance of excessively high interest rates is critical to preventing banks and firms from defaulting. The defaults would be systemic and not just affect some banks and firms. They argue that pressure on the currency would ease if deep lines of multilateral credit could be made available and that global finance should be 're-architected' to build in such contingency financing. Of course, without such financing in place the exchange rate will fall and the soft-money strategy will be ineffective, unless capital controls are imposed leading to a temporary cessation of payments.

The IMF steered a course in Asia between these two strategies. It advocated high interest rates but not necessarily to the point where the exchange rate would be stable, necessitating an external financing package which it put together for Thailand, Korea and Indonesia. The financing package, however, turned out to be inadequate to prevent the currencies from falling in the short term. It also demanded of governments a high level of fiscal restraint (despite government finances being very much in balance), which further added to recession. The IMF package attracted criticism from both sides of the debate, and certainly did not stem the outflows immediately. Hard-money advocates like currency boards and those who argued that cronyism lay at the heart of the crisis were critical that the underlying weaknesses were not seriously addressed, while soft-money protagonists were equally critical advocating that interest

rates be kept low and the structural reforms be deferred to after the crisis had abated.

*The suspension of payments:* In both the multiple equilibria model of bank runs and its extension to currency crises, the temporary suspension of payments is clearly a feasible option. Malaysia imposed controls on capital outflows in 1998 to ward off its currency crisis, and removed most of them a few months later. Timing is critical to such a strategy, and the Malaysian intervention was both unanticipated and well timed.<sup>18</sup> It is clear then that selective and properly structured payment suspensions can be effective. A crucial question is whether such temporary suspension in payments will affect future inflows. It must surely do so when governments make a habit of suspending payments as suspensions will no longer be unanticipated. Empirical evidence is slender on whether a one-time suspension will be detrimental to future inflows, and the longer-term impact of the Malaysian control on outflows will need to be assessed.<sup>19</sup>

#### IV Preventing Crises: Measures at Home

The first lesson of the crises of the 1990s is that the regulation of banks and of capital market organisations must keep pace with their growth, and that they must at all times be adequately capitalised. Most emerging markets do not meet with these requirements and undercapitalised banks will increasingly lack credibility. Supervisory systems are inadequate, and when the financial system is threatened with crisis, the confidence of depositors and investors can erode rapidly. Enter the world of multiple equilibria.

*Surveillance and early warning systems:* Surveillance demands higher levels of transparency through better disclosures from banks and other key financial intermediaries, as also from the government and its central bank. These generally help to make the market more efficient.<sup>20</sup> In the build-up to the east Asian crisis, the extent of unhedged foreign liabilities contracted by Indonesian firms was unknown and the level of South Korea's reserves was fuzzy.<sup>21</sup>

*Better risk management:* Effective risk management systems presuppose the existence of deep equity and bond markets, and regulators need to pay attention to evolving a suitable market microstructure which encompasses efficient price discovery and a liquid derivatives market. Governments have often tended to regard this as a second generation issue in capital

market reform and this has continued to keep markets illiquid. The development of liquid equity markets will also encourage larger overseas portfolio investments in equity. Bank and currency runs are essentially crises of debt markets, and a larger proportion of inflows in the form of investments in equity will reduce panic-driven runs, as equity markets are more self-correcting.<sup>22</sup>

*Capital controls:* Controls can be imposed on inflows and on outflows. While the risks to emerging markets of an integrated global financial system have recently been strongly highlighted,<sup>23</sup> the gains need to be more clearly articulated. While the arguments supporting the welfare gains from the trade in goods may not hold for the trade in equities and bonds, what is critical is whether capital inflows lead to substantial long-run efficiency gains. There are two reasons for believing that it might: It enables the production base to be diversified, leading to the successful financial closure of projects in sectors such as technology and infrastructure, and thereby makes the output base of these economies less risky; and by helping to create a more complete set of equity and bond markets it provides for superior risk management and liquidity.

Controls on outflows are almost certainly unworkable, and will strongly deter inflows, unless the suspension of payments occurs during a financial crisis and is seen to be temporary, as discussed earlier. Instead, for highly indebted countries it would be preferable for governments to plan for an adequate level of liquid reserves in order to handle bunched repayments. Large short-term foreign liabilities need to be matched by large short-term foreign assets, and over time the foreign repayments schedule would need to be better spaced out.

*A tax on capital inflows:* The idea that capital inflows should be taxed is an old one.<sup>24</sup> The discouraging of short-term inflows into equity is common in many countries, through the higher taxation of short-term capital gains. It is the higher short-term taxation of debt flows which borrowing countries have hitherto been averse to. One exception is Chile which from 1992 to 1998 had an implicit tax on all non-equity capital inflows by requiring that another 30 per cent of such capital be placed as a one-year deposit, earning no interest. Despite this, capital inflows into Chile have been strong and Chile's short-term external debt reduced from 27 per cent to 11 per cent of its total external debt during this period. The cost of imposing such a tax is higher interest rates,

and the tax would clearly be recommended only when there is a surge of inflows and when persistent current account deficits do not exist. The argument may therefore not be generalisable to all emerging market borrowings. Lenders in international markets are also increasingly irked by such taxes, and markets strive to shift offshore to avoid such taxes. Chile's eventual discontinuance of its implicit tax was a recognition of this. Further, if tax rates are set modestly, currency traders are ready to pay the tax during a currency crisis in order to speedily exit from the currency, and the tax is then ineffective in preventing outflows.

*Will wider overseas ownership help?* One suggestion made is to encourage a wider overseas ownership of domestic bank branches, implying that bailout costs to the government would reduce.<sup>25</sup> This is among the more obscure arguments for increasing foreign ownership of the domestic banking system, and is unlikely to be persuasive. Further, there is an implicit bias in this statement that foreign-owned banks will lend more prudently, for otherwise if depositors in such banks are largely domestic, the multiple equilibria problem arising from panic cannot be wished away. While the fiscal management of the crisis may be easier, it will do little to mitigate the banking crisis, and if the foreign bank is reluctant to bail out depositors the pressure on the government to do so will be strong and the fiscal gains illusory. Typically, foreign ownership of banking systems has accelerated in the wake of banking crises, rather than as a policy response to preventing crises.

## V

### The New International Financial Architecture

New ideas are in the air about new institutions and rules to govern international capital flows. They range from the incremental (ensuring that there is better international crisis management) to the radical (a Bretton Woods II). In between lie a variety of institutional reforms to ensure that financial crises recede. Not all the proposals made seem feasible.

Many of the proposals have emanated as official policy statements incorporating regulatory ideas and governance structures. The US has proposed the creation of a contingency finance mechanism anchored to the IMF to extend credit lines to countries not yet experiencing a full-fledged crisis, but whose stability is potentially threatened. The UK government has proposed a permanent Standing Committee for Global Financial Regulation en-

compassing the World Bank, the IMF, the Basle Committee and other regulatory groups. The French have proposed authorising the Interim Committee of finance ministers of the IMF to exercise additional powers to deal with crises. The IMF has emphasised transparency, better disclosures, bailing in of private creditors and the consent of governments for the IMF to release sensitive country data on its own. The G-7 at its 1999 Cologne Summit established a consultative body called the Financial Stability Forum to identify areas where regulatory changes might be needed, without recommending the exact details of change. Proposals have also emanated from academics and investors. George Soros has proposed an international debt insurance corporation, Jeffrey Sachs an international bankruptcy court, and Henry Kaufman an international credit rating agency. We examine some of these suggestions below.

*International deposit insurance:* Depositor panic about the solvency of a bank, as in the multiple equilibria model, can clearly be avoided through deposit insurance. The extension of this model to cover overseas borrowings provides the rationale for international debt insurance. Soros' proposal for an international corporation to provide such insurance puts limits on the extent to which each country could borrow while remaining insured, and borrowings in excess of this would lack insurance. The customary moral hazard problems remain. Deposit insurance allows the borrowings to be raised at a lower interest rate than the risk of the portfolio would warrant; and banks continue to have an incentive to lend imprudently. Clearly also debt defaults on uninsured loans will keep alive the possibility of panic, though on a reduced scale. The setting of insurance limits will also be a politically contentious issue.

*An international lender of last resort:* This institutional device is seen as an alternative to international deposit insurance in the context of the multiple equilibria model, though the moral hazard problems remain. How deep would the pockets of the international lender have to be in relation to the financing packages which the IMF has put together in recent years? One study estimates that such a lender might need access to \$ 1 trillion, and that during the 20 years up to 1996 (and excluding the east Asian crisis) there have been 59 banking crashes in the world on which government bailouts cost 9 per cent of GDP in developed countries and 4 per cent of GDP in industrialised countries.<sup>26</sup> The moral hazard of bailouts has

clearly been expensive for governments.

Notwithstanding this it is possible to argue that the large financing packages in recent years do indicate that there has been a lender of last resort, except that it has not been explicit. For instance, the G-7 group of industrialised countries has been cast in this role, acting in concert with the IMF, and beginning with the \$50 billion financing package for Mexico. Making it explicit would help generate a larger resource base for such contingency financing, reduce country biases in the speed and size of the financial package, and provide for coherence and broad uniformity in such packages.<sup>27</sup> It would also make it possible to prequalify countries in terms of adherence to specified macro-economic and regulatory policy norms.<sup>28</sup> Finally, if the pockets are indeed deep, speculative attacks (as in the multiple equilibria model) would be successfully averted, and the contingency facility would then not be drawn. The danger in setting up such a mechanism, however, is that it could encourage imprudent lending by overseas creditors and more lax standards of supervision by domestic supervisors.

*A world central bank:* This proposal goes further and requires the issue of a world currency. It must be ruled out as infeasible, as the sharply differing fiscal positions of some governments imply that these countries will not benefit equally through a uniform monetary policy. The world is not an optimal currency area.<sup>29</sup>

*An international bankruptcy court:* Bankruptcy laws differ significantly across countries and the purpose of an international bankruptcy court is to provide uniformity by giving an illiquid debtor time to sequence its repayments while continuing to remain in business.<sup>30</sup> In this sense, the court would provide for a temporary suspension of payments to creditors, thereby achieving a broadly similar objective of dampening panic as the other institutional mechanisms discussed above seek to do, and would write down the value of outstanding debt if the firm is judged to be insolvent. It also would not require extensive funding to be put together as in the case of the lender of last resort.<sup>31</sup>

For the bankruptcy court to be effective, however, it would need to be invested with powers to appoint receivers to seize assets, and administrators to manage firms. Most governments of developing countries will be unused to such enforcement powers being ceded to an overseas court, and in order for this to be feasible a major change would be needed in the manner in which some governments visualise the objectives of bankruptcy law. It appears more feasible

for common standards of bankruptcy law to be laid down, and for domestic laws to adopt them.

*A global regulator:* The idea of a global regulator is prompted by several factors: for banks the Basle Committee norms stipulate one set of uniform norms; for cross-border offerings IOSCO, the international federation of securities regulators, has also set common standards; and we now have a global regulator for trade in goods. While the enforcement of uniform norms for capital flows might be as problematic as in the case of banks, there is a deeper problem in that overtly conservative global regulatory norms for international capital flows might shrink world markets for finance. Dissimilar national regulatory standards, coupled with differing tax laws, have in the past led to regulatory arbitrage and fuelled the growth of new financial markets which have competed successfully with the traditional markets and affected profoundly the ways in which firms can raise money.<sup>32</sup> The issue is reminiscent of the literature on the problems of international macroeconomic co-ordination which could blunt international competition.<sup>33</sup>

*Bailing in:* Bailouts raise moral hazard problems, prompting criticism that with each such bailout the probability of a succeeding crisis increases, contributing to more risky behaviour by borrowers, creditors and others. Thus it is argued that the Russian crisis was induced by the recklessness of overseas creditors, induced by the successful Mexican bailout. It has therefore been proposed that existing creditors should bail in the borrowers through a voluntary restructuring of debt. While overseas banks have rescheduled their debts in the wake of recent crises, it is bondholders who are now sought to be brought within this framework, and such a bailing in facility would then need to be explicitly written into bond contracts. The impact of this would be to make debt more expensive as creditors levy a suitable risk premium for bailing in. More radically, it could also impact on the way in which international finance has evolved in the last three decades, and lead to the gradual replacement of transactions related banking with a relationship mode of banking.<sup>34</sup>

*Self-supervision through subordinated debt:* A weaker alternative is to introduce self-supervision within the banking system, by mandating each bank to issue subordinated debt to other banks, the yield on this debt being capped. Debt holders then face only a downside risk of losses, inducing them to be more vigilant about the performance of the banks whose debt they hold. While this could indeed

incentivise more prudent banking, it opens up questions of whether inter-bank competitiveness would then erode. It also appears more feasible to implement this across banks within a country, rather than internationally.

## VI Concluding Observations

Several of the grand schemes of re-architecting the international financial system are fraught with moral hazard and could thereby raise the probability of future crises occurring, although their immediate containment may be easier. This is apparent if one envisions a situation where the probability of a crisis is low but its impact if it occurs is high. Several re-architecting proposals are motivated by the need to lower the adverse impact, but thereby raise the probability of a future crisis. Bondholders in Russia in their recklessness are said to have taken comfort from the Mexican bailout. Proposals such as the IMF acting as an international lender of last resort or providing for international deposit insurance fall into this category. How then can the existing system be improved? Adopting the following two principles would help.

First, although several of the proposals have been mooted with the intention of facilitating financial crisis management, the new architecture ought to be concerned primarily with crisis prevention. Second, despite this when crises do occur the mechanisms to be deployed for crisis management ought to be those which do not have a moral hazard fallout by raising the probability of the next crisis.

Let us examine these principles in greater detail. While it is often argued that market stability during a crisis is a public good which ought to be fostered, international interventions to do so also generate external diseconomies across borders. Investment in this public good should therefore preferably be the responsibility of domestic regulators, and international interventions restricted to cases where these diseconomies are kept weak. There are clearly several incremental improvements in domestic regulation and supervision which have been discussed in Section IV which would assist countries in crisis prevention. Increasingly in several financial market segments, regulatory standards are being judged by their conformity to international rules of best practice. Tighter standards will impose more rigorous risk-management requirements on borrowers, creditors and investors, require faster and more accurate corporate disclosures, demand tighter accounting standards, and require Early Warning Systems to be set up to

forewarn of market weaknesses, and thereby make both the prediction and the management of future crises easier, without altering the fundamental character of the market or diluting its informational efficiency.

Not all governments will move towards these at the same pace and, where regulatory progress is tardy, countries will continue to risk vulnerability. As international governance structures are now being proposed in order that the pace of convergence is faster, it is preferable that changes are wrought by such international forums working through domestically executed institutional and supervisory measures rather than through the setting up of new international institutions. Illustratively, rather than create an international bankruptcy court it would be preferable to reform domestic bankruptcy laws. Even in countries where bankruptcy laws have remained unreformed, reform of the law is likely to be more feasible and acceptable than ceding authority for receivership, liquidation and change of management to an international body. How would the latter change the management of a government-owned enterprise?

The encouragement of liquid equity markets will also remove the debt bias which characterised financing in East Asia, and a deeper currency derivatives market will encourage overseas borrowings to be better hedged. Private contingency financing is a double-edged instrument. It is free of moral hazard and thus creates the right incentives whereby the creditor rather than the taxpayer takes the penalty during a crisis. But it will almost certainly be unacceptable in very liquid markets like the bond markets, as it would shrink liquidity to the point where the markets might cease to be transactions-related. The complexion of international bond markets will change if they are to become relationship oriented through the bailing in by bondholders. Informational efficiency is arguably the best insurance against episodic crashes, and if international bond markets become more illiquid they will also price financial assets less accurately and provide a poorer indicator of impending crises. The fuller implications of less liquid markets for the resource raising needs of firms will also need to be thought through.

The idea of taxing capital inflows has also received a fresh airing, and its appeal lies in curbing inflows when there is a surge. At other times it will be seen as uncompetitive unless tax rates are set low. And when they are so set they will very likely be powerless in preventing outflows during a crisis. The tax will be viewed as a small price to pay compared to the capital

loss in staying invested.

Despite these measures, crises will very likely continue to occur and will need to be managed. Crisis management measures would need to be built around such a framework without exacerbating future crises. Having a crisis manager in place would save precious time. A crisis manager will persuade existing creditors to maintain credit lines while equity and debt are restructured. This is clearly easier when the crisis has emanated from the actions of one institution (like LTCM) rather than when herding and contagion characterise the market, but the restoration of confidence in the latter case is also strongly dependent on successful crisis management. There will need to be international agreement on investing authority in a single organisation to co-ordinate the management of the crisis. Governance structures for this are yet to evolve.

### Notes

[An earlier version of this paper was presented at the UNDP-Development Co-operation Forum Workshop on Asian Perspectives on Globalisation and Human Security held in Tokyo on August 5, 1999.]

- 1 See Kindleberger (1978).
- 2 Garber (1990).
- 3 See Obstfeld and Rogoff (1986) on sustainability, and Blanchard (1979) on rational bubbles.
- 4 It is easy to see that no trades can occur in a market with only information traders, as there would be no incentive to trade. Noise traders can make money at the expense of information traders over short time horizons as prices can diverge further from fundamental values during this period. The implications for financial markets of noise trading were first recognised by Black (1986), and the existence of noise constitutes a critique of the Efficient Markets Hypothesis.
- 5 Short-term commercial bank debts were not rolled over and an inflow of such credit of \$ 56 billion in 1996 was followed by an outflow of \$ 27 billion in 1997. In contrast, portfolio inflows in 1996 of \$ 12 billion were followed by outflows of \$ 4 billion in 1997. Credit inflows began rising from 1994, with about two-thirds of it originating from Europe and Japan where interest rates were low and were attracted by an expected pick-up in yield.
- 6 The model is based on the work of Diamond and Dybvig (1983), who drew upon earlier work by Bryant (1980).
- 7 Folkerts-Landau and Garber (1999).
- 8 In the Krugman (1979) model, speculators attack fixed exchange rate regimes, while in Salant and Henderson (1978) buffer stocks held to peg the real price of gold are attacked.
- 9 See Obstfeld (1995).
- 10 It was really only in Thailand that the current account deficit had soared, and had climbed to 7.9 per cent of GDP in 1996. In contrast the deficit that year was 3.3 per cent in Indonesia and 4.9 per cent in Malaysia and Korea, deficits which were regarded as

- acceptable by financial markets. The Malaysian deficit was in fact down from 10 per cent the previous year.
- 11 At the end of 1997 the share of bank lending to the property sector varied between 40 and 55 per cent in Hong Kong, 30 and 40 per cent in Thailand, Malaysia and Singapore, and 25 and 30 per cent in Indonesia. The collapse of property prices enfeebled the banks. So did the collapse of the stock markets in Malaysia (where banks provided extensive credit against shares) and South Korea (where banks held substantial equities in companies). See Goldstein (1998).
  - 12 Between 1988 and 1996, average interest expenses of the business sector as a proportion of GDP doubled in Indonesia, South Korea and Malaysia, and rose to 2.5 times in Thailand.
  - 13 See McKinnon and Pill (1997).
  - 14 See Krugman (1998b).
  - 15 See Eichengreen (1999). Unlike in Mexico where the overseas liabilities were those of the government (through the *tesobonos*, which were dollar denominated bonds), in east Asia the liabilities were unhedged borrowings of banks and firms, and therefore of the private sector. Moral hazard, induced by investor perceptions of government behaviour, left the foreign borrowings unhedged.
  - 16 The strategy of raising interest rates sharply worked in the case of Mexico in 1994 (up to 75 per cent) and Hong Kong in 1997. It did not work as rapidly in the case of Indonesia, Thailand and South Korea. The reason could be the high leverage of firms in these countries. Malaysia opted for capital controls.
  - 17 Krugman (1998a).
  - 18 Diamond and Dybvig (1983) show that the bank must know that it is seeing the start of a run, and temporary suspension is then a fully efficient mechanism for eliminating multiple equilibria. It can also be shown that this informational requirement on banks – that they have accurate information about the start of the run – can be relaxed in partial suspension schemes where progressively higher caps on withdrawal are imposed as the run occurs. Further, deposit insurance will not lead to superior outcomes unless the insurer has better information than the bank. These propositions are proved in Wallace (1988). Rogoff (1999) contains a discussion of these issues.
  - 19 There are however plausible theoretical grounds for believing that it may not be detrimental. In multiperiod models of international borrowing, an efficient contract may not require full debt repayment in every state of nature, and when growth is unexpectedly low partial repayment may be optimal. See, for instance, Grossman and van Huyck (1988). Rogoff (1999), while drawing reference to this, concludes nevertheless that in imposing controls the problems may well outweigh the benefits.
  - 20 The multiple equilibria problem can however be aggravated by too much disclosure. Morris and Shin (1998) develop a model to show that in currency attacks the absence of common knowledge about fundamentals can lead to a unique equilibrium.
  - 21 Borensztein, Masson, Berg, Milesni-Ferretti and Pattillo (1999) contains an assessment of early warning system models which have been constructed in recent years.
  - 22 Rogoff (1999) argues that there are three biases against equity: insurance for bank deposits, the tendency for industrialised

country-sponsored bailout packages to come to the rescue of overseas bondholders, and the stronger protection available to bondholders in bankruptcy courts.

- 23 See particularly Rodrik (1997) and Bhagwati (1998).
- 24 The Tobin (1978) tax is a tax on foreign exchange transactions.
- 25 Calomiris (1998).
- 26 Rogoff (1999).
- 27 The IMF's approach to recent financial crises has lacked uniformity. As *The Economist* (1999) observed, in Mexico investors were bailed out in return for tough macroeconomic policy changes which led to a severe recession but restored investor confidence; in east Asia the financing package was inadequate to bail out all investors, countries were advised to devalue their currencies, but the policy changes sought were equally tough, leading to a recession without immediately restoring investor confidence; in Russia the IMF endeavoured to maintain exchange rates, but the initial financing package was inadequate to restore confidence, leading to an eventual currency devaluation and a debt default which further reduced confidence, while in Brazil a large financing package to boost reserves was sanctioned before panic arose in order to prevent a currency devaluation, but was unsuccessful as a domestic debt default occurred from a provincial to the federal government, signalling weakness in fiscal reform.
- 28 In late 1998 the idea of a contingency financing facility for the IMF was mooted, which would involve such prequalification, whereby countries with well regulated financial systems and in good standing would be eligible for the facility.
- 29 See Mundell (1961).
- 30 Protagorists of such a court typically have chapters 9 and 11 of the US bankruptcy laws in mind.
- 31 Sachs (1995) has suggested that the bankruptcy court should have powers to authorise the issue of senior debt for raising working capital, as this would help in keeping firms solvent while the process of a possible restructuring of their debts was under way.
- 32 Examples include the Euro-dollar market on account of US tax laws and the large market for trading in the Nikkei index futures in the Singapore market on account of the more restrictive regulatory requirements in Japan.
- 33 See Rogoff (1985).
- 34 Folkerts-Landau and Garber (1999) argue that several suggestions made within the spirit of the new international financial architecture which seek to move the financial system towards a relationship mode of banking will also set the financial system back one generation.

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# Replication in Village-Level Studies

Paul Hockings

*Village studies have long been done in India, either by British government personnel or by academics, particularly economic historians and social anthropologists. Some are highly quantitative, others rely more heavily on verbal description. In a relatively few cases the same village or set of villages has been restudied, and in one extreme case over a span of nearly 150 years. After briefly surveying some of the most useful of these longitudinal studies, the author describes in some detail his own 27-year study of a set of four Badaga villages in the Nilgiri Hills of Tamil Nadu. All were clustered together, but represented different phratries and social strata in this traditionally peasant millet-farming community of 1,60,000 people. Some conclusions are drawn about the nature of modernisation here, and evidence is produced to suggest that the process – which involves universal schooling, reduced fertility rates, television viewing, and changing attitudes towards the family itself – is having a levelling effect on these particular villages, with the one that would traditionally have been lowest in status now showing many progressive features.*

## LONGITUDINAL STUDIES

IN most sciences – medical ones, for example – it is axiomatic that one successful experiment does not amount to a discovery. The experiment, whatever it involves, must be subjected to replication by other scientists who try to maintain the same enviroing conditions in order to see if the previously reported results will be repeated.

In the social and historical sciences such a procedure might seem highly desirable, yet a true replication is always beyond the realm of possibility. An archaeologist who 'discovers' a site like Lothal and excavates it, will never be able to pull the same trick off a second time: either there are no more Lothals to be discovered because of the depredations of 4,000 years of coastal shift, rotting of materials, silting, etc; or there was never more than one major port city on the west coast of India during the Harappan era. The assiduous archaeologist might look hard for one, yet we can expect him, at the very best, to find something else.

Social anthropologists, who tend to deal mostly with 'soft', qualitative data in their village studies, are grudgingly aware that replication studies are beyond their reach. The village initially examined to meet the requirements of writing a PhD dissertation, for example, may still beckon long after the degree has been obtained. You have a nagging feeling that more could have been done, that not enough time was available to 'finish up', that newer developments in the discipline call for new questions to be asked in that place.

Things can come to a head if you make a casual revisit to the village; you are invited there for a wedding, let us suppose. Suddenly you, the so-well-informed ethnographer, realise that there were no TV satellite dishes here when you lived

here before; that the number of teashops seems to have mushroomed; that there are now one or two private nursery schools, and so on. What are you to do? Would it be worth restudying the village, and if so, to what end? Is it of theoretical importance to say that the village, which you perhaps described some years ago as a functioning, well-delimited social unit with clear structural features, now also has television viewing, nursery-school attendance, and no doubt other features that simply were not there before? And – if so – in terms of *what* theory? What have these various innovations done to the community you knew so well?

Replication studies are perhaps not a feasible way to proceed in ethnography, so we anthropologists do the next best thing, the village restudy. Some of us, anyway. No doubt the great majority of village studies in India, as in the rest of the world, stand on their own merits as historical isolates, un-rewritten, un-restudied. In effect the writers, by their very silence, have washed their hands of any obligation to do a follow-up study. Their one view of that village must stand for all time, regardless of what actually happens to the place later on.

The earliest village studies in India were all done by agricultural economists – people like H H Mann and Gilbert Slater – and of course, their Indian students too, some of whom continued the tradition with further restudies. Thus, much of the 20th century has been spanned for highly selected places; and in one case we have a restudy done near Pune which reaches all the way back to 1819 as its year of origin.

The long period of relative peace within India, and the generous welcome that the Indian public has always given to field-researchers, both foreign and home-grown,

go some way towards explaining the completion of quite a number of such longitudinal village studies in recent years. While the work of the agricultural economists continues, as for example in the book edited by Breman, Kluos and Saith (1997), we have also seen a number of restudies by anthropologists. This, in my view, is all to the good, because the anthropologists seem to take a usefully broader view of the relevant variables than do the economists. Agricultural economy is after all concerned with land tenure, prices, labour, crop patterns, supply and demand of goods and produce, urban markets, transportation, and so forth, without too much concern over the details of the local social structure. Caste is recognised, as it is virtually omnipresent; yet it is all too easily conflated into a simple, and sometimes a Marxist-derived, model of two or three agrarian 'classes'.

The best longitudinal work by social anthropologists has been done, perhaps not surprisingly, by several who have a solid grounding in development economics. One should here recall the study of two Tamil Nadu villages by Kathleen Gough, which spanned the years 1951-76, and was published in her 1981 and 1989 books. Even more impressive has been the fieldwork performance of Scarlett Epstein in two villages of southern Karnataka, in this case spanning a period of 40 years, beginning in 1954, and usefully pulled together in her three books [Epstein 1962, 1973; Epstein, Suryanarayana and Thimmegowda 1998].

Beyond noting in passing that Gough and Epstein were both English ladies grounded in the structural-functionalism of the British school, there is something else very notable about their achievement; and that is that they finished what they set out to do – even if at the very outset their



long-term plans were not fully formulated. In other words, one individual with one particular social orientation carried through the entire longitudinal study from start to finish. Structures that they had identified in their earlier work could thus be followed to see in what sense they changed, or resisted change. Villagers who were personally known to the researchers revealed their changing roles until, in some cases, they died. Personal effort and social role thus become important components of these studies where, in earlier economic ones, there was little evidence of them. This is true of the Freed's study as well: Alan and Ruth Freed (1985) have done superb work over two decades (1958-1978) in a peri-urban village near Delhi.

For contrast we might look at two longitudinal studies that were not carried through by one researcher. One of them is more economic, the other more sociological in its approach. The former study, typical in many ways, was initiated in 1916 when Gilbert Slater became professor of economics at the University of Madras, and wanted to show his students something more than the textbooks. So he took them to the village of one of their classmates, and then required that each of them write a report on a village that was known to him personally (there were no female economics students then). As a result, *Some South Indian Villages* was published in 1918 (and Slater soon became head of the London School of Economics and Political Science; so far as I know, he never returned to India).

But this was by no means the end of the story. One of his students, from Kerala, decided to move from his own descriptive account of his village [in Slater 1918:123-45] to make a full book on a related one [Subbarama Aiyar 1925]. Then two other students, P J Thomas and K C Ramakrishnan, took the initiative of doing a full re-study of eight of the original villages in the Madras Presidency (published in 1940). Finally, Margaret Haswell, a British economist with an Indian assistant, decided to do a re-study in five of these same villages, as well as a re-study of one that F G Bailey had examined in Orissa in 1950s [Haswell 1967]. This is, to put it mildly, an impressive amount of work, and something that economic historians will long be able to make use of. But at the same time the study has what many would consider a weak point, namely that the same personnel were not involved at all stages in the long-drawn-out project. Worse, it would be misleading to assume that Slater, Thomas, Ramakrishnan and Haswell, all shared the

same theoretical models and assumptions about south Indian villages. At the same time, it could be misleading to read one of these studies without paying attention to the others.

Perhaps even more interesting, because of the time depth, is the Coats-Ghurye-Kolenda study of Lonikand, a village some 12 miles from Pune. Thomas Coats, a British officer, wrote a descriptive account of this place, with a certain amount of quantification, as long ago as 1819, making him a pioneer without parallel in rural sociology [Coats 1823]. The Indian sociologist, G S Ghurye, returned to Lonikand for a re-study which he entitled appropriately, *After a Century and a Quarter* (1960). Finally, an American anthropologist, Pauline Kolenda, did further fieldwork in the village for an article published in 1970. Here too we are confronted with a sequence of writers about the same place, each with a different background and a different agenda. If there is continuity in the descriptive accounts of three such writers (of three different nationalities), it is a continuity of place and environment, and to some considerable extent a continuity of caste affiliation there. History and geography are held constant in one sense, though of course they are not unchanging.

One could enlarge on these comments by looking at a number of other longitudinal studies produced in south Asia. They are outlined in Appendix II of my recent book [Hockings 1999:277-85].

In a suggestive essay about re-studies, Kloos (1997) puts his finger on some of the methodological problems inherent in such work – without, I might add, evolving a procedure that might avoid those problems. I take up some of his points here.

We have already glanced at the non-comparability of village studies in which different personnel with different research agendas pursue the 'same village' under study at different points in time. Of course, a given village is always the same one in a geographical sense, yet it might experience considerable change in a social or cultural sense. The later researcher(s) finds herself pulling out of the earlier study only those data which it is possible to 'up-date', those data which can still prove useful. In an extreme case, we find Thomas and Ramakrishnan using data from only eight of the villages that Slater's other students had examined, and then Haswell still later using data from only five of these villages.

Even if one and the same researcher follows the development of a village (or two) from the beginning to the end of a longitudinal study, there remains a question

of how well the anthropologist has been able to distance himself from the early phase of the study. As Kloos suggests, in such a situation we may well be confronted with a senior scholar whose career and reputation grew out of the initial study by (probably) the PhD candidate. Is he likely to be highly critical of his own early work if he now plans to build on it with a re-study [Kloos 1997:445]? Yet many of us continue to learn and grow intellectually during our careers, with the result that our approach to the re-study may seem to us 'better' than the initial study, simply because it is consonant with our current ideas. An outstanding case of this is Kathleen Gough's study of two villages in Tanjore (Thanjavur) district, Tamil Nadu which she began in 1951 when she was a young, Cambridge-trained, structural-functional anthropologist. Little more than a decade after this she became attracted to Marxist thinking, and this very obviously coloured her later research in those two villages and the subsequent books [Gough 1981, 1989].

In Gough's case, it may be noted, she used a great deal of quantification, and this made comparisons with the earlier study easier, or at least more concrete. One of the strengths of Coats's very early account of Lonikand (1823) is similarly that he provided later scholars with a good numerical description of the village, one that holds out real possibility of replication studies. The main difficulty with such quantification, in my view, is that the parameters of the study, even the administrative boundaries, can change unexpectedly between an earlier study and the later one. Subbarama Aiyar, for example, as an undergraduate student in Slater's economics class, described the 'administrative town' of Watakanchery in 1916 [Slater 1918:123-45]. Yet when he wrote his book in 1925, he tells us that he studied the village of Nelluvaya. Since both places are located in the same taluk of Talapilli, there are grounds to suppose (in the absence of a decent map of the area) that Neulluvaya (135 houses) was one of the constituent hamlets of Watakanchery (440 houses). Even so, without more information, the units of his two studies are non-comparable. In short, a longitudinal study pursued by one and the same anthropologist or economic historian may resolve some of the difficulties that arise when different scholars zero in on the same village at different points in time. Yet there are other methodological problems that still need a resolution.

Still unmentioned is the larger sampling problem that all village-level studies are

faced with: Is village G representative of the other villages in its taluka, and, if so, why and in what way? Is it representative of its region, even its state, and, if so, how is this possible? I need not elaborate on the sampling statistics. Although Mandelbaum in his *Society in India* (1970) made full use of all the available village studies at that time to portray regional variation in the social organisation of India and Pakistan, a critical reading of his sources would surely force us to conclude that many a studied village is really representative of nothing but itself. So, even when a before-and-after study ('two snapshots', as Kloos put it) has been completed, we are still left with the task or the quandary of explaining how that small piece of social history relates to the larger region.

#### THE NILGIRI SAMPLE

Let me now outline the methodology that was used to get around some of the problems just outlined, in my 27-year study of four villages on the Nilgiri Hills, Tamil Nadu [Hockings 1999]. All four villages were occupied exclusively by the Badaga community, so my study focused on that culture and not on one of multicasite villages.

With a total of about 440 villages and hamlets, located only on the Nilgiri Massif, one might suppose that a geometrically-based method of sampling might be appropriate in such a densely contiguous population (who today amount to about 1,60,000, I would think -- in the absence of census totals). The Badagas share the massif with the Todas and Kotas, two tiny tribal groups together totalling only about 3,000. All are substantially outnumbered by the hundreds of thousands of Tamilians, Kanarese and other recent settlers.

I did not use any statistically determined sample when I began my field study in 1962, but instead selected four Badaga villages near the centre of the Nilgiri Massif. To avoid some of the methodological problems arising from Kloos's 'two snapshots' -- namely, a certain lack of continuity between studies at two widely separated points in time -- in mid-1963, I did the first of four nine-yearly censuses of the four contiguous Badaga villages. They were chosen as 1 per cent sample of that community because they represent four hierarchically differentiated phratries, namely, Toreyas, Gaudas, Adikaris and Wodeyas (ranked here from lowest to highest). That they have been slightly more effective than average in the Badaga community when it comes to population control is suggested by my estimate that

in 1963 these four villages contained 0.983 per cent of the total Badaga population, whereas in 1990 this percentage was probably down to 0.937 -- and not because of emigration.

The purpose of these censuses was to produce a longitudinal database that would reflect, both statistically and qualitatively, the structural changes that have been occurring in Badaga households during recent times. No such controlled study of a comparable sample has been done anywhere in south Asia before, and the few longitudinal studies that do exist are, as I have indicated, mostly the work of different people with diverging interests. My censuses, taken in 1963, 1972, 1981 and 1990, cover essentially all persons (and not just a sample) living during the study period in these four nearby villages. Cumulatively, they are intended to cover one generation of cultural change, since a generation in this community is now 26 years (though it was shorter in earlier centuries).

For comparative purposes it also proved possible to use a complete set of the baptismal and death registers covering local Christian Badagas during the period 1860-1914, i.e., roughly a century prior to my own set of observations. These dealt with the entire Christian population of the immediate area, namely Ketti Pastorate and some outlying villages. The entries cover every case of Christian baptism and death there between 1860 and 1914, and indeed went on beyond that date down to the present (the later records, however, included numerous Christians who were not Badagas). Interestingly, these early observations record considerable detail on social status, whether the person was a Badaga or not, parentage of the newborn, place of residence, parents' occupation, probable cause of death, etc; and they thus allow me to extend my own observations backwards in time for a sample of the population quite comparable to my own, yet living a century earlier.

#### PROCEEDING ON OUR ROUTE

A generation prior to the first Badaga conversion in 1858, Captain Henry Harkness, the very first of a long stream of amateur ethnographers to puzzle over the Nilgiri communities, recorded the following comments about my sample area and his lodgings in 'Kaultray' (aaias Ka:te:ri or Katery):

Proceeding on our route, we came to the village of Kaultray, situated among fields of ripening grain of almost every description. On the road we had been overtaken by a storm, which still continuing, and our

tents not having come up, we were obliged to pass the night here, and to accommodate ourselves in the best way we could, in a Burgher [Badaga] verandah...

The inhabitants of this, and two or three other little villages at a short distance, consisted of some three or four families of Lingavants, about the same number of Arrvars, Kanacars, Adikaris, and common Burghers, and also a few families of Toriahs [i.e., Lingayats, Haruvass, Kanakkas, Adikaris, Badaga Gaudas, Toreyas - PH]. The surrounding scene showed them to be an industrious people; and as far as their notions could be made applicable to us, we found them hospitable. Small as the place was which we had for our evening accommodation, we were obliged to allow of the claims of the quern, the winnow, and the garner, to a share of it; and had we put up in the Toriah village, the distaff and the wheel... [Harkness 1832:111-12].

The four chosen villages are all at roughly the same elevation in the middle of the Nilgiri massif: O:ra:na:yi is at 6,550 ft, Ki:y Odeyaratti at 6,590 ft, Ke:ti Toreke:ri at 6,650 ft and Hulla:da at 6,750 ft. All four had acquired electrification before my study began, but at that time only Ke:ti and Hulla:da had a serviceable road connecting them with the towns. Halfway through the study period the other two villages got improved roads and their first bus services. None of the four villages ever had a traditional fair connecting it with the wider region, although Hulla:da's annual firewalking festival does attract many itinerant traders and sightseers from other villages. Ke:ti has long had a small post and telegraph office, two more are within a mile, and the Ke:ti Valley has 126 telephone connections (1993) including 14 lines within Ke:ti itself. It is quite near the railway station which adjoins Hulla:da (which had another three phone lines). Other public facilities already in Ke:ti in 1961 included a co-operative society, a police station, a rural health centre, a veterinary dispensary, a maternity and child welfare centre, and a medical dispensary; there were two medical practitioners then. By contrast the two Lingayat villages of the sample, O:ra:na:yi and Ki:y Odeyaratti, were at least two km away from any such facilities, only some of which were to be found in the nearby Ka:te:ri, Pa:la:da or Adigaratti villages. While these latter had a number of telephone lines and small post offices, there were none at all right in the two lingayat villages.

Evidently then the four villages had differential access to modern communications; but given that they lie so close together, within an area of scarcely

10 sq km, and are all inhabited by Badagas of various sorts, it would be legitimate to ask what cultural factors hold the four villages together? The answer is that there are specific juridical and ritual ties linking them, but no marital ones. Because I had chosen four villages representative of four different Badaga phratries there could not be inter-marriage, since (with minor exceptions that do not here apply) the phratry is definable as the largest endogamous unit within the total Badaga society [Hockings 1980:75].

The hamlet represents the lowest level and the commune the next higher level in a traditional Badaga hierarchy of politico-juridical units, each having headmen and councils. There are some calendrical ceremonies that may only be performed by the village head of a commune for all its constituent hamlets, in this case by Ke:ti or So:gatore. Such communal ceremonies normally include the God Festival (*devva habba*), the Great Festival (*dodda habba*), the harvesting festival (*ka:nike habba*), and in former times the costly memorial ceremony for an entire generation of the dead (*mane vale*), etc.

But there is another sort of ritual linkage between the four villages. Many of the Badaga villages have several kinds of priestly functionary. These (depending on the circumstances) may be (1) a member of the same phratry which inhabits that village; (2) a Ha:ruva man or boy; (3) an associate from a Kurumba tribe; and (4) a Wodeya Lingayat, Ke:ti commune, for example, makes use of all four types of priest (and I saw them all in operation there during 1963).

As we have seen, the four villages chosen for my study were no more than four kms distant from each other (the closest two being under one km apart) and they represented four stratified phratries of the Badaga society. By picking representative villages so close together in the centre of the Nilgiri massif I considered this would hold constant geographical and historical variables that otherwise might have gone some way towards explaining differences between any of the four villages located at a greater distance from each other; and it would also obviate any effects of being marginal to the area of Badaga settlement. Three of the four villages were actually within sight of each other, the fourth being hidden behind a hill. It was intended that any differences perceived between the four should be explainable as social differences and not environmentally induced ones or an effect of different historical circumstances.

However, the four villages did not only differ in their social ranking; another significant variable was their absolute size. Judged by number of households, the lowest-ranked Toreya village was also the smallest, having about two dozen households. The two high-status Lingayat villages were each more than twice as large as this; while the medially-ranked Gauda village was twice as large as these latter two.

#### THE CENSUSES

The 1981 Census of India did make it clear in numerous publications that it was looking at units called Buildings, Census Houses, Households, and Rooms on a nationwide basis. A Building in the Badaga case would however be, by the national definition, a whole row of adjoining houses, perhaps ten or more of them, each with its own entranceways and internal partitions. A Census House was defined nationally (in numerous official publications) as 'a building or part of a building having a separate main entrance from the road or common courtyard or staircase, etc, used or recognised as a separate unit. It may be occupied or vacant. It may be used for a residential or non-residential purpose or both.' I too was looking at such houses, each of which had one or two entrances. But it was the Census definition of Household which was most crucial, for here I could at least follow the idea in spirit if not in detail:

A household is a group of persons who commonly live together and would take their meals from a common kitchen unless the exigencies of work prevented any of them from doing so. There may be a household of persons related by blood or a household of unrelated persons or having a mix of both. Examples of unrelated households are boarding houses, messes, hostels, residential hotels, rescue homes, jails, ashrams, etc. These are called 'Institutional households'. There may be one-member households, two-member households or multi-member households. For census purposes, each one of these types is regarded as a 'Household'.

If a group of persons who are unrelated to each other live in a census house but do not have their meals from the common kitchen, they would not constitute an institutional household. Each such person should be treated as a separate household. The important link in finding out whether there is a household or not is a common kitchen.

My censuses did not encounter any of the 'Institutional Households'.

One aspect of the research design, which explains the unusual nine-year periodicity

of the censuses, was a desire to be able to link up my data conceptually with the national Census of India in one year, namely, 1981, when both it and my own census were to be taken. Thus, the work on the Badaga villages might not be statistically isolated from larger datasets. In the event, this strategy did not prove to be especially fruitful. My census was done a mere 2-3 months after the national operation, which could have made little difference to any statistical comparison. The problems lay rather with the units of analysis.

I was unable to guess that the Census of India officials would—erroneously, and contrary to all precedent—decide that the Badaga language, the one definite marker of Badaga ethnicity, should for the first time be considered as equivalent to Kannada, even though previously it had not been. Consequently, the 1981 and 1991 census publications gave no separate breakdowns for Badaga speakers but obscured them in the much larger category of Kannada speakers. This error has thus made it impossible for me to link my findings with those of the national census at many points where, in earlier years, it would have been possible, especially when there were separate enumerations for caste and tribe. In the final analysis, the failure to identify Badaga speakers as a national census category since 1971 has meant that I have largely been left to my own devices, with little leverage on the national data.

Each village itself has been historically the locus solely of Badaga residence. It may be noted here that the household, rather than the family, has been chosen as the unit of analysis throughout because, despite its many variations, it lends itself to direct and repeated observation in the field. The Badaga household is clearly definable because in every instance it inhabits one village house with one front door and one hearth; families may be more dispersed. My emphasis on the household as the primary unit for data collection in no way obscures the structure of the Badaga family. Indeed, that structure emerges from a comparison of the four sets of data from the four successive censuses of each particular household. Household types, according to my censuses, are quite varied and, although the nuclear family is the numerically dominant type and the extended family the ideal type, I identify many categories of household structure in the four villages under study.

#### MODERNISATION PROCESSES

My book (1999) was concerned very broadly with the recent development of Badaga society and of household life, and

it thus continues a story that was first set down in an earlier work, *Ancient Hindu Refugees: Badaga Social History, 1550-1975* [Hockings 1980].

I am aware that the term modernisation 'slips and slides, alludes and obtrudes' throughout this new book [Apthorpe 1989:532], but without definition. The term is often applied by development economists to government policy; but while modernisation has certainly been the gist of India's Planning Commission activities for some 50 years, my use of the term has been more cultural. I have viewed modernisation as a communication process wherein traditional peasant populations acquire and use more education and more information about the nation-state in which they live. As a result their orientations towards the outside world change, and their attitudes towards urban Indian culture raise new possibilities in their minds. Modern sports and 20th century forms of entertainment, pre-eminently television, cinema, and film music, have become very attractive. The films not only offer one a mental escape, but suggest new fashions in dressing, behaving, travel, housing, being employed, and relating to the opposite sex. A result of this exposure is urbanisation, a change in values which favours the employment, shopping, social life and general ambience associated with cities. Its practical effect has been a move to the towns by some of the most educated, most progressive, most employable and competent young and middle-aged people. The relative wealth of this new local elite or 'new middle class', if I may so designate it, has been invested in houses in town, equipment for those houses, private English-medium schooling for their children, cars and motorcycles, and modern styles of clothing and furniture. The change is certainly an irreversible process. This is not to say that everyone who wants to get modernised must move to a town, but they will adopt many of the urban-oriented values just referred to, even if still living in a village out of preference or necessity.

The modernisation of these people has been different from that of the western world, and indeed of other parts of India, for it has not been dependent on industrialisation so much as on the commercialisation of agriculture and plantations. Only a small minority of male Badagas in the sample villages have been working in local factories. Clearly modernisation means more than just getting a steady job in industry. It is participation in the mass media of the nation – viewing films frequently, reading newspapers and magazines, listening to radio or watching

TABLE 1: FACTORS LEADING TO A DEMOGRAPHIC TRANSITION

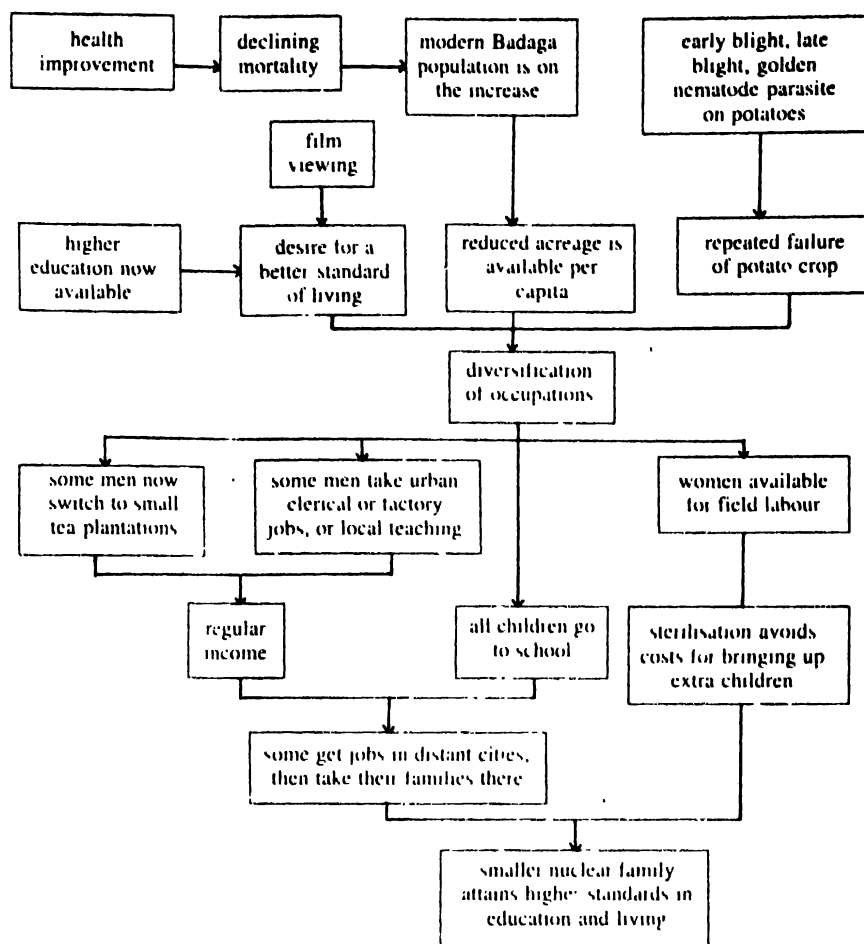


Table 2. Ranking of Four Villages on Certain Criteria Associated with Modernisation

	K. y Odeyaratti	O rana y i	Hulla da	Ke ti Toreke rri
<b>Communication factors (1990)</b>				
Distance from town by road	2	1	4	3
No of years with village school	1	2	3	4
No of viewers per television set	1(159)*	2(104)	3(57)	4(49)
No of telephone lines in village	0	0	1(3)	2(14)
No of villages with marriage ties	2(17)	3(19)	4(47)	1(11)
Village-exogamous marriages	1(57.1)	4(99.2)	4(97.9)	4(98.0)
<b>Population size (in 1990)</b>				
No of households	3(65)	3(65)	4(127)	1(26)
Mean size of household	1(4.88)	2(4.77)	3(4.51)	4(3.77)
Percentage of nuclear households	3[82]	1[66]	3[82]	4[88]
Increase in no of households	4[132]	1[38]	3[74]	2[63]
Greatest longevity	4	3	1	1
Increase in absolute population	4[75]	3[46]	2[38]	1[26]
<b>Fertility</b>				
Masculinity ratio (1990)	3(0.8)	1(1.1)	2(0.9)	4(0.7)
Child-woman ratio (1990)	4(204)	1(407)	4(204)	2(355)
Reduction of the child-woman ratio	4[66]	1[20]	3[60]	2[36]
Generation length (1963-1990)	2(26.0)	3(26.7)	1(24.5)	2(27.4)
No of fertile years, younger women	1(11.5)	3(8.2)	4(7.9)	2(9.4)
Years reduction from older women	1(2.0)	3(6.9)	4(8.3)	2(2.7)
No of items of rank 4	5	1	7	7
No of items of rank 3	3	7	6	1
No of items of rank 2	3	3	2	6
No of items of rank 1	6	6	3	4
Ranking score (r)	41	37	53	47

Notes \* Rank order is given first, then particular values are in parentheses. Square brackets are percentages.

television. It is attaining a sufficient level of education to obtain 'white collar' urban (and preferably government) employment and, in the case of young women, to attract a well-employed groom. And it is shopping in town or visiting, even studying in, modern cities.

These aspects of modernisation turn the eyes of the youth away from farm-work, which is easily seen today as dirty, tedious, unrewarding and low-status. In the Nilgiris, tea is at least a better prospect than traditional agriculture, if a family owns some land, and it can then produce green leaf with the labour of cheaply hired pluckers rather than family members. Whether tea or vegetables are grown, the demonstrably shrinking landholdings do not require the numbers of family workers that they employed in previous generations. This fact, when combined with the shortage of good urban jobs, the high costs of bringing up children, and the receding need to produce extra sons to replace those who might die in childhood, goes a long way towards explaining the much reduced fertility over the past generation among the Badagas. All of these factors were certainly understood by the Badaga womenfolk – whether educated or not, and they did something about the situation.

Long-available school education, and recent participatory use of several mass media, have combined to propel the Badaga community towards modernisation. While men tend to have more education, more urban contacts, and greater multilingualism – as is true throughout most of Asia – it is the slightly schooled body of Badaga women who in 1963 (according to my survey) saw India's future lying in industrialisation; who have opted for modern medical practices; and who, by agreeing to sterilisation after one or two children, have over the past two decades begun to take control of their fertility and hence play a more central role in the future of their families. Any development worker or public health official who thinks that in a patrilineal society it is the males who will always be 'in control' of attitudes and developments should take note of this finding.

The effects of this recent change have been widespread in Badaga society. The child-woman ratio has dropped appreciably, and with lower fertility and lower infant mortality the toll on women's health has lessened and their life expectancy increased. A partial switch from potatoes and other farm crops to tea has also had a similar effect, by much reducing the number of days that Badaga women would be labouring in their fields. With fewer

children per family, college education has become more accessible to teenagers, especially as several undergraduate colleges were opened in the Nilgiris during the course of this study. The employment, lifestyle, and longevity prospects of the younger generation thus look brighter than they ever did before.

#### HOUSEHOLD ECONOMICS

How can we generalise from the Badaga case? Following from Leibenstein's work (1957, 1975), an economic theory of population decline has been developed which is generally called the cost-benefit approach. Its central assumption is that parents recognise that they derive some utility from their children (as a kind of consumer goods, as producers, and as old-age insurance); but also that they incur costs for the children. A principle thus emerges which balances the benefits, which generally decrease with economic improvement, against the costs which regularly increase. This principle qualifies the desired number of children.

Bahniskha Ghosh has usefully summarised household economics approach to the family that was proposed by an American economist:

T W Schultz (1974) has noted four interrelated developments: (i) investment in human capital that treats children as a form of capital in which parents make investments and derive future satisfactions; (ii) allocation of human time in decisions with respect to market and non-market activities where bearing and caring for a child are highly labour-intensive activities for the mother, (iii) the household production function that treats market goods and household time as inputs in the production of the true object of utility within the family, and (iv) treatment of the family as the decision making unit with regard to both consumption and household production of goods and services including children. The dominant characteristic of this approach is the treatment of time of the members of the family as a scarce resource, the implicit value of which ultimately determines the point of equilibrium for the family's decision-making process [Ghosh 1990:20].

If the central concern of economics is the allocation of scarce resources among competing ends so as to maximise utility, then the household with which my recent study grapples is an economic microcosm in the sense that it is the locus of decision-making over generations, concerning forms of investment of time and income and the production and rearing of children. Even the organisation of the funeral is changing in response to the economic exigencies

and time constrictions of the modern household and its employment pattern. So far as declining fertility is concerned,

The new home economics has been successfully used to explain the phenomenon of demographic transition. A decline in infant mortality would have inverse repercussions on desired family size since parents would be expected to derive greater satisfaction the longer a child survives, thus generating greater demand for children.

However, at the same time, a decline in child mortality, raises the costs of 'child quantity' relative to 'child quality'. The net effect not only depends on the production conditions within the household but also on the perceived importance of child quantity relative to child quality, and as such needs to be diagnosed through empirical applications of the new home economics [Ghosh 1990:21].

Is this the mechanism by which Badagas have recently been shifting from a *Gemeinschaft* to a *Gesellschaft* type of society [Tonnie 1957:248-49]? We can see in Table 1 the beginnings of the demographic transition among the Badagas, but should use caution in reading that table.

It would be tempting to explain these changes as a demographic sequence whereby one demographic change compelled another. It is probably true that declining mortality has to a considerable extent allowed fertility decline and to a lesser extent the rise in the age at female marriage, but in neither case has it been the cause. The truth seems to be that a range of demographic changes occurred at much the same time neither because of close interrelation nor because of coincidence, but because they are all products of massive social and economic changes during the last half-century [Caldwell et al 1988:255].

Caldwell (1982) rejected the universality of the demographic transition, but focused on the differential value of children. On the basis of research he had done in West Africa, he postulated that an examination of wealth flow within the family is critical for understanding the value accorded to children at any given time. He observed African tribesmen to prefer more children in their families since benefits flowed from children to their parents, especially the elderly. Thus, so long as the labour of children and their support of the parents remains possible, the value of sons remains high and so does fertility. Badaga proverbs were quite clear about the traditional demographic situation: 'If a girl is born she's useless; if a boy is born he's an asset' [Hockings 1988:148, no 154a]. But one

was not enough: 'Is one eye an eye? Is a single son a son?' [Hockings 1988:149, no 157a]. Also, 'Girls are a disappointment, but the eldest son [is like a] hearth' [Hockings 1988:151, no 162]. Some proverbs extolled the joint family: e.g., 'Who has been spoilt by living in a joint [family]? Who has flourished after partition [of the family property]?' [Hockings 1988:340, no 656a]. No doubt all peasant societies cherished such attitudes: an ancient Chinese writer, for example, advised, 'Raise sons for old age, pile up grain for times of famine' (*Yang er fang lao; ji lian wei huang*). With the Badagas, such attitudes are now past; and the direction of vertical flow of care and services within the household has recently reversed itself, from upwards to downwards.

Namboodiri systematised Caldwell's ideas about wealth flow in a series of hypotheses (1986): (1) it is only if the family becomes nucleated that fertility will decline; (2) industrialisation is not a necessary precondition for fertility decline; (3) fertility decline starts with the reversal of direction of the inter-generational wealth flow, which in all traditional peasant societies has been from the younger to the older generation. All three features have been found true of recent Badaga household life, now that their hallowed attitudes about the family have altered. Many sons were called for when there was high infant mortality, and everyone worked on the land; but no longer. One Indian study concluded ominously that in order to achieve a 95 per cent probability of having one son survive to adulthood, a couple would need to produce six children [May and Heer 1968].

The Badaga village economies have not been industrialised, in part, because local farming does not lend itself to mechanisation in the way that it had to in the vast tracts of Australia, the US, Canada, the Ukraine, Russia and Argentina that fed the newly developing countries of the west. There will be no great growth of machinery sales and repair shops in an area of small landholdings like the Nilgiris. Even tea, the main plantation crop, which is now harvested by machine on flat land in Japan, will continue for long to be plucked by human labour on the Nilgiri Hills (just as it is in China and Assam). It makes no economic sense to bring in costly machinery when labour remains so readily and cheaply available, and wholesale tea prices so depressed. But one can use cheap cooly (non-Badaga) labour, without involving one's wife and sons in the tedious fieldwork of a small tea plantation.

A change in values about household organisation and size is not just a response to changing economic conditions, but is an acknowledgement that the quality of life today is different. Thus, generalising from his African study (done just prior to the Karnataka one, 1988), Caldwell wrote:

From the demographic viewpoint, the most important social exports (from western Europe) have been the concept of the predominance of the nuclear family with its strong conjugal tie and the concept of concentrating concern and expenditure on one's children. The latter does not automatically follow from the former, although it is likely to follow continuing westernisation; but the latter must be preceded by the former [Caldwell 1976:356].

In this regard, following from the discussion of mission schooling in my book, one must ponder whether the example of the German, Swiss, British and westernised Indian (missionary and schoolteacher) families in the Ke:ti Valley area in the last century already suggested an alternative approach to child raising for local Badagas; it was certainly very visible. I conclude that these people became a significant reference group and avenue for modernisation, though without prompting mass conversions: barely 4 per cent of Badagas are Christian today.

#### CONCLUSIONS

My original purpose in choosing four sample villages located within a tiny, confined historico-geographical zone yet containing four different phratries was to hold environmental factors constant and find out what cultural effects were manifested in the vital data. An answer should now be sought. One way of doing so might be to rank the four Badaga villages in terms of their response to certain salient features of modernisation; from most traditional (1) to most modernising (4) in Table 2.

This is without question a somewhat impressionistic way of evaluating degrees of modernisation. The items listed on the left of the table are not independent variables but to a considerable extent entail each other and are reflections of the same things, population growth and modernisation. Nonetheless, several significant conclusions may be drawn from this rank ordering, even though it does not permit of sophisticated statistical analysis.

(1) Ranking is different for five of the six 'communication' factors tabulated, suggesting there is no strong correlation between accessibility of schooling, accessibility of a town, number of villages with which there are marriage ties, amount

of village exogamy, whether there are telephones, and the possibility of television viewing.

(2) Certain rankings are correlated; thus number of viewers per television set correlates with mean size of household and number of years the village has had a school: the lower the increase in the village population, the larger the mean household size, and the greater the number of people per television set.

(3) The greater the percentage increase in the number of households in a village (1963-1990), the greater is the percentage reduction in the child-woman ratio.

(4) The masculinity ratio, which should be lower where female children have better survival rates, is inversely correlated with the percentage of nuclear households in a village: the higher the percentage of nuclear households, the lower the masculinity ratio.

(5) On questions of fertility reduction, we find that the lower the child-woman ratio, the lower the number of fertile years of the younger women (born since 1930), the greater the reduction in those fertile years as compared with the older women (born before that date), and the greater the number of villages with which they have marital ties.

(6) Overall – and rather impressionistically – I conclude that O:rana:yi is perhaps the most conservative or traditional of the four villages; yet it is no less modernised than the other Lingayat village, Ki:y Odeyaratti. Both lacked telephone service and had fewer television sets in 1990. To some extent the degree of modernisation of each village is in inverse proportion to its traditional social ranking. The result is that large Gauda village scores highest, while the 'minority groups' all score lower, and the two Lingayat villages – highest in social status – rank lowest of all. The Toreya village, traditionally considered as lowest, ranked quite high on the scale. If one considers only the factors headed 'fertility', the ranking is the same. This implies that modernisation entails a process of social levelling. Is the end of caste differentiation in sight?

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# Fiscal Federalism

## Towards an Appropriate VAT System for a Federal Economy

S Gurumurthi

*The paper analyses the current division of responsibility between the centre and the states with regard to commodity taxation in its historical perspective and the efforts initiated during the last 15 years to introduce the VAT in place of union excise duties at the central and the sales taxes at the state levels. It offers an alternative VAT model for India based on certain principles applicable also to other federal economies planning to introduce the VAT.*

The politics of the time is going towards fragmentation, while the economics is towards integration.

– Paul Kennedy

SEVERAL federal countries – Argentina, Austria, Brazil, Canada, Columbia, the Federal Republic of Germany, and Mexico – levy a VAT. The VATs of Argentina, Austria, Germany and Mexico, are all centrally-controlled with revenue-sharing arrangements between the federal and provincial governments. It has been the experience that the VAT in a federal economy presents several difficult issues, which have their repercussions on the sensitive federal-state political relations. That the only three OECD countries which still have not switched over to the VAT – Australia, Switzerland and the US – are all federations is also significant. While there do not seem to be any legal proscriptions against the federal government adopting a VAT despite the fact that to date general sales taxes have typically been the domain of the states, there could be difficulties in administering a federal VAT in conjunction with the states' retail sales tax systems (RSTs). The simplest solution, according to Tait (1988), is to entrust the administration and collection of the VAT either with the states or with the federal government and then use a formula to share the revenue between the central government and the states. If this is unacceptable owing to the loss of fiscal autonomy, then a federal VAT might have a state VAT 'piggybacked' on it. Tait holds that as a model for other federal countries, the German VAT illustrates the need for agreed federal and state legislation on base, structure, and rates and once established, the formula for splitting the proceeds may be the most clear and least contentious method of revenue distribution. He, however, hastens to add that even the limited flexibility in recent years (1987-88) of the federal-state split from 68/32 to about 70/30 in Germany was not achieved without considerable disagreement and concludes that in a federal system

where the states try to retain more discretion over their own exemptions, rates, and revenues, the system would not work. While the system may be working satisfactorily in Germany, it should be appreciated that fiscal federalism issues still stand in the way of a smooth switch over to a national VAT even in an industrial country like Canada, not to speak of the problems associated with introduction of the VAT in developing country federations.

This paper analyses the current division of responsibility between the centre and the states in India with regard to commodity taxation in its historical perspective and the efforts initiated during the last 15 years to introduce the VAT in the place of union excise duties at the central and sales taxes at the state levels and offers an alternative VAT model for India based on certain principles which are applicable to other federal economies which would like to introduce the VAT. The paper is organised in four sections. Section I describes the evolution of the current system of commodity taxation in India. Section II deals with the incidence of indirect taxes in India. Section III covers the various measures taken to reform the system of commodity taxation during the last 30 years. Section IV presents an alternative model of VAT for India, though the principles on which it is formulated apply in equal measure to other federal economies as well.

### I

#### Commodity Taxation: Historical Perspective

In the field of commodity taxation, the Constitution of India has assigned the powers of customs and excise taxation to the central government with the exception of excise on alcoholic liquor, while the states have been given the powers of sales taxation. It is necessary to elaborate the nature and import of these two levies, namely, the union excise duty by the centre and the sales tax by the states. While there is no essential difference between the two

from the angle of incidence on the consumer, it has to be recognised that the two taxes are neither identical nor interchangeable and that there are some basic differences between the two different levies.

In the first place, an excise is a levy at the production point whereas a sales tax is levied on a commodity at one or more points of sale or purchase between the stages of production and final consumption. If there is only one stage at which any particular commodity completes its production process, the incidence of an excise duty should theoretically be only at one point. Since, however, the component parts of the commodity could have themselves been subject to excise duty, an excise duty on the final product could in practice involve a multiple duty on the components unless the duty is based on the value added components only. It was with a view to eliminate cascading in the incidence of excise duty that the government of India introduced the MODVAT some time in 1985. The MODVAT has been dealt with in detail later in this paper. In the case of sales, the same commodity might pass through various stages of sales, making itself susceptible to sales tax at more than one point, depending upon the system of the sales tax levy. While an excise duty ends at the production point and does not take into account, even indirectly, elements of cost that are incurred after the production stage, namely, freight, insurance, distribution charges and the like, a sales tax is on a much more comprehensive concept of cost and touches not merely the cost at the production point, but also subsequent elements including profits and the excise duty itself.

The excise duty in India, being a union levy, does not differentiate between one region and another and is uniform throughout the country while the sales tax structure and the rates of sales taxes differ from state to state. Again, while most of the excise duties are specific, sales tax are ad valorem levies with the result that during a period of high inflation, the sales tax yield automatically goes up, other things

remaining the same. In certain countries where excise duties are exclusively reserved for the centre, the levy of sales tax by states has been held to be unconstitutional on the ground that they are substantially the same as excise duties. Similarly the question has also been raised whether the *ad valorem* excise duties are not really sales taxes. Despite all these similarities, both taxes have "distinguishing features" and both have "a positive place in a comprehensive system of taxation and are expressly mentioned in our Constitution" [Gol 1965].

During the last 50 years, union excise duties and state sales taxes have expanded substantially exhibiting phenomenal growth and buoyancy. In 1950-51, the aggregate yield from the two levies was roughly Rs 1,280 million, representing 1.3 per cent of the national income during that year. By 1963-64, this figure went up to Rs 9,980 million, accounting for 5.8 per cent of the national income. By 1989-90, it rose to Rs 3,74,660 million accounting for 10.57 per cent of the national income. Among the tax receipts of the union government, the excise receipts occupy the most dominant position and account for 43 per cent of the total tax receipts of the centre as compared to 16.3 per cent during 1950-51. Taking all the states together, the yield from state sales taxes in 1950-51 was around Rs 600 million, accounting for 27.5 per cent of the aggregate state taxes. During 1991-92, the sales tax revenue represented around 54 per cent of the total yield from state taxes. In the structure of the state finances, the position of sales taxes is broadly similar to union excise duties in the case of the union finances, though the relative importance of the sales tax differs from state to state. Sales tax is the single largest source of revenue to almost every state in India, accounting for about 60 to 70 per cent of the states' own tax revenue in the case of several states. That the share of sales taxes in the total revenue of the centre and the states has increased from 12 per cent in 1960-61 to about 21 per cent at present bears eloquent testimony to the growing importance of this tax. As a percentage of the total tax revenue of the states including their share in central taxes, the share of sales tax increased from 26 per cent in 1960-61 to around 38.5 per cent in 1989-90. Most of the states levy tax on raw materials as well as other inputs. Sequel to the amendment to the Constitution in 1982, sales tax has become leviable on work contracts, hire purchases and leases. Among the various incentives offered by the state governments to encourage growth

of industries, sales tax concessions either as deferrals or concessional rates are quite significant. Such concessional rates of sales tax or exemptions are available for small scale and tiny industries in nine states and medium and large industries in twelve states. In addition to the general sales tax, another peculiar feature of the Indian fiscal system is that interstate sales are also liable to be taxed by the states of origin. Despite a ceiling of 4 per cent for the rate of Central Sales Tax (CST) laid down by parliament, tax export on account of this tax is substantial: while, on an average, nearly 18 per cent of the states' sales tax revenue is accounted for by the CST, the shares of certain individual states are quite high: West Bengal (35.2 per cent), Haryana (33.9 per cent), Maharashtra (28.3 per cent), Madhya Pradesh (23 per cent), Punjab (22.6 per cent), Karnataka (20 per cent) and Tamil Nadu (12.8 per cent). The origin of the CST and the need to do away with this tax have been dealt with in Section III.

An important feature of the Indian sales tax system is that sales taxes are applied extensively at the first stage of the sale in any state – a phenomenon which has contributed to the maximum amount of cascading as the first point sales tax is levied *ad valorem* on the price of a commodity that includes the excise duty paid into the central exchequer at the last point of its manufacture. Though this is somewhat similar to the practice in Canada, the element of cascading in Canada is not that large as the provincial sales taxes in that country are on retail sales only. Another peculiar feature of the Indian sales tax system is that while the sales tax is leviable on all commodities inclusive of inputs and capital goods, services are excluded owing to the constitutional limitations. These characteristics have contributed to "complexity, lack of transparency, distortions in economic decisions and inequities in interjurisdictional division of tax bases. It is increasingly felt that these problems cannot be solved without harmonisation" [Bagchi 1997].

## II

### Incidence of Indirect Taxes

A study carried out by the National Institute of Public Finance and Policy, New Delhi as late as 1994 made the following observation about commodity taxation in India [see Bagchi 1997a].

The system (of domestic trade taxes) that is operating at present is archaic, irrational and complex – according to knowledgeable experts, the most complex in the world. It interferes with the free play

of market forces and competition, causes economic distortions, and entails high costs of compliance and administration.

In this connection, the findings of a study of indirect taxes in India conducted by Pawan K Aggarwal from the National Institute of Public Finance and Policy, New Delhi are quite significant. The study, covering the incidence of major indirect taxes, both central and the state taxes, attempts to estimate effective tax rates of major commodity taxes in India for the fiscal year 1989-90. The major findings of the study are as follows [Aggarwal 1998]:

(i) The total effective rate of taxes varied between 3-40 per cent for most commodities; (ii) For essential commodities, the rate varied between 3-12 per cent; (iii) The effective tax rate for services like construction, electricity and transport was about 10 per cent; (iv) On an average, sales tax accounted for the highest burden, exceeding 5 percentage points of the effective tax rate; union excise duty and customs duty accounted far less than 5 percentage points; countervailing duty generally did not account for more than 1 percentage point, reflecting the availability of tax credit against the MODVAT; (v) Effective tax rates reflected substantial input taxation, more than 30 per cent of the total for most commodities, and even 100 per cent for iron ore and some services; (vi) Even though services were not taxed directly, the 10 per cent effective tax rate on them mentioned above was due to input taxation; (vii) While the contribution of sales tax in input taxation was the highest, the contribution of union excise duty was also quite substantial, followed by the contribution of customs duty. The contribution of countervailing duty, however, was rather low; (viii) Tax incidence on consumers in rural areas (11 per cent) was slightly lower than in urban areas (12 per cent); (ix) While the distribution of the burden of indirect taxes was progressive in both rural and urban areas, it was more pronounced in rural areas; the distribution of the burden of individual tax components was also progressive; and (x) The effective rate on food items was lower than on non-food items; that on cereals was lower than on other food items.

The major conclusions of the study have been summarised below:

(i) Given the high incidence of input taxation, there was an imperative need to reduce the same. It was expected that this would be achieved as the coverage of MODVAT was expanded; (ii) Given the high incidence of input taxation, the states should also move to a credit mechanism

in their respective sales tax structures; (iii) A VAT rate of 4 per cent on cereals and pulses would be equivalent to their current tax burden from the sales tax. For many other products, the equivalent VAT rate would be 14 per cent.

### III Reform Efforts

The first effort toward reform of the system of commodity taxation in India was taken in 1965 when the Fourth Finance Commission was given a term of reference by the Government of India to measure the combined incidence of the union excise duties and state sales taxes and the effect of their incidence on production, consumption or export of the commodities taxed, examine the possibility of determining the proportion that the combined money burden of union excise duties and sales taxes bore to the sale price of each commodity. The Fourth Finance Commission found that even this limited study bristled with several difficulties: while excise duties were mostly in terms of specific rates, sales taxes, being *ad valorem* levies, created the problem of converting the excise rates to *ad valorem* rates. "For the same commodity, excise rates differed for different categories, whereas in the case of sales tax there was no such differentiation in general" [Gol 1965]. Further there was so much diversity in the system of sales tax levy from one state to another that the question of bringing them to a uniform scale was a job in itself.

The commission noted that wherever the sales tax rates were on the basis of a single-point levy, the problem was simple while these rates were in terms of multi-point, double-point or a combination of various systems, the conversion of these levies into single-point rates created several problems. The commission also observed that the total incidence of the excise duty and sales taxes on manufactured commodities might also have to include the incidence of excise duty and sales tax on their components: the determination of this multiple incidence was not always easy. The commission found that the states were not in a position to furnish data regarding the total value of sales and total sales tax collections under each item. Had this data been made available, the problem of converting other levies into single-point levies might have been far easier, the commission felt. For these reasons, the commission found it difficult to pursue even the limited study of the proportion that the money burden bore to the price in each excisable commodity.

Even if the commission were able to determine the proportion that the money burden of the two taxes bore to the total price of a commodity, it might not have taken them far in relation to the main task before them since the commission had to assess the effect that money burden had on production, consumption or export of a commodity while the factor of taxation had a bearing on the price of a commodity and in the commission's view, this was no more than "one out of a host of important factors". According to the commission, unless they were in a position to undertake for each excisable item detailed cost-analysis studies of the type that were usually undertaken by the Tariff Commission, they would not be able to determine whether its production, consumption or export was being hampered on account of the excessive burden of either these two taxes or some other factors. In order to recommend any ceilings on sales taxes, the commission had not only to determine the combined incidence of the two taxes but also the separate incidence of each. The commission observed that even if data were available, it would be "analytically impossible to be precise about the effect of one or two variables when the number of variables was so large" with the result the commission found itself unable to undertake these detailed studies.

Certain states had represented before the commission that in judging the reasonableness of the restraint that a tax imposed on production and consumption, one had to keep several factors in mind: in the case of certain commodities it might well be the objective of the government policy to limit the growth of consumption and production and in the case of such commodities, no corrective action was called for. If the combined incidence of the two levies went to inhibit consumption of essential consumer items to the detriment of the living standards, corrective action had to be taken. Similarly, if taxation had an inhibiting effect on the production of intermediate and capital goods, it was definitely a matter for concern. Apart from the quantum of the tax there was also the manner of imposition and collection. If the taxes were levied or collected in a manner which would stand in the way of the efficient organisation and development of industry – if it would prevent the diversification or location of industry on rational lines or the organisation of procurement of raw materials or distribution of products in the most economic manner – there was a case for overhaul of the taxation scheme. In the

then prevailing situation this question was also important from the point of view of promotion of exports. Most states had assured the commission that so far this aspect was concerned, they themselves were very conscious of the need for exports and were devising suitable adjustments in sales tax levies with a view to reducing any disincentive effect that the sales taxes might have on exports.

With these observations, the Fourth Finance Commission proceeded to examine the manner in which better co-ordination between union excise duties and sales taxes levied by the states could be brought about. All the states had conceded the point that "unrestricted and un-coordinated taxation might affect production as well as exports and there was need for coordination between the tax policies of the union and the states". As to whether this co-ordination could be achieved through a system of ceilings on sales tax rates on certain commodities, combined with a financial sanction in the form of the possibility of a cut in the state's share out of union excise duties in case a state exceeded the ceilings, was a matter on which the states had expressed strong views.

The states drew the attention of the Finance Commission to the fact that "sales tax was the only elastic source of revenue left with them and any attempt to place restrictions on their freedom in this field of taxation would affect their capacity to raise resources and thus handicap them in relation to the requirements of the Fourth Five-Year Plan. Sales tax was essentially of regional application and was almost the only major fiscal instrument left with them for shaping their economic and industrial policy." The commission noted that the states had been using sales tax along with power tariffs for giving incentive to industry and trade and any dilution of their power in this respect would mean a setback to their efforts for encouraging the growth of industry and trade within their respective areas. It was felt that any ceiling on sales tax rates determined by the Finance Commission for a period of five years would remove the element of flexibility from the taxation system of the states and would "cut at the very root of the principle of states' autonomy, thereby, weakening the federal structure". It had also been contended that the "mechanism of adjustments in the share out of an item of devolution, depending on the observance of specified conditions by the states, might well be inconsistent with the constitutional provisions regarding sharing of taxes".

While union excise duties were not compulsorily divisible as per the constitutional provisions, it was argued that once a tax was made divisible according to a certain formula, it had acquired all the elements of a devolution item and any conditions imposed on the sharing scheme might not be legally valid. It had also been pointed out that the "linking of the shares of excise duties with the rates of sales taxes might run counter to the principles that a Finance Commission might decide for distributing excise duties". Certain states had expressed the view that between sales taxes and union excise duties, it was the latter category of levies, which in the case of the most of the commodities, imposed a higher money burden. According to them, if at all any restrictions were necessary, the proper course would be to place ceilings on excise duties. The Finance Commission noted that out of the 68 items which were then figuring on the excise list, the problem of co-ordination between excises and sales taxes did not arise in 19 items, accounting for 45 per cent of the aggregate excise revenue. Eight of these items, namely, cotton fabrics, silk fabrics, woollen fabrics, sugar, tobacco (unmanufactured), cigars and cigarettes had been exempt from the levy of sales tax under the scheme of additional excise duties in lieu of sales tax. In respect of four other items common to excise and sales tax lists, namely, cotton yarn, jute, steel ingots and pig iron, there was already a ceiling of 2 per cent on sales tax rates under the Central Sales Tax Act, 1956. Then there were certain other items known as 'special goods' in respect of which all the states were then uniformly levying a sales tax at the rate of 10 per cent. In fact the suggestion for this uniform levy had come from the central government and the states had accepted it. There were in all 15 items in this category out of which seven items, namely, motor vehicles, tyres and tubes, cycles and parts thereof, refrigerators and air-conditioners, wireless receiving sets, gramophones and certain iron and steel products were then in the excise list. In the case of these items, no upward revision had been envisaged in the near future, at any rate, since the then prevailing rates had been fixed in consultation with the centre, in future also the revision would be effected after mutual consultations. Thus out of 68 commodities, it was in the case of 49 commodities that the question of co-ordination between excise and sales tax arose. The states' view generally was that if on a proper study of the facts, it was found that in the case of a few selected items out of these 49, a

co-ordinated tax policy was called for. According to them, however, the proper course for such co-ordination was 'not the mechanism of a financial sanction in the form of reduction in the share out of a devolution item but a periodic exchange of views between the union and the states on problems of taxation and related subjects with a view to evolving coordinated lines of action.

It had been pointed out to the commission that there was no need to resort to a scheme of linking the share out of union excise duties with sales tax as the then existing powers with the union government under Article 286 (3) of the Constitution together with Section 14 of the Central Sales Tax Act, 1956 were adequate for controlling the upper limit of sales taxes in the case of such items as might be deemed to be of special importance. If such action was necessary and the states agreed, the union government could further enlarge the existing list, after providing for compensation to the states for loss of revenue rather than resort to a financial sanction of the type contemplated in the term of reference. Certain states had argued that a scheme of ceilings on sales tax rates would be inequitable as between industrially and commercially advanced states with a fairly large urban sector and the states which were predominantly agricultural. In the case of the former, the sales tax yield occupied a much more pivotal position in their finances than in the latter: if ceilings were imposed their finances would be more adversely affected than the finances of agricultural states. As against this argument, the commercially backward states had argued that the sales tax revenue on interstate sales accruing to the advanced states was largely paid by consumers in other states and that in the distribution of central sales tax – a source of revenue which the central government should have distributed on some equitable basis, the backward states had been discriminated against under the then existing arrangements according to which each state kept what it collected on behalf of the central government.

In view of the fact that adequate data for determining the combined incidence of the two taxes and their economic effects were not available, the commission could not proceed to the next stage, namely, that of fixing the ceiling and devising a formula for adjustment in the share out of the excises did not arise. The procedure for framing a scheme of ceilings on sales tax rates and for its implementation should be the same as in the case of additional

excise duties in lieu of sales tax. Both could be evolved by mutual agreement: their successful functioning again depended on mutual understanding. In view of what has been explained above, the commission did not recommend any scheme of ceilings on the sales tax rates of any of the excisable commodities and the question of suggesting a formula for adjustments in the share of the states out of union excise duties did not therefore arise. While the exchange of views between the states and the Finance Commission summarised in the above paragraphs gives a flavour of the reaction of the states to such issues affecting centre-state financial relations, it is important to keep the above observations and recommendations of the Fourth Finance Commission as a backdrop for the alternative model of VAT proposed in Section IV of this paper.

#### CENTRAL SALES TAX

In the foregoing paragraphs, mention was made about the central sales tax. This needs some explanation. The Taxation Enquiry Commission (TEC) of 1953-54, after studying the problems of the operation of the sales tax with respect to interstate sales of goods, recommended that a new law should be enacted for authorising the levy of a tax on interstate sales subject to a ceiling of 1 per cent, which the states would administer and also retain the revenue. In making this recommendation, the commission had rejected the principle underlying the then existing constitutional provisions relating to interstate trade taxation, namely, that sale of goods should be taxed only by the state where the goods are consumed, or the state of 'destination', and not by the exporting state or the state of 'origin'. As observed by Bagchi, it is a pity that the TEC, while recognising the role of the centre in regulating the tax on interstate trade, did not adhere to the logic which it had itself expounded in the matter of taxation of cross-border sales to unregistered dealers, namely, that the bulk of the revenue from such an origin-based tax should be passed on to the importing states.

Following the recommendations of the TEC, the Constitution was amended in 1956 to provide for the levy of the central sales tax (CST). Currently the CST stands at 4 per cent. Besides the inequity in tax base sharing, the trading community is obliged to pay the CST at several stages in respect of the components of a product manufactured in more than one state before their assembly. In order to avoid this, several business houses resort to the practice of setting up several branches with a view to get the parts as 'branch transfer'.

This phenomenon has prompted the states and the centre to contemplate levy of a consignment tax on which no agreement has been reached for the last 15 years. If India were to go in for the VAT in its true letter and spirit, there can be two opinions regarding dispensing with the Central Sales Tax.

#### VAT AND MODVAT

In order to minimise the cascading effects of excise taxation of inputs, the government of India, in 1985, introduced a modified form of excise duty called the MODVAT. Shome (1997) points out that unlike in almost all countries which have introduced the VAT – where the conversion of a turnover tax regime into a VAT was preceded by a year or longer of administrative preparation, computerisation and taxpayer education – in India the process has been one of iteration towards a VAT, both in terms of tax structure and tax administration. For example, the credit mechanism was introduced for a few commodities at the beginning, and its coverage was slowly extended to other commodities. In the following two or three years, the MODVAT was extended to cover practically all chapters of the central excise tariff except petroleum products, textile products, tobacco, cinematographic films and matches. This practice, according to Shome, is quite different from the usual model of including all goods under the VAT with a few exemptions and excluding small businesses under a threshold based on turnover. The fact, however, remains that MODVAT is not a value added tax in the real sense of the term: "The so-called Indian MODVAT is not a VAT at all, but rather a form of modified excise duty. The MODVAT is essentially manufacturing excise tax with credit allowed for excise duty and customs in a limited number of industries, introduced mainly with a view to eliminate the cascading effect of multi-point excise levies" [Tait 1988:30].

It is also necessary to know the background in which the MODVAT scheme was formulated. Chakraborty noted three measures attempted earlier for containing the inflationary impact on account of the excise taxation system: (i) In the production of an excised commodity, inputs belonging to Tariff Item 68 were rendered eligible for set-off. (ii) Within each tariff item the duty paid on inputs within the same item was made available as proforma credit. (iii) For several excised commodities provision was made for duty relief for specified inputs.

It was, however, found that this approach of selective concessions coupled with exemptions granted through more than 500 notifications had only led to several complications in tax administration. Due to the predominance of sales tax as the single most important source of revenue for most of the states, any assessment of the distribution of the tax burden among different sections of society had become extremely difficult. It was in this context that the MODVAT was formulated "as a theoretically appealing way of providing set-offs for taxation of inputs." The L K Jha Committee on Indirect Taxes (1978) had also recommended the levy of such a tax on manufactured goods. However, it has to be recognised that "as long as credit is given only for excise duty and additional duty customs paid for inputs and not for general customs duty, relief in the MODVAT would not be available to certain category of producers like automobile manufacturers who depend largely on imported goods".

Under the MODVAT scheme, union excise duties on most manufacturing goods have been converted to incorporate a credit mechanism for taxes paid on inputs. Apart from reduction in the number of tax rates, credit is available for tax on raw materials as well as capital goods. Further the earlier requirement of matching inputs with particular outputs has been eliminated. Shome (1997:8-12) distinguishes the following features about the Indian MODVAT system:

(i) It is the general experience that whenever a cascading domestic consumption tax structure is converted into a VAT which essentially allows input tax to be credited, a revenue neutral VAT rate is calculated and introduced. While this has happened in most countries which have gone in for the VAT, and has necessarily implied an increase in the tax rate on the end product since crediting of input tax implies a decline in revenue at least in the short run, in the case of India, however, crediting of input taxes has been introduced *pari passu* with a scaling back of end product tax rates over the last decade.

(ii) When a production-type VAT, with crediting only of raw material tax and not of capital goods tax, is converted into a consumption-type VAT with crediting of all input tax, including on capital goods, the change typically takes place over 3-5 years as in the case of Columbia and Turkey. In India, however, it was a once-for-all change in 1994-95, followed by a broader interpretation of the application of rules in 1995-96.

(iii) The removal of the matching re-

quirement of inputs with outputs for crediting purposes starting from 1995-96 would have a negative impact on the MODVAT revenue.

(iv) Though the number of rates was brought down to twelve in the 1997-98 budget, the tax structure is still replete with multiple rates and exemptions, making the MODVAT administration relatively difficult, necessitating detailed cross-checks which are strenuous to pursue.

(v) Although credit is given for taxes paid on capital goods, the post-tax price of capital goods is used for the calculation of production value for tax purposes at the next stage. This continues the cascading element in the MODVAT.

(vi) Interpretation of what is a creditable capital good is based on a positive rather than a negative list, leading to representations from industry and delays in receiving credit.

(vii) While most countries which have introduced the VAT with only a few rates typically also have a few excise taxes levied on the value of production rather than on the value added such as on petroleum products, tobacco products and alcoholic drinks and sometimes even on electronic gadgets and white goods, in India, the transformation process of the excise structure into the MODVAT has almost eliminated the traditional excises. This, according to Shome, partially explains why the excises suffer from multiple rates, since higher rates are necessary for otherwise traditional excises.

(viii) Services have been neglected from inclusion in the VAT base. While powers to levy tax on certain services like entertainment and advertisements, other than in newspapers or the electronic media, are conferred on the states, the centre has started taxing the services sector by invoking its residuary powers under the Constitution. Bagchi has rightly pointed out that the criterion of 'neutrality' requires that services be brought under taxation through the VAT and not in the form of a stand-alone tax. Since service providers operate mostly at the retail level, it would neither be practical nor possible to bring it within the ambit of a manufacturer level VAT like the MODVAT.

Since the MODVAT has not been followed up by a similar system at the state level in sales taxation, the MODVAT could at best be viewed only as a step towards adoption of a full-fledged VAT in India and not a VAT in itself, while introduction of a full-fledged VAT in India would seem to present "numerous administrative and constitutional difficulties, including the

vexed question of union-state relations" [Tait 1988:30]. It should also be recognised that the prevailing sales tax system in India is based on the origin principle which allows the retention of revenue in the producing state. As pointed out by Shome (1997:15), a switch-over to the destination principle which would allow revenue to accrue to the consuming state and would approximate the central principle that the vat should be a consumption tax, would be difficult to introduce in India since several industrial states might stand to lose revenue.

In the wake of liberalisation, tax reform is one of the key elements of the economic reform process in India. The Tax Reforms Committee (TRC), headed by Rajah J Chelliah, in its Interim Report (1991), observed that it would be ideal if one comprehensive VAT could replace the present system of central excise, states' sales taxes and other indirect taxes except the state levy on alcoholic liquor and the state entertainment tax. However, it is the translation of this theory into practice in the context of fiscal federalism as it operates in India, makes it an extremely difficult and delicate task. International experience has shown that a successful implementation of the VAT will require determination of the VAT rates by the centre and that a centrally determined VAT should replace the cascading turnover sales tax levied by states. It goes without saying that introduction of the VAT in India is almost impossible as the states would not be willing to give up even part of their exclusive powers of sales taxation. Further it would be a Herculean task to convince the states about the superiority of the VAT over the first-point sales taxes because whatever experience the states so far have had in such matters cannot be considered satisfactory to lure them into a value added tax system. For example, in pursuance of an agreement reached between the centre and the states at a meeting of the National Development Council in December 1956, it had been decided that the centre would levy additional excise duties on cotton fabrics, woollen fabrics, rayon or artificial silk fabrics, sugar and tobacco in lieu of sales tax on the commodities earlier levied by the states with the states agreeing to abolish sales tax on these commodities. Under this tax-rental arrangement, the entire net proceeds from the additional excise duties in lieu of sales tax are to be distributed to the states on the basis of recommendations of the Finance Commission every five years. States have expressed their unhappiness with this arrangement both

with regard to the method of its implementation by the centre and the scheme of redistribution recommended by the Finance Commissions.

While the Ninth Finance Commission was given a term of reference to examine the possibility of merging additional excise duties in lieu of sales tax with basic excise duties, not only were the states unanimous in opposing the proposal but the Finance Commission also strongly recommended against any such move. The commission found that much of the opposition against the proposed merger could be traced to the manner in which the tax rental arrangement was being implemented by the centre. For instance, it had been decided at a meeting of the National Development Council as early as in December 1970 that within a period of two to three years the proceeds from additional duties of excise in lieu of sales tax should achieve a level of 10.8 per cent of the value of clearances and the ratio between the yields from basic duties of excise and additional excise duties on these commodities was intended to be brought up to 2:1. The commission noted that while the latter commitment was fulfilled in recent years, the former one which was required to be done within three years of the meeting of the National Development Council in 1970, still remained to be realised. Apart from the fact that the government of India did not fulfil its promises with regard to realisation from this levy, it had unduly expanded the coverage of the goods by resorting to definitional changes precluding thereby more items from the levy of sales tax and many commodities were also subjected to 'nil' rate of duty. These commodities, therefore, were free not merely from the levy of additional duties of excise but also escaped the liability to sales tax which the states were prevented from imposing for fear of forfeiting their share in the proceeds from additional duties of excise. The Ninth Finance Commission not only did not recommend the merger of additional duties of excise with basic duties of excise, but also proposed that the revenue loss suffered by the states on account of the exemptions of additional duties in lieu of sales tax allowed by the central government should be estimated. The National Institute of Public Finance and Policy (NIPFP) which was entrusted with this responsibility found that states were losing revenue on account of exemptions in the case of khandasari sugar, certain items of textiles like rubberised textiles, knitted or crocheted fabrics and fabrics of man-made materials coated or filamented with preparation of LDPE. The NIPFP

study established that the centre had increasingly mobilised revenue from yarn and the raw materials of yarn through empirical evidence for the decline in yield from the basic excise duties on fabrics and increase in the yield from yarn. The NIPFP study had strongly recommended that the divisible pool of the additional excise duties in lieu of sales tax should take into account the central tax base of raw materials, yarn and fabrics lest the centre should derive exclusive benefit from the base. Several states have also expressed their reservations regarding the economic criteria selected by the Finance Commissions for the horizontal redistribution of the proceeds from the additional excised duties in lieu of sales tax among the states. While many states have favoured sales tax collections in the respective states as the basis of redistribution, the adoption of criteria like net state domestic product and adoption of the 1981 population figures by the Ninth Finance Commission as against the 1971 population figures stipulated in the terms of reference have left several states dissatisfied with the scheme of redistribution too. Going by such experience, it should not be surprising if states view any move to introduce the VAT at the national level not merely as an attempt to encroach upon their exclusive powers of sales taxation but could even question the alleged superiority of the VAT over the sales tax system.

Earlier in the paper, it was stated that the VAT could also be looked upon as a multi-stage tax which produces a burden equivalent to that of a single stage retail sales tax. That it is the first point turnover sales tax which causes the maximum amount of cascading in the absence of any provision to give set-off for the tax paid at production point in the form of either excise or MODVAT both of which are central levies is fundamental to any attempt at a design for a national VAT for India. In most of the states, sales tax is levied mainly at the first point known as the single point sales tax. The tax is thus collected from the importers, manufacturers or the wholesalers. The only states still having multi-point tax on a few commodities are Karnataka and Kerala.

The TRC, in its final report, recommended an admixture of the VAT, namely, MODVAT at the centre extending to most commodities and rationalising sales tax system at the state level. It recommended that a value added tax, namely, the reformed central excise system, should be extended to the wholesale stage, wholesale stage being defined as traders who buy from manufacturers and sell to other



manufacturers or traders. The TRC observed that they should be subject to the VAT in addition to excises payable by the manufacturer and that only the value added at their hands should be subject to tax and the manufacturers who buy from these wholesalers should also be able to obtain credit for the tax paid earlier. According to the committee, this would provide adequate safeguard against the attempts at undervaluation by the manufacturer to reduce excise liability which is the cause of many disputes in excise besides capturing the value added at the hands of the wholesalers. The TRC recommended that the VAT at the wholesale stage could be collected by the states' sales tax department concerned in close co-operation with the officers of the central excise department and the amount of the VAT collected could be allowed to be retained by the state where it is collected: "This central VAT can be levied with the co-operation of the states who can be persuaded to accept this levy, because their own right to levy the sales tax on goods will no way be circumscribed, and at the same time, they will get the entire revenue from the VAT at the wholesale stage" [GoI 1992].

The above recommendation of the TRC should be appreciated in the context that the first-point sales tax is of a cascading type and no credit is available to the wholesaler for the excise or MODVAT already paid since the states cannot be expected to give credit for a tax paid into the central exchequer. In this connection, it needs to be mentioned that the moment a product leaves the manufacturing point after completion of the production process in all respects, the central excise duty regime ends and all subsequent transactions should only be deemed to be sales and they can be subject only to sales taxes and not to any form of central excise duty like a central VAT although this might be collected and retained by the states as per the recommendation of the TRC. This particular recommendation of the TRC therefore is not sustainable as per the existing constitutional provisions. Further, it should also be recognised that nearly 80 per cent of the sales tax revenues of the states come from excisable commodities. This will give an idea of not only the dimensions of the cascading involved in the first-point sales taxation and the problem of introducing a true value added tax devoid of any cascading element. It is true that several states like Andhra Pradesh, Kerala, and West Bengal have introduced the credit principle on a diverse set of commodities, particularly inputs for manufacture, following the MODVAT scheme

of the central government. Maharashtra state was the first one in India to take a bold initiative to introduce a VAT in its true spirit covering the entire spectrum of manufacturing and trading in the state. Besides extending relief for manufacturing inputs, the intermediate dealers, namely those selling goods purchased from registered dealers, called 're-sellers', who were not liable to pay sales tax have also been brought within the purview of the VAT in Maharashtra. Bagchi, who recently undertook a study of the operation of the VAT in Maharashtra, is highly appreciative of the bold steps taken by the state in pushing through the VAT despite the risks involved for revenue growth [Bagchi 1997]. Preparations for the possible introduction of the VAT on a wider scale are going on in Delhi, Karnataka, Madhya Pradesh and Tamil Nadu in the form of training officials and feasibility studies. Nevertheless, the VAT, in its true spirit, cannot be realised in India unless a lasting solution is found for removing the cascading element in the first-point sale taxation.

Another fundamental issue to be addressed is the question of commodity taxation at two levels, the central/federal and the provincial, in large countries. While a VAT is levied best at the national level, after a study of the experience of Canada, Bagchi has concluded that the above option is not open to a federation where the subnational governments derive a major portion of their tax revenue from the sales tax. Bagchi goes on to make the following sweeping observation, of course on justifiable grounds: "What comes out loud and clear from the Canadian experience is that domestic taxation of commodities at two levels cannot be carried on entirely independently" [NIPFP 1994]. This is the same view expressed by other experts like Bird who have held that no country has yet been able to work out a satisfactory way of operating sales taxes independently at two levels of government [Bird 1994]. Bagchi suggests a concurrent VAT at two levels of government, namely, both the centre and the states, but integrated in the sense that the base will be laid down at the national level while allowing the states to fix the rates. The states could have flexibility in determining their base too but departures from the national base should be kept to the very minimum and decided in consultation with the centre. A study by the NIPFP (1994) recommended a manufacturer's VAT and the centre and state sales taxes converted into a destination-based VAT as an interim solution.

Burgess, Howes and Stern (1993), while conceding the fact that international ex-

perience with the VATs in federations reveals widespread usage of central VATs, with collection by states under the supervision of the centre and revenue-sharing, feel that it is difficult to avoid the conclusion that, from the point of view of federal politics, this option is a non-starter for India. According to them, the alternative would be to have the centre reducing rather than expanding its role in indirect taxation. Under this option, the centre would retain only a small number of high revenue-yielding excises and the states would then administer their own VATs to replace the current system of sales taxes and to replace union excises on many goods. According to these authors, the option of a system of state VATs is likely to be politically attractive to the states since most of the states could be expected to prefer to collect the tax revenue themselves rather than be dependent on the centre. Pointing out that the proposal to make the VAT a state tax would be at odds with the prescriptions that the central MODVAT should be further developed and that the centre should assist the states with the transition from sales tax to the VAT, the authors clarify that in their view, the state-run system of VATs could only be considered a long-term option and that 'in the short run, a dual VAT is almost certainly the only way forward in the development of value added taxation in India' [Burgess, Howes and Stern 1993].

The above recommendations suffer from certain shortcomings apart from practical difficulties in their being implemented. In the first place, the authors have proposed this model drawing parallel to a similar proposal under consideration in Brazil at that time. Brazil, however, as observed by Norregaard (1997), besides offering an example of a VAT assignment system that is generally believed to have had detrimental effects on economic performance, also provides empirical evidence of the difficulties of co-ordinating and administering a VAT levied at the subnational level, with the state level VAT on inter-state transactions being levied on an origin basis at a lower rate than on transactions within the state, giving rise to significant distortions and administrative difficulties. All three levels of government are assigned taxing powers on consumption, but with different tax systems, and with the tax covering the widest base, the VAT-type ICMS assigned to state governments and not to the federal government. Further, a large fraction of the federal government consumption tax (the IPI) is transferred to lower levels of government under a tax-sharing arrangement. This particular



design is believed to encourage tax competition between entities of government and to foster tax evasion, which is further exacerbated by a large number of tax rates and exemptions. Some of the shortcomings of the ICMS were eliminated in 1996 through a major tax reform. Following the 1996 reform, which zero-rated all exports and introduced a credit for capital goods, the federal government has proposed a more comprehensive reform, which would replace the present ICMS and IPI with both a federal and a state level VAT, levied on the same tax base and at homogeneous rates for interstate as well as intra-state transactions. It has also been proposed that this tax should be levied on a destination basis. Although the proposed mechanism, as pointed out by Ter-Minassian, is in principle compatible with different arrangements for the sharing of revenues among the states, any move from the current origin principle is bound to have a significant impact on the distribution across the states of their major revenue source, entailing losses for states that are net exporters to the rest of the country and gains for those that are net importers. Expressing serious doubts on mustering the political consensus required for the constitutional amendment needed to achieve this objective, Ter-Minassian (1997) recommends that a more practical solution would be to replace the existing system of sales and excise taxes with a more standard VAT with a single rate or two rates, levied at the federal level on a broad base including services, with the proceeds shared with the states and municipalities on a derivation basis, and complemented by a narrow range of excises.

Secondly, the model of Burgess and others envisages that in return for decentralising the system of VATs to states, the centre might also be able to negotiate a number of binding agreements with the states in relation to the harmonisation of bases and the simplification of rate structures. Further they have proposed that agreement of the states to submit to a central, though possibly state-controlled, regulatory tax agency would also be desirable.

In the light of the history of fiscal relations between the centre and the states elaborated in the foregoing pages, it is highly doubtful whether these recommendations would be acceptable to the states and even if there is broad agreement among major states, harmonisation of the rates and uniformity in application may remain a distant dream. Further, even the authors conclude that while the combination of

central excises, state VATs and an end to vertical revenue sharing would only be long-term option, a dual VAT in the short run is inevitable [Burgess, Howes and Stern 1993].

#### IV Alternative Model

There is a broad consensus in the literature on fiscal federalism that the VATs are appropriately assigned to the central level of government. This dictum, according to Norregaard, rests on the fairly extensive administrative capabilities required to operate the tax, a requirement that is generally best met by central governments in combination with the need to make the VAT neutral with respect to the spatial allocation of production and consumption, implying that – generally – the VAT should conform to the destination principle [Norregaard 1997:65-66]. Further, a subnational VAT system would pose problems with regard to which provinces or states should receive the revenues from the VAT on imports, and which should bear the burden of the VAT refunds on exports. Following this kind of reasoning, Norregaard concludes that comprehensive VATs should be left solely with the national governments. Further experience with federations, particularly large federations at that, has shown that any system which involves commodity taxation at two levels, namely, federal and provincial, cannot ensure implementation of the VAT in its true spirit. In this connection it is necessary to study the recent developments in the European Union and Canada, which represent a major departure from the traditional approach to the federal VAT.

##### CROSS-BORDER TRADE: EU EXPERIENCE

The main reason why the VAT was originally adopted as the required form for general sales taxation in the European Union was its advantage in implementing the destination principle with respect to cross-border trade. As observed by Bird and Gendron (1998), only with the value added form of sales tax could member countries be sure that imports were fairly treated in comparison to domestic products, and that exports were not subsidised by over-generous rebates at the border: "It is thus somewhat ironic that the best way to apply VAT to cross-border trade within the EU has been a matter of considerable debate since the beginning. This issue has not yet been resolved."

From the Neumark Report (1963), with its recommendation for the eventual adoption of the origin principle for intra-EU

trade, through such major contributions as Cnossen and Shoup (1987) to the recent proposals of the European Commission (1996), tax experts have put forth a variety of solutions to the perceived problems. Nevertheless, one has either resolved the issue or achieved full acceptance. Despite the arguments advanced in favour of the origin principle of applying a VAT within a country or the European Union, the authors feel that 'the case for the destination principle clearly wins the day. The conditions of wage and exchange rate flexibility needed to avoid substantial distortions in production efficiency if different jurisdictions levy different rates under the origin principle seem unlikely to be satisfied in most federal states, let alone the EU. According to Keen and Smith (1996), the destination method is both more compatible with independent taxation of consumption and, in practice, less likely to result in important economic distortions.

At present, the EU applies the destination principle using 'the deferred payment' method (Cnossen and Shoup, 1987). Exports by firms in one member country A to registered traders in other member countries are zero-rated in A without border clearance being required. Such sales are therefore treated in the same way as all sales outside the EU. In contrast to imports from non-EU countries, however, imports by registered traders in A from firms in other EU member countries are not taxed at the border. Instead, importers in A in effect pay the VAT on imports at country A's rates on their own sales since they have no input tax credits to offset against the tax due. The system works on a self-assessment basis: importers are supposed to declare their imports compute the VAT that would be due, and claim credit for that VAT, all in the same return. The effect is that the VAT is collected on imports only when they are resold or incorporated in goods sold by the importing firm, since imported inputs, unlike domestic inputs, will not generate offsetting input tax credits at that time.

The authors observe that the system may be contrasted with the 'clearing-house' method under which the VAT would be charged on exports by the exporting state, with a credit allowed for this VAT by the importing state as for any other input VAT, but at the tax rate imposed by the exporting state. Revenue accounts would then be balanced between states either on a transaction basis or more likely as in the recent European Commission proposal discussed below, in accordance with consumption statistics. The authors

note that the deferred payment system, which in effect puts reliance on private sector accounting subject to VAT audits, appears to work as well as or better than explicit public offsetting of accounts. This is particularly so because, since 1993, exporters who zero-rate sales to other member countries have been required to quote the VAT registration number of the buyer. Keen and Smith see at least three problems with the deferred payment system as it now operates in the EU: (1) the sustainability of revenues in the face of cross-border shopping, (2) the asymmetrical treatment of trade within and between member states, and (3) problems in cross-border audits, which must rely on the inevitably weak reed of interjurisdictional information exchange.

The authors hold that although there seems to be little evidence of significant revenue loss from cross-border shopping in Europe, problems may arise with respect to such high-taxed excise products as motor vehicles. Further, there has been greater concern on the growing phenomenon of 'distance sales' through mail-order and electronic commerce. Still Keen and Smith (1996) conclude that the special schemes now in place in EU countries probably deal with these problems about as well as can be done. There are three such schemes: (1) distance-selling (for example, mail-order), under which firms engaged in such business must charge VAT on the destination basis once their turnover exceeds a specified threshold; (2) vehicles are subject to tax in the country of registration; (3) firms otherwise exempt from the VAT are subject to VAT on the destination basis once their imports exceed a specified threshold. Similar provisions apply with respect to subnational VATs in Canada and have been recommended to deal with problems of interstate trade under the state retail sales taxes in the US. Although there is no simple uniform way to deal with all cross-border shopping problems under any destination-based sales tax, in practice this defect has not yet given rise to serious problems in terms of either revenue or compliance costs, as discussed below.

In order to deal with the second problem they see with the present EU system, namely, the asymmetrical treatment of trade within and between member states, Keen and Smith (1996) propose the introduction of a special 'harmonised' (uniform) rate of VAT (VIVAT, in their terminology) to be applied to transactions between registered traders, while leaving member states free to impose different rates on final sales. From one perspective,

according to Bird and Gendron, this proposal may perhaps be viewed as a sort of uniform 'Euro VAT' imposed at the pre-retail stage, in the sense that it is Europe-wide and uniform and not in the sense that all or any of the revenues accrue to the EU. Bird and Gendron (1998) observe that from another perspective, however, the Keen and Smith (1996) scheme in effect rectifies one asymmetry, between trade within a member state, and trade between member states, by creating a new one, between sales to registered taxpayers and sales to final consumers. According to the authors, this scheme opens the door to a new form of fraud, since sales to registered tax payers are taxed at a lower rate. Under the system now operating in Quebec, Canada appears both to avoid this problem and to provide a good basis for cross-border audits, while retaining most of the advantages of the Keen-Smith proposal.

The most recent proposal from the European Commission (1996) takes a very different tack. Emphasising the complexity and defects of the way in which the present VAT system attempts to deal with cross-border problems with respect to firms operating in more than one member country, the commission proposes a 'common' VAT system which would look very different from either the present system or the Keen and Smith proposal. As Smith notes, the commission's proposed system has five interlocking elements: a uniform base and virtually uniform rates; extensive administrative co-operation; a single place of taxation for every business within the EU; the extension of the 'chain' of VAT credits to include cross-border transactions; and, finally, the allocation of VAT revenues among member states on the basis of aggregate consumption statistics.

Bird and Gendron (1998) note that in many respects, this proposal is essentially equivalent to the VAT now operating in several small Canadian provinces under the system of the "harmonised sales tax (HST)". As the authors feel that this degree of 'commonality' is neither necessary nor desirable in Canada, it seems even less likely to be a viable basis for the separate countries that make up the EU. Like Smith, the authors think that a more satisfactory approach to the problems with the current regime may be found in less sweeping changes that would leave member states with considerably more fiscal autonomy.

#### CANADIAN EXPERIENCE

At the present time, as Bird and Gendron note, Canada may be the most interesting

country in the world for sales tax aficionados. The country has ten provinces, with five distinct sales tax systems. There is a federal VAT, the Goods and Services Tax (GST), that applies throughout the country. In one province (Alberta), the GST is the only sales tax. In four provinces, namely, British Columbia, Saskatchewan, Manitoba, and Ontario, in addition to the GST there is a separate retail sales tax (RST) applied to the GST-exclusive tax base. In one province, Prince Edward Island, the provincial RST is applied to the GST-inclusive tax base. In three provinces, namely, Newfoundland, Nova Scotia, and New Brunswick, there is a joint federal provincial VAT, called the harmonised sales tax (HST) and administered by the federal government at a uniform rate of 15 per cent. Finally, in one province, Quebec, there is a provincial VAT, the Quebec sales tax (QST), applied to the GST-inclusive tax base. The QST is administered by the provincial government, which also administers the GST in the province on behalf of the federal government.

Canada thus presents a variety of interesting situations: separate federal and provincial VATs administered provincially, joint federal and provincial VATs administered federally, and a federal VAT and provincial RSTs administered separately. Our discussion here, however, is confined to the salient features of the QST and HST, which are relevant to the main focus in this chapter.

#### QUEBEC SALES TAX

Though the Quebec sales tax (QST), which is the VAT imposed by the province of Quebec and Canada's federal GST are both broad-based taxes on consumption, there are certain differences between them, though they have become much less at present compared to the time of their initial imposition in 1991. While the GST is levied at a single rate of 7 per cent which applies to most taxable goods and services consumed in Canada, the QST now also has one general tax rate of 7.5 per cent which is applied to the price of the good or including the GST, so that the combined rate is 15.025 per cent. Though the QST initially imposed had two different rates for goods and services and a number of differences in base from the GST, most significant differences between the GST and the QST have disappeared. For example, although there is still no QST on books, the tax is now eliminated by giving an instant rebate following payment of the tax. While the administration of this rebate

has led to complicating the system, this approach, according to Bird and Gendron (1998), permits the preservation of a uniform VAT base for both federal and provincial taxes while allowing differential treatment at the final consumer level.

The major difference between the two tax bases relates to input tax credits. Certain input tax credits for large firms that are allowable for GST are not allowable for QST. The government of Quebec was supposed to eliminate all such restrictions initially by November 1996 and then by March 1997. In fact, however, the government announced in its March 1997 budget that it intended to maintain those restrictions for an indeterminate period, presumably for revenue reasons. Despite this minor hitch, it could be claimed that the QST and GST constitute an operational 'dual VAT' system. The rates of the two taxes are set quite independently by the two levels of government. Though essentially the same, the tax bases are also determined independently. Further from the beginning, the GST in Quebec has been administered along with the QST by the province, that is, the province collects both taxes at the same time and then turns over the federal share to the federal government. Such arrangements have long been common in Canada in the income tax field, although the agreed single administrative agency has always been the federal government, and they have applied in Quebec. According to Bird and Gendron, no problem has been reported with such collection arrangements, regardless of the direction of the revenue flow.

Taxes on interprovincial sales from one business to another are basically handled by a deferred payment system very much like that now applied in the EU as 'transitional' regime. Exports from Quebec, whether to another province or another country, are zero rated. Imports into the province from another province, or abroad, are taxable, but the tax is only assessed on interprovincial imports when there is a sale by a registered importer to consumers. This system is essentially the same as that now applied in the EU, with, however, the critical addition of the overriding federal GST as an enforcement mechanism. Interprovincial sales to final consumers, as the EU, give rise to problems. In principle, non-registered persons are required to self-assess the QST on imports for private consumption or for use in exempt activities. As in the EU, some special regimes apply for certain high-value items and in other cases.

With respect to audits, Revenue Canada, the federal tax agency, establishes certain

audit priorities. Once the final audit plan is agreed upon by the *Ministère du Revenu du Québec* (MRQ), MRQ then carries out the audits, reporting back to Revenue Canada with respect to additional assessments, appeals, and so on. Since the QST is applied to a GST-inclusive base, the Quebec government obviously has some incentive to monitor the GST as well as the QST. Although Quebec cannot directly monitor, say, a zero-rated export sale to an Ontario firm to ensure that such a firm actually exists, the normal process of federal GST audit to some extent serves as a cross-check to ensure that QST has not been evaded. The existence of a federal sales tax in a sense thus monitors interjurisdictional sales within the country for purposes of provincial as well as federal taxes. On the whole, according to the authors, the system appears to be functioning well, with each agency appearing to place reliance upon the competence and integrity of the other.

#### HARMONISED SALES TAX

In April 1997, the federal government of Canada and the governments of its three small and fiscally dependent eastern provinces, Newfoundland, Nova Scotia and New Brunswick, harmonised the federal GST and the sales taxes of those provinces in what is called the harmonised sales tax (HST). The basic elements of the HST include the replacement of the previous separate federal and provincial sales tax systems with one harmonised VAT; a combined federal-provincial rate of 15 per cent in the three participating provinces; and a single administration of both federal and provincial sales taxes by the federal government. The new combined rate consists of the 7 per cent GST and an 8 per cent provincial tax (applicable to a base excluding the GST), for a total HST rate of 15 per cent. This new combined rate is significantly lower than the previous combined rates of 19.84 per cent in Newfoundland and 18.77 per cent in the other two provinces. The federal government and the participating provinces share total tax revenues on the basis of province-specific consumption patterns, in accordance with allocation formulae to be developed jointly by the federal government and the provinces.

Revenue Canada administers the harmonised tax under a comprehensive tax co-ordination agreement for the administration of sales taxes in each province. As with the QST, exports to other provinces are zero-rated. At the same time, however, unlike the QST, GST registrants in other provinces selling to

anyone in the HST provinces must charge HST on such sales. HST registrants making such purchases may then claim credit for this tax, but final consumers or exempt purchasers will have to bear the full tax whether they buy from in-province or out-of-province sellers. Purchases across international borders are subject to HST on import. Like the GST, complex rules determining the 'place of supply' are intended to bring to tax many cross-border service supplies and to remove any tax inducement to cross-border shopping.

According to Bird and Gendron, the federal government's apparent objective in persuading the small provinces to adopt a common HST system was to have both a common base and minimum variation in rates, preferring them to lie in the 14-15 per cent range. In practice, all the three provinces have imposed a 15 per cent rate. The authors note that in terms rather like those used in the recent EU proposal of 1996, the federal government's justification for this approach was that a common sales tax base and rate would yield significant savings in compliance costs for business and administrative costs for governments. According to them, the economic rationale for requiring uniform rates across provinces is weak since, as demonstrated with the QST, there are no significant costs in imposing differential provincial rates on final sales in a destination-principle sales tax. Further, there are good economic and political reasons for permitting rate differentiation to meet specific revenue needs, preferences, and the like. The HST thus unnecessarily hinders provincial autonomy in the sales tax field. At the same time, the authors point out, it has tied the federal government's hands since it cannot change either the base or the rate of the tax without the unanimous agreement of the affected provinces [Bird and Gendron 1998].

According to Bird and Gendron (1998), the HST, in some ways, is clearly superior to the initial 1991 agreement between the federal government and the government of Quebec and the important policy differences which initially plagued the Quebec deal are not present. Nonetheless, it is far from clear that the HST is superior to the QST-GST system as it has evolved over the years and currently operates. Given the presence of the GST at the federal level, some harmonisation in federal-provincial sales tax systems appears to be necessary. The authors suggest three principles to achieve sound harmonisation: (1) harmonisation should lead to simplification of the sales tax system, so that compliance and administration costs and the

related efficiency losses are minimised; (2) harmonisation should respect provincial autonomy by allowing provinces to choose a sales tax rate that may differ from the federal sales tax; and (3) there should only be one agency to administer and collect the sales tax.

The authors point out that the harmonisation agreement with Quebec respects provincial autonomy but initially failed to achieve the other two principles. For example, auditing rules in Quebec used to depend upon whether the business was headquartered in that province or not. At present, however, Quebec's sales tax is more or less fully harmonised with the GST, and all three of the principles stated above are more or less satisfied. In contrast, the HST agreement satisfies the first and third of those principles but clearly restricts provincial tax autonomy. From the perspective of those provinces signing the agreement, presumably the financial benefits received were worth the loss of tax freedom, but it is hard to see why any of the larger provinces would buy into this deal.

Holding out that a centralised VAT seems neither a realistic political possibility nor a desirable outcome given the current assignment of taxing powers in Canada, the authors feel that the federal Quebec harmonisation agreement, as initially implemented, was not a good model because of the many differences in the base; but neither is the recent agreement between the federal government and the three Atlantic provinces, which comes at the cost of a significant decrease in provincial tax autonomy. The revised QST arrangement, the authors note, seems much closer to a good solution: there is a single (provincial) administration; there is basic conformity on all important aspects of the dual VATs that significantly affect compliance costs; and there is complete autonomy in rate setting (and, to a limited extent, even in granting exemptions to final consumers, if desired). Further, the authors add, as the recent Quebec budget demonstrated by maintaining restrictions on input credits for large businesses, there may even be room for bad but politically popular tax policy without damaging the general system. While this may not be good news for tax experts but it will, no doubt, be welcomed by governments.

According to the authors, Canada's present system, with some provinces harmonised and others not, of course provides some opportunities for tax arbitrage. There are also administration and compliance costs when businesses engage in cross-border trade. The same is

true of shopping and trade between bordering provinces with different sales tax regimes like either Quebec and New Brunswick or Quebec and Ontario. These problems will continue to create some pressure to harmonise on provinces which have not done so yet. If, for example, the authors note, Manitoba chooses to enter the harmonisation agreement, Ontario may face increased competitive pressure to harmonise since it will then be between two provinces with harmonised sales taxes and lower taxes on business inputs. Such considerations may speed up the harmonisation process in Canada.

The Canadian experience, according to the authors, suggests that a VAT can be imposed at the provincial level in a relatively efficient manner as long as business inputs are not taxed. Under their retail sales taxes, the provinces have traditionally taxed many business inputs, largely for revenue reasons: "Taxes hidden from the public are easier to get away with in a democracy, if inherently less desirable. Jurisdictions with net exports may tend to overtax in these circumstances (as often seems to be assumed in critiques of origin-based subnational VATs). Alternatively, they may tend to undertax, as assumed in the tax competition discussion, if they fear a loss of tax base." According to the authors, even with a VAT, business inputs may still be taxed to some extent (indeed, owing to the treatment of the financial sector, they almost invariably are), but such taxes are likely to be much less important than before the introduction of a VAT. In fact, as the authors note, the reduction of distorting input taxes is one of the main reasons favouring the VAT as a form of sales taxation.

The phenomenon of cross-border shopping, the authors note, makes it difficult for provincial governments to tax mobile populations. While cross-border shopping has hardly been a serious factor in geographically large countries like Canada with dispersed populations, this phenomenon could limit the scope for independent sales tax policy at the subnational level in smaller countries. While problems with 'distance shopping' on account of mail-order and internet remain even in large countries, the authors point out that applying what is in effect more or less the present EU system for treating cross-border trade works better within Canada than it seems to do in Europe, partly because the existence of the overriding federal VAT provides a verification mechanism that does not exist in the EU. "Indeed, both Canadian systems – the HST and the QST – may prove helpful in thinking about not

only the EU problems discussed below but also problems with subnational VATs in several large developing federations discussed earlier.

Bird and Gendron have shown that in the light of the Canadian experience, independent subnational (dual) VATs are feasible in the absence of border controls, and second, that in some ways it is easier to resolve some problems of cross-border trade when there is a dual VAT system, that is, when subnational VATs are matched by a national VAT which provides a substantial degree of control over interjurisdictional trade. The GST-QST system, according to the authors, has proved to be administratively feasible and capable of dealing satisfactorily with cross-border trade between registered firms while still providing all jurisdictions with considerable fiscal autonomy and avoiding arguments about who gets how much revenue. In the case of the EU, similar results might be achieved simply by retaining the present 'transitional' system, combined with more attention to intermember coordination of VAT application and administration, with no need for imposed rate uniformity and more freedom for local variations, especially at the consumer level, if desired. According to the authors, the basic condition required is that all parties concerned trust the quality of the administration in the other jurisdictions. If more weight is placed on reducing administrative and compliance costs and funds are available to offset revenue losses, something more along the lines of the HST system may be preferred. The authors feel that both approaches may perhaps be pursued simultaneously, with the stronger and richer units following the QST path and the smaller and poorer ones the HST path. Though problems with respect to cross-border shopping and distance sales through mail-order or electronic commerce will persist under any possible approach, the authors point out that 80 to 90 per cent of taxable trade takes place between registered firms, and Canadian experience demonstrates both that it is not that difficult to handle this trade in an economically and administratively acceptable fashion and that under the right conditions the existence of a central VAT (or its functional equivalent in terms of information exchange) may make it simpler to run subnational VATs.

The authors recommend the following two minor administrative changes in order to facilitate the implementation of a two-tier VAT system: (1) To include an appropriate location code in VAT registration numbers. (2) To include the VAT

number of both buyer and seller on the invoice. For such a system to work satisfactorily, the authors feel that there must be adequate exchange of information between both levels of tax administration, a process that can be greatly facilitated if both have VATs and hence a direct financial interest in its success. From this perspective, the authors note, it is immaterial whether there are actually two separate administrations or one; or, if there is one, which level operates it. According to the authors, a single central administration and a common base as in Canada's personal income tax system or the HST would probably be most efficient, but this degree of convergence is not essential: "What is critical is either a unified audit or a high level of information exchange between the provincial and federal administrations, as generally prevails in Canada under the QST." In the absence of a central VAT, the authors feel that it would be difficult to set up adequately functioning subnational VATs in the absence of a border control system.

According to the authors, Canadian experience suggests not only that there is no need to be excessively pessimistic about the possibility of decent subnational VATs but also that one helpful solution to some problems of cross-border trade may lie in the creation of a parallel tax structure of the country or union as a whole. They draw three conclusions from Canada: first, with good tax administration, independent subnational VATs on the destination basis are feasible; second, such VATs probably work best when there is an overriding central VAT on approximately the same base – and either (and preferably) both taxes are operated by the same administration or else there is very close co-operation, particularly in audit; third, since neither of the preceding conclusions depends upon which level runs both taxes (if there is to be one administration) nor upon the adoption of uniform subnational tax rates, a dual VAT structure may be made consistent with a wide range of administrative and policy sovereignty [Bird and Gendron 1998].

While the authors concede that two VATs may not be cheaper than one, they may, in their view, work better than seems generally to be thought, in part because each to some extent acts a check on the other, not least with respect to cross-border trade. The system of QST as well as HST suffers from two drawbacks apart from the problem of cross-border shopping. In the first place, there is really no need to have VATs two different levels and the system should work better if there is only one

agency responsible for the levy and administration of the VAT. In fact this is one of the principles stated by Bird and Gendron as we noted earlier. Secondly, the HST agreement, clearly restricts provincial tax autonomy. It may be seen that only three smaller provinces have agreed for this arrangement and not any of the larger provinces. It is doubtful if the states would agree to such restrictions placed on their powers by the centre. I am of the firm view that there is no need to have two types of VAT, one at the federal and another at the subnational level. In the light of the experience gained so far, it is desirable to vest commodity taxation only in one level of government and that has to be the central or federal government only. This would mean that the provinces or states will have to necessarily give up their powers of sales taxation. Apart from the political sensitivity of the issue, it should also be appreciated that the states or provinces would not be merely satisfied if the loss of revenue on account of surrendering their powers of sales taxation is adequately compensated by a generous revenue-sharing mechanism by the central or federal government. In order to assert their independence and supremacy, the states or provinces would like to enjoy certain powers of taxation, which they would like to put to the best use, without merely depending on a share in revenue from the central or federal government, as the case may be. The alternative model suggested in this paper rests on this principle.

If the states have to be persuaded to give up their powers of sales taxation in favour of the centre to enable the latter to introduce and implement the VAT by replacing the current system of commodity taxation at two levels, it could not be achieved by a mere, however generous or liberal it could be, revenue-sharing formula but only giving to the states some other powers of taxation in exchange, adopting a 'give and take policy', reflecting the true spirit of true federalism. This is the basic principle on which the alternative system recommended in this chapter is founded.

In the case of India, 65 per cent of the combined tax revenue of the centre and the states is raised by the centre, the balance 35 per cent being raised by the states. This 65 percentage share of the centre is made up of union excise duties (26 per cent), customs or taxes on international trade (21 per cent), corporate income tax (8 per cent) and personal income tax (7.2 per cent). The 35 percentage share of the states is composed of sales taxes (20 per cent), state excise (5.25 per cent) and vehicles taxes (3 per cent). The magnitude of the

proposed surrender of sales taxes to the central government for being merged with the union excise duties for transforming both the taxes into a full-fledged value added tax could be appreciated from these figures.

Among the central taxes, while the union excise duty, after its proposed merger with states' sales tax, will be transformed into a value added tax, the other major tax namely, customs duty or import and export taxes, should always be imposed by the national government only, "to reduce the possibility of introducing major distortions within the country through differential foreign trade taxes imposed by different jurisdictions" [Norregaard 1997:69]. The only two other major central taxes are the personal income tax and the corporate income tax. Let us examine the possibility of assigning any of these taxes to the states.

Most of the countries in the world assign the personal income taxes in their entirety or a large proportion of them only to the central government since it is used for stabilisation as well as redistribution. There are, however, exceptions to this practice which include the Scandinavian countries, Switzerland, the Baltic countries, Russia, and the other countries of the former Soviet Union. In the US, the income tax is levied both by the federal and the state governments and in some cases even by the city governments, while, in Canada, the central and provincial governments levy income tax. Incidentally, the US, Switzerland and to some extent, Canada follow the principle of 'concurrency' with regard to the levy of personal income tax. It is true that the more developed is a country the higher is the likelihood that individuals receive income from different sources and these income may be derived from different jurisdictions. This may move countries to prefer a global income tax system in which the different income sources are added together for each individual, which requires collection of information on personal income from other jurisdictions, with possibilities of tax evasion being large. In these circumstances, as observed by Norregaard, it is preferable to keep the global income tax base with the central government which is better equipped to acquire the necessary information. Since, however, the mobility of individuals and households tends to be less than that of business, the personal income tax, as pointed by Ter-Minassian (1997:9), is more suitable for partial assignment – through tax overlapping – to the sub-national, particularly, the provincial level. However, it is necessary that

the definition of the tax base should be homogeneous throughout the country and the rate differentials among sub-national jurisdictions be kept relatively small. In fact the system followed in the Nordic countries and Canada, where the provincial income tax is levied as a percentage of the federal income tax is definitely superior to a normal flat rate system, since the former increases the revenue elasticity of the subnational tax as the subnational governments will stand to gain in the event of increases in the income tax by the central government. Since international experience is in favour of allowing both the federal and the provincial governments to exploit the personal income tax, this is best achieved by permitting the states to 'piggyback' its income tax on the federal or central tax base.

In the case of India, the Constitution provides for levy of a surcharge on income tax, which is, however, not sharable with the states. It is suggested that the power to levy surcharge on personal income tax should be delegated to the states for their exploitation. Any move in this direction should be invariably accompanied by a corresponding reduction in the marginal rates of income tax. As a consequence, the share of central tax revenues to be devolved to the states might have to be reduced. While giving the power to the states to levy the surcharge on income tax would specifically favour the industrialised states, the states as a whole would have more flexibility. Here is a classic case of autonomy versus equity.

It should, however, be appreciated that giving the power to the states to levy the surcharge on income tax alone would not be enough to compensate the states for agreeing to surrender their powers of sales taxation. This takes us to have a look at the possibility of allowing the states to exploit the corporate income tax base on the lines of the system prevailing in countries like Canada and the US. According to Norregaard (1997:66), there is almost universal agreement that the taxation of larger business, and in particular corporate profit taxes, should be left to the national government and to provinces or states only where these are very large as in Canada.

The current experience with allocation is found in the US, Canada, and Switzerland. In the US, the 46 states that levy corporate income taxes use a factor formula to apportion income to its jurisdiction. Non-business income such as capital gains, royalties, dividends, interest, and rents may be taxed separately by the state if the income is earned in the jurisdiction.

However, some states apportion all sources of business and non-business income. The factors generally include sales, property, and payroll factors but they vary from state to state. Many states use an equally weighted average of payroll, sales, and property (the Massachusetts formula) but almost half of the states use some other variant, most often by putting twice the weight on the sales factor. Corporate income is measured by adjusting the federal definition for specific state provisions. Maximum rates of corporate income tax at the state level vary from 3.4 per cent in Indiana to 12.25 per cent in Pennsylvania, the average being about 7 per cent. State taxes are deductible from the federal corporate income tax. Though 46 states in the US impose corporate income taxes, the share of corporate income tax in total revenues of the states has declined in the recent years. In fact Michigan has replaced its corporate income tax with a value added tax, which differs from the value added tax elsewhere in the sense that it is based on the additive method. Under this method, the tax base is determined by adding wages and profits before taxes and debt service with certain adjustments.

In contrast, the Canadian system is based on a more harmonised approach for determining the amount of corporate income allocated to provinces. Partly this is driven by the tax collection agreements which the federal agreement has with seven provinces whereby the federal government collects provincial corporate income taxes at no charge and the provinces agree to use the federal corporate base for determining income. The provinces are free to set their own rates of tax and the federal government will administer on their behalf tax credits, namely, investment tax credits for manufacturing equipment or research and development, which reduce the amount of provincial tax owing to the province. Three provinces, Ontario, Quebec, and Alberta, collect their own corporate income tax. In fact these three provinces account for nearly 75 per cent of the provincial corporate income tax base in Canada. All provinces, including those that collect their own corporate income tax, use a common factor formula where equal weights on sales and payroll to determine the shares. Even those provinces which collect their own tax, use a base similar to federal base except for a few adjustments. The federal government provides a 10 per cent tax credit to make room for the provincial corporate income tax. In Switzerland, the cantons levy corporate income taxes on a progressive basis subject to minimum and maxi-

mum rates. The Swiss cantons may use their own factor formula and there is no consolidation of returns in Switzerland [Mintz 1998]. In Brazil, the states can levy a 5 per cent surcharge on the corporate income tax. The argument put forward by some of these countries is that the economy could benefit from state and local governments competing for industrial development, that local governments are entitled to recoup the cost of public services used by business, and that, in any case, many companies do most of their production and sales within a single jurisdiction [Bahl 1994:133-35].

If one is serious about introducing and implementing a value added tax in its true letter and spirit in India, the system of commodity taxation in vogue at present has to undergo a sea change into 'something rich and strange': the union excise duties of the centre and the sales taxes of the states have to be merged, the central sales tax abolished and the powers of commodity taxation fully vested in the central government to facilitate the transformation of the existing cascading taxes, namely the union excise duties and sales taxes into a full-fledged value added tax. This has to be invariably accompanied by giving the powers to the states to exploit personal income tax by 'piggy-backing' the central income tax base on the one hand and allowing the states to levy corporate income tax on the lines of the system prevailing in Canada and the US. Since the sales tax revenue accounts for as high 20 per cent of the combined tax revenue of the centre and the states, even the above dispensations alone may not be adequate to compensate the states for the loss of revenue which the states are likely to suffer. Therefore the shortfall has to be complemented by the traditional revenue sharing mechanism of the revenue from the new VAT. In order to ensure a fair share to the states, it would also be necessary to assign a suitable weight, say, 10 to 15 per cent, to the 'collection' or 'contribution' factor in the scheme of horizontal redistribution of the revenue from the new VAT among the states. In other words, part of the divisible pool of the new VAT revenue will have to be made available to the states on a derivation basis. This would be necessary since the loss of revenue of the states on surrendering the powers of sales tax to the centre will be directly proportional to the quantum of the revenue from the first-point sales tax bulk of which comes from the excisable commodities. Fine-tuning of the vertical as well as horizontal sharing of the new VAT revenue will have to be done carefully in



consultation with the states and the mechanism of the Finance Commission will be best suited for this purpose. While the above model has been specifically designed for India, the rationale of the model and the principles on which it has been formulated apply in equal measure to other federal economies which suffer from the system of dual level of commodity taxation and wish to implement a VAT.

For instance, we could apply the above principles to another federal economy, Canada, which is keen to replace the state retail sales taxes by a nationally administered integrated VAT. Canada has been finding it extremely difficult to secure the co-operation of the provinces to implement the national VAT. While three smaller provinces have introduced the HST Quebec is the only province which has harmonised its general sales tax with the federal VAT, other provinces still levy a general sales tax, which is a single stage tax collected at the retail level. These states not only have varying tax rates, but in the case of Alberta, there is no provincial sales tax at all. The existence of two widely different sales taxes imposes collection costs on business firms which are quite high and clearly unnecessary.

In the first place, it should be noted that on a national-accounts basis, as of 1993, federal government own-source revenues in Canada, were almost equal to own-account expenditures (just 1.1 per cent lower), while the provincial-local governments had own-source revenues 23.2 per cent below own-account expenditures [Clark 1996]. This vertical imbalance is a clear pointer just not towards the need for federal transfers to the subnational governments in Canada but also the need for the provinces to be provided with additional sources of resources.

In Canada, natural resources belong to the provinces as per the Constitution and therefore the provinces have access to royalties as well as tax revenues. The provinces derive large revenues from levies on natural resources, to capture their economic rents. Such revenues are rather unevenly distributed, going largely to the three western provinces. Eighty five per cent of all oil and gas is produced in one western province, Alberta and the natural resources are largely responsible for the differences in the fiscal capacity of provinces. At the same time, under the Canadian constitution, the federal government also has the authority to tax natural resources and the federal government's main source of revenue from oil and gas has been the corporate income tax. This division of powers, namely provincial ownership and

federal regulation, has been a source of intergovernmental conflicts in Canada [Clark 1996]. The Canadian authorities may consider negotiating with the provinces by offering them powers of taxation of natural resources in exchange for their agreeing to implement the national VAT.

In the final analysis, the experience gained in several federal economies, irrespective of the fact whether they are developed or developing, has established fairly beyond doubt the undesirability of subjecting commodity taxation to two levels, the federal and provincial, particularly in the context of introducing the VAT. While it is considered necessary to entrust the entire field of commodity taxation to the national government which is best equipped to implement the VAT, the redistribution of the powers of taxation between the central/federal government and the states will depend on the situation and circumstances prevailing in each country and that no generalisation may be possible with regard to assignment of specific taxes to the states. International experience has shown that both personal and corporate income taxes are good candidates for partial assignment, particularly in large federations but the same cannot be said about a tax like the one on natural resources. Similarly, while property taxes have been traditionally assigned only to the subnational governments, the system is somewhat different in Brazil, where urban property is taxed at the municipal level, while the federal government levies and administers the tax on rural property. This may be a possible area for reform in the event of Brazil wishing to develop a model based on the above principles. Therefore it may be necessary for each federal country to evolve its own system by applying the above principles.

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## ECONOMIC AND POLITICAL WEEKLY

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Director S L Shetty

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October 9, 1999

## Indian Agriculture: From Marrakesh to Seattle

The Agreement on Agriculture (AOA) is one of the major agreements signed in the Uruguay Round in Marrakesh in April 1994. Since agriculture was being brought under the new rules of the world trading system for the first time, it was provided in the AOA itself that the agreement should be taken up for detailed review before the end of the millennium. So agriculture will come up for discussion in an important way at the Seattle meeting at the end of next month. What are India's interests and options with respect to the AOA? What should India put on the negotiating table? **2931**

## China: Two Eras and After

The legacy of the last 50 years of the People's Republic of China comprises two decades of revolutionary mass mobilisation, two decades of reforms and a 'lost decade' in between. While there can be no turning back, as the Chinese continue to hurtle on the Dengist road of market reforms, they will have to pause somewhere, sometime to figure out exactly where they are headed. **2906**

What has been the impact of reforms on the Chinese health system and how is China responding to the situation? **2908**

## Poverty in Pakistan

In Pakistan over the last decade growth has slowed down markedly, development and social sector spending by the government has been slashed, inflation has gathered momentum, manufacturing sector growth has been exceptionally low and remittances have fallen to their lowest level in 20 years. In other words, all the factors which may have had a positive influence on poverty alleviation have deteriorated. Poverty in Pakistan is therefore likely to grow and persist well into the future. **2943**

## Raniganj Coal Crisis

The decision to close down 64 'uneconomic' collieries under the Eastern Coalfields will render 72,000 people unemployed besides damaging the economy of the Raniganj coal belt and could also be the first step towards privatisation of coal mining. **2952**

## Right to Development and NGOs

Transparency, accountability, effective participation and equality of access are essential to the exercise of the economic, social and cultural rights which are integral elements of the right to development. Civil society organisations working on different issues for different interest groups, separately or in combination, have a historic role to play in this context. **2920**

## Dalit Feminism

Cultural revolt is essential but it needs to be invoked in every aspect of everyday life as well as in relation to access to natural resources. Caste oppression began by denying access to these resources and so it is essential to reclaim them. **2964**

## Free Speech

Intolerance of dissent from the orthodoxy of the day has been the bane of Indian society for centuries. But it is precisely in the ready acceptance of the right to dissent, as distinct from its mere tolerance, that a free society distinguishes itself. **2898**

## Media and Kargil

For the Indian media Kargil was big news. But what was the subtext of the pages and pages of print? Are we indeed as well informed about the conflict as the media blitz would imply? **2917**

## Getting Smaller

The emergence of some small single-caste parties in eastern UP is indicative of the failure of the larger parties to effectively represent or bond with certain social interest groups which are no longer content with being the vote-banks of the larger parties. **2912**

## Child Health Initiative

Vitamin A deficiency has only recently been acknowledged as a major public health problem in India. Orissa has initiated a new programme that will ensure that young children are adequately protected from the consequences of vitamin deficiency **2914**

## Community and Identities

Questions of identity and culture had perhaps never been so important for the social science disciplines of sociology, anthropology, history and even geography as they are today. **2957**

## Liquidity Strain

With government borrowing threatening to exceed last year's record level, the pick-up in demand for commercial credit and the slackening of bank deposit growth, the signs of liquidity strain in the latter half of the year are unmistakable. **2899**

## LETTERS TO EDITOR

### Third Millennium: Dawn or Dusk?

TODAY, AD 1999, as we celebrate to welcome the new millennium, let us not forget that this is year 5760 in the Hebrew calendar, and about the same age by the chronicles of ancient China, Egypt and India. Let us also recognise that while the arrow of time flies irreversibly in one direction, history is about to repeat itself, first it was a tragedy, but now possibly it would be, not a farce, but surely far less entertaining. But are we aware of it?

Storm clouds were gathering over the horizon in the early hours of the second millennium. In November 1095, Pope Urban II summoned the knights of Europe to launch the First Crusade. He was expecting a conventional military campaign, but got a mass movement on his hands. Within months hordes of men, women, children, priests, foot soldiers and knights set off on the adventure.

One of the first armies to leave Germany for Jerusalem attacked all the Jewish communities along the Rhine Valley in 1096, the first of many pogroms on the way by the Crusaders. What ensued was totally outside the calculation of the enterprising Pope. What happened thereafter all through the second millennium, especially during the dark days of the second world war, was inconceivable.

As the curtain falls on the fading millennium we see the triumph of humanity. On September 8, 1999, John Cardinal O'Connor, Archbishop of New York, sent an inspiring and courageous letter to his many Jewish friends. He acknowledges "the pain inflicted on the Jewish people by many of our members over the last millennium". "We most sincerely want to start a new era", the Archbishop writes. "I ask this Yom Kippur that you understand my own abject sorrow for any member of the Catholic Church, high or low, including myself, who may have harmed you or your forebears in any way". The letter was published in *The New York Times* of September 19, 1999.

There are alarming press reports of drum-beats in the name of 'holy war' in south Asia, one of the poorest parts of the world. Will the tragedy of the second millennium be replayed here and now? It can possibly be stopped if the gurus, imams, archbishops, rabbis of India, mindful of the dangers of communal

carnage, seek mutual reconciliation and 'start a new era'.

Archbishop John Cardinal O'Connor has shown the way.

RANJIT SAU

Newark, NJ, US

### Ill-Treatment of Indian Diplomat's Maid

THE controversy surrounding the Indian diplomat and his maid in Paris is getting to be more and more curious. From the beginning when the story first broke out, the response from the Indian government, that is the ministry of external affairs, has been aimed at protecting the diplomat instead of finding out what actually happened.

In a way it is not a novel story. In fact, in the recent years there has been a spate of stories involving wealthy NRIs and their Indian maids. All more or less, though not all of them, as ghastly as the story of Lalita in Paris, exposing the systematic ill-treatment meted out to the poor maids by their Indian employers abroad. But again that is not very different from the treatment of maids in our affluent houses in the country as well, with some exceptions of course.

But what distinguishes the story of Lalita from the scores of similar other

stories is the swift and deep involvement of the Indian government in the cover-up operation for the diplomat without even worrying about the basic rights of Lalita as an Indian citizen, as a woman employee and as a human being. It is equally revealing that not a single political party has, as yet, raised its voice against the response of MEA on the issue.

The demand of the Indian government to hand over Lalita to it and now the 'request' by her mother asking for the quick return of her daughter to her home in India suggest how Indian sovereignty and the structures of patronage are being abused to protect the diplomat from the charges levelled against him by Lalita. We demand the immediate intervention by the National Commission for Women and the National Commission for Human Rights to investigate the issue. We also demand that all efforts should be made to ensure Lalita's security abroad and, on her return, in India so that the truth behind the incident may be revealed to all of us.

Vrijendra, Sonal Shukla,  
Nischinthora, Darshana Joshi,  
Parul Khanpara, Priya Rane,  
Leena Rao, Sawkar Keshwar,  
Niranjani Shetty, B M Naik

Mumbai

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All other countries	100	70	70	50

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## Positive Verdict

**T**HE major outcomes of the elections to the Lok Sabha and the assemblies in a few states can be summed up as the prospect of a relatively stable government at the centre, the strengthening of centrist politics and federal tendencies, as compared to before the elections, the relative decline of identity politics and the beginning of a paradigm shift in Indian politics towards a renewed focus on governance and development.

The BJP-led National Democratic Alliance, along with the two allies who prefer to stay outside the alliance, the Telugu Desam Party and the Trinamul Congress, have a combined majority of 24 in the Lok Sabha of 543. There is a possibility of this lead going up when elections are held to the four constituencies where polling had to be deferred on account of floods. This insulates the government from blackmail by small constituents of the coalition. The Indian National Lok Dal, for example, has not seen any point in following up its demand for rolling back the recent diesel price hike with a threat to withdraw support if the demand was turned down. Only the Telugu Desam is in a position to reduce the government to a minority on its own. The fact that it has chosen not to join the government but prefers to extend support from outside, instead of impairing the prospects of stability, actually strengthens them. This is so because TDP leader Chandrababu Naidu's decision to keep his exit door firmly open would act as a restraint on the most potent source of instability for the government: the aspirations of the Hindu organisations which have links of varying closeness with the BJP.

The RSS, the Vishwa Hindu Parishad and the Bajrang Dal and other organisations championing hindutva are happy that the BJP has come back to power. But given that the BJP's strength in the house remains static at 182 and it is dependent more than ever on the continued support of its allies, these organisations are deprived of the freedom to aggressively pursue their communal agenda. Except for the Shiv Sena, all the BJP's allies have a secular outlook and value the support of non-Hindu voters. If the Hindu organisations misbehave and the BJP-led central government refuses to act, the coalition is likely to collapse. The BJP as much as the Hindu organisations cannot but be acutely aware of this vulnerability. This is likely to deter adventurism on the latter's part.

Difference of opinion on basic policies is unlikely to wreck the BJP-led coalition because, except in regard to secularism and nuclear weapons, there is a virtual consensus among the major political parties, inside and outside the NDA. Differences on nuclear weapon policies are minor within the coalition.

The one real source of instability is power-sharing. The BJP and its allies have more experience in this now than in the past

and have learnt, from the AIADMK's setback in these elections, that the electorate does not take kindly to parties that disrupt a government of which they are a part for their own petty ends. If the ruling alliance learns to hold regular consultations among the coalition members on an institutionalised basis, and there is no reason why it should not, this ceases to be a problem.

Centrist politics has been given a boost by two developments: the BJP's willingness to evolve away from its sectarian vision and the revival of the Congress. The moratorium declared by the BJP on the controversial demands for a Ram temple at the site of the demolished Babri mosque, a uniform civil code and scrapping of Article 370 is certainly less than renunciation of its erstwhile sectarian worldview. At the same time, it is more than a ruse to win votes. The simple fact is that democracy is forcing the BJP to leave its communal agenda behind. And this pressure will remain so long as the vast majority of voters refuse to be communalised. Being hemmed in, within the ruling alliance, by parties with secular moorings and centrist views on most matters makes the BJP more of a centrist party than in the past.

The revival of the Congress might be less than apparent, given the steep fall in the party's Lok Sabha tally from 141 in 1998 to 112 in these elections. But it has increased its vote share and commanded the support of 28.4 per cent of those who voted in the Lok Sabha elections. Of the five states that elected their legislatures alongside the Lok Sabha elections, Karnataka and Arunachal Pradesh have gone to the Congress and so can Maharashtra if the party shows a modicum of sense in its dealings with the breakaway group, the Nationalist Congress Party. More significantly, the Congress is back in the reckoning in Uttar Pradesh and Bihar – being out of the race altogether for the 139 Lok Sabha seats from these two states is a handicap that the Congress does not have to worry about any more. Even as appendage to the Nehru dynasty, the party stands to grow further, provided it learns the lesson offered by its come-uppance in Bihar and Tamil Nadu that it is bad politics to rally the corrupt and the incompetent to fight the communal.

Another development that strengthens centrist politics is the clear message from the electorate that identity politics sans governance has run out of steam. The Asom Gana Parishad in Assam and the RJD in Bihar have been marginalised in these elections. It is not that the RJD has grown any less keen to give voice to the backward castes, chiefly the yadavs, of Bihar or champion the cause of the minorities in that state. But there has been a terrible dearth of governance there. And the electorate



has punished the party for that, as decisively as the electorate of Andhra Pradesh has rewarded the TDP's credible commitment to development. The Samajwadi Party's gain in seats in UP, albeit with a reduced vote share, and the BSP's advance might seem to disprove the argument that identity politics has weakened. But only so long as two other factors are not taken into consideration. One, both parties have been trying, desperately, to widen the social base of their support from the narrow stratum championing whose identity they had risen to initial prominence. Of the BSP's candidates this time, less than half were dalits. The SP has been wooing the upper castes assiduously. Two, both the parties gained additional seats in the course of and as a result of the UP electorate's effort to punish the Kalyan Singh government for its comprehensive failure to provide governance.

The BJP, of course, has been in a sense the biggest identity party of all. The drubbing it has received in UP - its seats have come down from 57 to 29 - shows that three years' talk of Ram rajya and hindutva does not compensate for malgovernance of the worst kind. The moratorium declared, at the national level, by the BJP on its controversial demands is a moratorium by that party on identity politics. By aligning with the BJP and risking minority votes, were identity politics the principal consideration, Chandrababu Naidu gambled that voters would attach more importance to his commitment to development. And the gamble paid off. The punishment dealt out to parties in office in Karnataka, Orissa, UP, Delhi and Rajasthan in conjunction with the endorsement of good governance in Andhra Pradesh, Tamil Nadu and even Madhya Pradesh where the Congress's vote share went up even if its tally of seats did not, shows that anti-incumbency is nothing more than a euphemism for the voters' response to bad governance. Let there be no doubt about it - parties have been put on notice: voters want governance, first and foremost.

The BJP and the Congress have been chastened on one count. There is no charisma of the central leadership or a single achievement that drives voters across the country to unquestioning support. State level and local level issues decide who will become the prime minister. This realisation is as significant in strengthening the polity's federal foundations as the dependence of the ruling coalition on the support of a clutch of regional parties.

On the whole, a surprisingly positive denouement for an election that was supposedly devoid of real issues.

## THE ELECTION

### To Vote or Not: At Gunpoint

THE recent elections witnessed an interesting paradox. While in one part of the country, citizens who wanted to boycott the elections were compelled at gunpoint by the government's security forces to cast their votes, in some other parts voters who were willing to participate in the elections were prevented from doing so - again at gunpoint - by groups which called for boycott of the elections.

According to eyewitness reports by newsmen, in Kashmir personnel of the BSF, CRPF, and other security forces in the Kangan-Ganderbal-Downtown Srinagar belt during the first phase of polling, and army men in the Baramulla district in the third phase, literally dragged people out from their homes and forced them to cast their votes. But in spite of all these efforts to enforce the 'democratic process' by armed might, the turnout hovered between 12 and 27 per cent in these areas, indicating popular alienation from the electoral process. Although the separatist All Parties Hurriyat Conference launched an election boycott campaign, there was no large-scale intimidation of the voters by the militants this time, though a BJP candidate was killed and there were clashes with the security forces. This suggests that the Kashmiris decided to stay indoors and refuse to vote, not out of fear of militant reprisals, but out of their own free will. The boycott could be taken as their verdict on the Indian government's failure to alleviate their grievances and protect them from being caught in the crossfire between the state's armed forces and the militants' offensive.

The picture is totally different in the north-east, or Bihar, or Andhra Pradesh, where armed militant groups gave the call for boycotting the elections. But the people came out on their own to vote, expressing thereby their rejection of the call. In Assam and Tripura, where the secessionist ULFA and the National Liberation Front of Tripura gave the call, the voter turnout in the final phase of polling was about 55 and 60 per cent, respectively. Failing to enforce their call by peaceful means, these groups retaliated by armed attacks on polling stations, snatching of ballot papers, intimidation of voters, abduction of polling personnel and killing of security forces personnel. At least 40 people, including civilians and polling personnel, lost their lives in the north-eastern states.

The toll was heavier in Bihar, where two naxalite groups - the People's War Group

(PWG) and the Maoist Communist Centre (MCC) - gave election boycott calls. During the third phase of polling alone 47 people, including a large number of civilians, were killed when the MCC triggered off landmines in several places. But despite these widespread efforts to disrupt the polls and intimidate the voters, around 56 per cent of the electorate came out to cast their votes. Angered by the refusal of the voters to heed to their call, MCC activists retaliated soon after the voting was over in Hazaribagh district (which they claim to be their stronghold), by raiding two villages there on the midnight of September 27 and chopping off the fingers of those who had dared to defy their poll boycott call and had cast their votes.

There was relatively less violence in Andhra Pradesh where also the PWG had given a call for boycotting elections. In spite of the call, and the group's attempts to disrupt the polls by bomb blasts, around 60 per cent of the voters cast their votes.

In marked contrast to these poll boycott calls sought to be enforced by terror tactics by various militant groups in different parts of the country, there shines perhaps a lone example of a spontaneous popular decision to refuse to vote without any pressure from any armed group or militant organisation in one town in north India. In Mohana in Lucknow (the constituency of prime minister Vajpayee), of the nearly 5,000 voters only 200 cast their votes. The boycott of the polls was organised by a people's committee called the Chunav Bahishkar Samiti (boycott elections committee), which mobilised public opinion in favour of a decision to refuse to vote in order to highlight their problems such as lack of a hospital, schools and better roads. Significantly enough, unlike the pro-boycott militant organisations, the committee decided not to put pressure on people to observe its boycott call.

The low turnout in Kashmir despite armed pressures from state security forces, and the few instances of spontaneous poll boycott by communities in certain towns or villages (as in Mohana) even in the absence of any call for such boycott by political parties or militant organisations, indicate certain isolated, but significant trends. They mainly reflect the local grievances of the people which had not been met - whether the demand for more autonomy of the Kashmiris, or the civic problems of the citizens. Their protest against elections may look like a sore thumb sticking out from the midst of an electoral process which in spite of a deplorable record of criminalisation and failure to ensure the rights of thousands of dalits to

cast their votes, apparently still enjoys the confidence of some 50-60 per cent of the electorate. Many among them may be disenchanted with the process which churns out at the end of every election a government which is as bad as its predecessor, if not worse. But they continue to participate in it in the absence of any better alternative avenue available to them to voice their verdict in favour of a change. After years of armed struggle, neither the secessionist militants in the north-east, nor the naxalite groups in Andhra Pradesh and Bihar have been able to create confidence among the people in their respective areas of influence and offer them a viable democratic process to enable them to assert and articulate their aspirations. Instead, their actions are too often replicating the terrorism of the state. While the latter is enforcing voting in Kashmir with the help of the security forces, the various militant and naxalite groups are enforcing their call for boycotting elections by unleashing terror on innocent people.

## WOMEN AND WORK

### Triple Burden

AS the impact of globalisation on various areas of society and the economy begins to be better understood, it is evident that there is a deterioration in the social support systems which have played a critical role in holding together the social fabric in times of crisis whether it be of an individual, a family or the community. Equally clear is the fact that neither those who put together economic 'development' packages nor those involved with other 'social' issues have paid much attention to this. The Human Development Report 1999 draws attention to it in great and distressing detail; distressing especially because there appear to be few alternatives which are evolving.

The document points out that in a globally competitive economy there is a squeeze on resources to provide care for those who cannot care for themselves – the young and the very old. With the expansion of employment opportunities, especially of the kind that are most readily available, there is a shrinkage of time available for such care. The increased participation of women, the traditional care-providers, in wage employment is taking them away from homes for longer periods. What happens in such situations? Do others in the family take on that burden? Is there an equal sharing of the burden of caring? Will the pressures of a global economy and competitive markets prompt

the evolution of a more egalitarian family structure? Or will it in fact produce community care structures?

As yet there is little evidence of any of this change. What is actually happening is that there is a sharp rise in the intensity of women's labour. Three studies in India undertaken by CEHAT as part of a multi-nation project show these trends vividly. In Ambattur, a region which was predominantly agricultural but is now being drawn into rapid industrialisation, women have found new work opportunities even as agricultural work is diminishing. While this is bringing home more income and providing some extras which go to fulfil lifestyle aspirations, it has not meant any change in the perception of women's status, nor of their work-load in the family. For instance, such are the time-schedules of wage-work in a distant industrial area that women do not find time to eat adequately or even at all for that matter before they begin the day's work. This will have inevitable consequences for their health in the future. In another, quite a different, environment the expansion of grape cultivation for exports has expanded wage opportunities for skilled labour which is provided by groups which were formerly nomadic with a visibly more egalitarian social structure. And while women draw equal wages for equal work and are even able to exercise control over their earnings and decide on expenditure patterns, they continue to be the care-givers. When there are the old, the ill or the very young to be looked

after, it is the women who, if they are not able to cope, are forced to withdraw from the lucrative grape work. The situation is no different in an urban community which has suffered from closure of industry and whose members have been forced to find employment in the informal sector. Here too, women not only carry the burden of house-work and provide care for the old and the infirm, but are often assumed to take on similar roles in their place of work as well. The workplace therefore demands not only wage-work but 'family' work as well, placing thus a triple burden on women. Significantly, although the situations and the work that women are being drawn into are very dissimilar, the consequence for women and the work that they do in the family has been comparable.

The lack of development of alternatives to family-care has not had a serious impact on the state or on the economy only because women have continued to stretch their energies to bear the double and triple burdens. In an economy in the throes of rapid development, the nature of wage-work available to women will most certainly be more intensive and highly competitive. Such circumstances will in time make for a sharp deterioration in women's health which interventions such as vitamin supplementation or even the provision of health care services will not mitigate. While there is an urgent need to give greater attention to providing social support services, the real change required is in the value systems of patriarchal society.

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# CURRENT STATISTICS

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Improvement in market sentiment brought about by the economic recovery and the election results led to surges in equity prices on both BSE and NSE. Sensex crossed the 5000 mark on October 8 when it touched an intra-day all-time high of 5091.24 points and closed at 4981.74. NSE witnessed a record turnover of Rs 4,193 crore on the same day. The rally was also helped by upgradation of the country's sovereign rating outlook from stable to positive by Moody's.

## Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82 = 100)	Weights	Sept 18, 1999	Variation (Per Cent) Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1998-99	1997-98	1996-97	1995-96
				Latest	Previous	1999-2000	1998-99				
All Commodities	100.00	364.00	1.2	2.0	8.6	2.8	5.8	5.0	5.3	6.9	5.0
Primary Articles	32.30	398.20	2.8	2.6	15.8	4.8	11.6	9.3	5.5	7.0	5.4
Food Articles	17.39	471.30	3.2	2.9	19.9	7.3	16.5	11.7	4.0	9.6	9.8
Non-Food Articles	10.08	380.50	1.8	0.9	12.4	-0.7	5.8	7.5	8.5	3.5	-1.9
Fuel, Power, Light and Lubricants	10.66	401.80	0.8	5.3	3.3	5.9	-0.6	1.2	11.4	16.9	3.7
Manufactured Products	57.04	337.60	0.2	1.0	5.5	0.9	3.7	3.8	4.0	4.9	5.0
Food Products	10.14	349.00	1.2	-2.1	9.6	2.1	9.5	4.9	5.5	14.1	-0.7
Food Index (computed)	27.53	426.24	2.6	1.3	16.5	5.7	14.2	9.5	4.5	11.1	6.3
All Commodities (weekly average basis) (April 3-Sept 18, 1999)	100.00	358.4	0.3	4.7	6.0	2.8	7.4	6.9	4.8	6.4	7.3

Cost of Living Indices	1 at est Month	Variation (Per Cent) Point-to-Point									
		Over Month	Over 12 Months		Fiscal Year So Far 1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	
			Latest	Previous							
Industrial Workers (1982=100)	426.0 <sup>a</sup>	0.5	3.1	15.0	2.9	8.7	8.9	8.3	10.0	8.9	9.7
Urban Non-Man Emp (1984-85=100)	350.0 <sup>a</sup>	1.2	4.2	13.1	2.9	7.7	9.0	7.2	10.2	8.2	9.9
Agri Lab (1986-87=100) (Link factor 5.89)	308.0 <sup>a</sup>	1.3	5.1	11.8	4.1	7.7	8.8	3.8	10.5	7.2	11.1

Money and Banking (Rs crore)	Sept 10, 1999	Over Month	Over Year	Variation				1996-97
				Fiscal Year So Far		1998-99	1997-98	
				1999-2000	1998-99			
Money Supply (M <sub>1</sub> )	1030382 <sup>a</sup>	5485(0.5)	146070(16.5)	58178(6.0)	62981(7.7)	150872(18.4)	119483(17.0)	97811(16.2)
Currency with Public	180448	433(-0.2)	27123(17.7)	11065(6.5)	7746(5.3)	23804(16.4)	13492(10.2)	13829(11.7)
Deposit with Banks	845443 <sup>a</sup>	6147(0.7)	118084(16.2)	46443(5.8)	55146(8.2)	126788(18.9)	105647(18.6)	84162(17.5)
Net Bank Credit to Govt	426056	8698(2.1)	55780(15.1)	38904(10.0)	39679(12.0)	56554(17.1)	41978(14.5)	30840(12.0)
Bank Credit to Comm Sector	500155	-558(-0.1)	66148(15.2)	9791(2.0)	697(0.2)	57054(13.2)	57003(15.1)	31659(9.2)
Net Foreign Exchange Assets	169961	256(-0.2)	20210(13.5)	5598(3.4)	11656(8.4)	26268(19.0)	32598(30.9)	23356(28.4)
Reserve Money (Sept 24)	254879	841(0.3)	29798(13.2)	4492(1.7)	-132(-0.6)	32969(14.6)	26417(13.2)	5527(2.8)
Net RBI Credit to Centre \$	148926	364(0.2)	13453(9.9)	3510(2.4)	1856(1.4)	11801(8.5)	12915(10.7)	1934(1.6)
RBI Credit to Bks/Comm Sector	20624	2040(11.0)	3551(20.8)	4864(-19.1)	1790(11.7)	10206(66.8)	2029(15.3)	-1555(-54.0)
Scheduled Commercial Banks (Sept 24)								
Deposits	761678 <sup>a</sup>	10780(1.4)	100020(15.1)	47653(6.7)	63173(10.6)	115510(19.3)	92886(18.4)	71780(16.5)
Advances	378394	3812(1.0)	47704(14.4)	9557(2.6)	6612(2.0)	44759(13.8)	45676(16.4)	24387(9.6)
Non Food Advances	357862	4968(1.4)	43251(13.7)	5841(1.7)	3017(1.0)	40427(13.0)	40790(15.1)	26580(10.9)
Investments (for SLR purposes)	289596	2424(0.8)	37729(15.0)	3500(13.7)	33162(15.2)	35890(16.4)	28192(14.8)	25731(15.6)
Commercial Investments and bills rediscounted with FIs	54139	622(1.2)	14074(35.1)	5480(11.3)	8052(25.2)	16645(52.0)	12472(63.1)	4168(27.1)

<sup>a</sup> Includes Rs 17,945 crore on account of proceeds from RIBs since August 28, 1998, excluding them the year-on-year and the 1998-99 fiscal year growth of money supply would be 16.9 per cent and 16.2 per cent, respectively. Likewise, bank deposits without RIBs grew by 16.0 per cent and 16.3 per cent, respectively. \$ after closure of government accounts

Index Numbers of Industrial Production (1993-94=100)	Weights	July 1999	Fiscal Year So Far		Full Fiscal Year Averages				1994-95
			1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96	
			1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96	
General Index	100.00	145.2	145.1(5.4)	137.7(4.2)	143.1(4.0)	137.6(6.6)	129.0(5.5)	122.3(12.8)	108.4(8.4)
Mining and Quarrying	10.47	118.0	115.7(-1.2)	117.1(0.5)	120.3(1.8)	122.4(5.9)	115.6(2.0)	117.9(9.6)	107.6(7.6)
Manufacturing	79.36	149.0	149.2(6.3)	140.4(3.9)	146.7(4.4)	140.6(6.7)	131.8(6.7)	123.5(13.8)	108.5(8.5)
Electricity	10.17	144.0	144.1(4.6)	137.8(9.3)	138.4(6.4)	130.0(6.6)	121.9(3.9)	117.3(8.1)	108.5(8.5)

Capital Market	Oct 8, 1999	Month Ago	Year Ago	1999-2000 So Far		1998-99		End of Fiscal Year		1996-97
				Trough	Peak	Trough	Peak	1998-99	1997-98	
				1999-2000	1998-99	1998-99	1997-98	1998-99	1997-98	
BSE Sensitive Index (1978-79=100)	4982(72.0)	4774	2896(-26.3)	3245	4982	2783	4281	3740(-3.9)	3893(15.8)	3361(-0.2)
BSE-100 (1983-84=100)	2330(79.8)	2136	1296(-23.8)	1409	2330	1242	1890	1651(-2.7)	1697(15.9)	1464(-5.5)
BSE-200 (1989-90=100)	538(77.6)	493	303(-20.3)	322	538	289	429	380(0.8)	377(14.9)	326(-5.0)
S and P CIX-50 (Nov 3, 1995=1000)	1479(74.4)	1383	848(-23.9)	931	1479	812	1213	1078(-3.5)	1117(15.4)	968
Skinia GDR Index (Jan 2, 1995=1000)	966(83.1)	937	527	581	980	515	1015	653(-30.5)	940(1.1)	930(-4.4)

Foreign Trade	August 1999	Fiscal Year So Far		Full Fiscal Year				1996-97	1995-96
		1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96		
		1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96		
Exports, Rs crore	13327	60813(8.5)	56055(10.7)	141604(8.8)	130101(9.5)	118817(11.7)	106353(28.6)		
US \$ mn	3067	14113(4.6)	13455(-4.9)	33613(-3.9)	34976(4.5)	33470(5.3)	31797(20.8)		
Imports, Rs crore	16800	77882(8.0)	72132(22.5)	176099(14.2)	154176(11.0)	138920(13.2)	122678(36.3)		
US \$ mn	3866	18075(1.0)	17314(5.3)	41802(0.9)	41449(5.9)	39132(6.7)	36678(28.0)		
Non POL US \$ mn	3163	14476(-3.6)	15020(14.2)	35928(10.3)	32526(11.9)	29096(-0.2)	29152(28.3)		
Balance of Trade, Rs crore	3472	17069	-16077	-34495	-24076	-20102	-16325		
US \$ mn	-799	3962	-3859	-8188	-6472	-5663	-4881		

Foreign Exchange Reserves (excluding gold)	Oct 1, 1999	Sept 30, 1998	March 31, 1999	Variation Over								
	Month Ago	Year Ago	Fiscal Year So Far 1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95				
Rs crore	131345	111438	125446	-874	19907	5899	8927	22935	22137	21649	-7302	18402
US \$ mn	301.32	26198	29530	-256	3934	602	222	3554	3607	5243	-3690	5640

Notes: (i) Superscript numeral denotes month to which figure relates, e.g., superscript 7 stands for July; (ii) Figures in brackets are percentage variations over the specified or over the comparable period of the previous year. neg. negligible

# Industrial Investment Proposals (August 1991-May 1999)

By States and Union Territories	Total Proposals (IEM+LOI) (Numbers)	Industrial Entrepreneurs Memoranda (IEMs)			Letters of Intent (LOIs)		
		Numbers Filed	Proposed Invest (Rs cr)	Proposed Employ (Numbers)	Numbers Issued	Proposed Invest (Rs cr)	Proposed Employ (Numbers)
<b>States*</b>							
1 Maharashtra	7680(19.31)	7188(19.70)	153820(21.29)	1265475(20.09)	492(14.97)	12176(11.68)	120478(15.75)
2 Gujarat	5454(13.71)	5052(13.85)	125302(17.34)	831937(13.21)	402(12.23)	20090(19.28)	60256(7.88)
3 Uttar Pradesh	3923(9.86)	3574(9.80)	62644(8.67)	596807(9.47)	349(10.62)	9860(9.46)	10174(13.30)
4 Tamil Nadu	3854(9.69)	3286(9.01)	48457(6.71)	530936(8.43)	568(17.28)	10402(9.98)	112610(14.72)
5 Andhra Pradesh	2713(6.82)	2359(6.47)	55653(7.70)	401856(6.38)	354(10.77)	10014(9.61)	72530(9.48)
6 Haryana	2466(6.20)	2282(6.25)	23703(3.28)	354652(5.63)	184(5.60)	4080(3.92)	52486(6.86)
7 Madhya Pradesh	2191(5.51)	2050(5.62)	57665(7.98)	435911(6.92)	141(4.29)	3621(3.47)	32158(4.20)
8 Rajasthan	1934(4.86)	1845(5.06)	28473(3.94)	352119(5.59)	89(2.71)	1604(1.54)	14880(1.94)
9 Punjab	1896(4.77)	1757(4.82)	33432(4.63)	426983(6.78)	139(4.23)	4472(4.29)	45668(5.97)
10 West Bengal	1597(4.02)	1521(4.17)	21852(3.02)	249107(3.95)	76(2.31)	3929(3.77)	18142(2.37)
11 Karnataka	1526(3.84)	1330(3.65)	34741(4.81)	219550(3.49)	196(5.96)	9261(8.89)	64873(8.48)
12 Kerala	436(1.10)	382(1.05)	6902(0.96)	63324(1.01)	54(1.64)	2513(2.41)	13447(1.76)
13 Himachal Pradesh	387(0.97)	355(0.97)	7511(1.08)	83876(1.33)	32(0.97)	476(0.46)	6140(0.80)
14 Bihar	353(0.89)	311(0.85)	7163(0.99)	50853(0.81)	42(1.28)	1806(1.73)	15704(2.05)
15 Goa	340(0.85)	308(0.84)	4519(0.63)	32373(0.51)	32(0.97)	151(0.14)	3271(0.43)
16 Orissa	284(0.71)	250(0.69)	15891(2.20)	97724(1.55)	34(1.03)	5440(5.22)	11872(1.55)
17 Assam	92(0.23)	81(0.22)	2913(0.40)	13802(0.22)	11(0.33)	2430(2.33)	4278(0.56)
18 Jammu and Kashmir	74(0.19)	70(0.19)	5300(0.07)	34775(0.55)	4(0.12)	66(0.06)	1705(0.22)
19 Meghalaya	14(0.04)	14(0.04)	254(0.04)	1503(0.02)	0(0.00)	0(0.00)	0(0.00)
20 Sikkim	10(0.03)	9(0.02)	25(0.00)	780(0.01)	1(0.03)	5(0.00)	204(0.03)
21 Arunachal Pradesh	6(0.02)	2(0.01)	38(0.01)	172(0.00)	4(0.12)	1(0.00)	522(0.08)
22 Nagaland	6(0.02)	5(0.01)	158(0.02)	972(0.02)	1(0.03)	0(0.00)	0(0.00)
23 Tripura	4(0.01)	4(0.01)	1040(0.14)	1347(0.02)	0(0.00)	0(0.00)	0(0.00)
<b>Union Territories</b>							
1 Dadra and N Haveli	1110(2.79)	1092(2.99)	15038(2.08)	124380(1.97)	18(0.55)	132(0.13)	2450(0.32)
2 Daman and Diu	529(1.33)	512(1.40)	3296(0.46)	38115(0.61)	17(0.52)	66(0.06)	3407(0.43)
3 Delhi	468(1.18)	451(1.24)	6379(0.88)	46331(0.74)	17(0.52)	30(0.03)	1337(0.17)
4 Pondicherry	378(0.95)	361(0.99)	4125(0.57)	35749(0.57)	17(0.52)	1254(1.20)	2868(0.37)
5 Chandigarh	26(0.07)	25(0.07)	270(0.04)	4871(0.08)	1(0.03)	0(0.00)	9(0.00)
6 Andaman and Nicobar	9(0.02)	9(0.02)	332(0.05)	2610(0.04)	0(0.00)	0(0.00)	0(0.00)
7 Lakshadweep	1(0.00)	1(0.00)	4(0.00)	278(0.00)	0(0.00)	0(0.00)	0(0.00)
More than 1 state	12(0.03)	0(0.00)	0(0.00)	0(0.00)	12(0.37)	332(0.32)	2198(0.29)
<b>Total</b>	<b>39773(100.00)</b>	<b>36486(100.00)</b>	<b>722430(100.00)</b>	<b>6299168(100.00)</b>	<b>3287(100.00)</b>	<b>104211(100.00)</b>	<b>765136(100.00)</b>
* No industrial investment proposals reported in the source for Mizoram and Manipur							
<b>Industrywise</b>							
19 Chemicals (except fertilisers)	6458(16.24)	6102(16.72)	129266(17.89)	740927(11.76)	356(10.83)	33473(32.12)	6194(8.10)
23 Textiles	6120(15.39)	5474(15.00)	102855(14.24)	1205601(19.14)	646(19.65)	5216(5.01)	154538(20.20)
01 Metallurgical industries	5931(14.91)	5867(16.08)	117426(16.25)	1117530(17.74)	64(1.95)	5930(5.7)	11894(15.5)
38 Misc industry	2978(7.49)	2942(8.06)	50586(7.00)	393599(6.25)	36(1.10)	1717(1.65)	9649(1.26)
05 Electrical machinery	2308(5.80)	2231(6.11)	33682(4.66)	334094(5.30)	77(2.34)	596(0.57)	20451(2.67)
27 Food processing industry	2052(5.16)	1994(5.47)	27968(3.87)	368589(5.85)	58(1.76)	2013(1.93)	5114(0.67)
28 Vegetable and vanaspati	1849(4.65)	1835(5.03)	14549(2.01)	210720(3.35)	14(0.43)	75(0.07)	1613(0.21)
24 Paper and pulp	1471(3.70)	1425(3.91)	35237(4.88)	229808(3.65)	46(1.40)	3256(3.12)	25570(3.34)
22 Drugs and pharmaceuticals	1445(3.63)	745(2.04)	86509(0.69)	86599(1.37)	700(21.30)	4875(4.68)	6555(8.70)
25 Sugar	1285(3.23)	872(2.39)	16935(2.34)	264186(4.19)	413(12.56)	13427(12.88)	208154(27.20)
06 Telecommunications	1098(2.76)	1053(2.89)	26561(3.68)	172720(2.74)	45(1.37)	681(0.65)	14223(1.86)
08 Industrial machinery	905(2.28)	858(2.35)	13002(1.80)	125477(1.67)	47(1.43)	93(0.19)	5871(0.77)
35 Cement and gypsum	872(2.19)	840(2.30)	52472(7.26)	205766(3.27)	32(0.97)	818(0.78)	6533(0.85)
12 Misc mechanical and engg ind	686(1.72)	656(1.80)	10072(1.39)	73906(1.17)	30(0.91)	120(0.12)	5871(0.77)
07 Transportation	633(1.59)	563(1.54)	18585(2.57)	184662(2.93)	70(2.13)	5000(4.80)	33113(4.33)
30 Rubber goods	469(1.18)	455(1.25)	10418(1.44)	100604(1.60)	14(0.43)	800(0.08)	2112(0.28)
04 Prime movers	406(1.02)	406(1.11)	4191(0.58)	65619(1.04)	0(0.00)	0(0.00)	0(0.00)
02 Fuels	324(0.81)	187(0.51)	9835(1.36)	30319(0.48)	137(4.17)	26335(25.27)	32256(4.22)
31 Leather	294(0.74)	117(0.32)	1080(0.15)	29396(0.47)	177(5.38)	2868(2.75)	4666(0.610)
18 Fertilisers	294(0.74)	294(0.81)	19584(2.71)	79294(1.26)	0(0.00)	0(0.00)	0(0.00)
26 Fermentation industries	262(0.66)	39(0.11)	448(0.06)	5333(0.08)	223(6.78)	1271(1.22)	32949(4.31)
34 Ceramics	257(0.65)	247(0.68)	2427(0.34)	36106(0.57)	10(0.30)	61(0.06)	436(0.06)
16 Scientific instruments	241(0.61)	241(0.66)	3744(0.52)	49690(0.79)	0(0.00)	0(0.00)	0(0.00)
13 Comm/office/							
Hs hold equipment	219(0.55)	205(0.56)	3444(0.48)	40332(0.64)	14(0.43)	43(0.04)	2859(0.37)
29 Soaps, cosmetics, toiletries	195(0.49)	184(0.50)	1413(0.20)	43952(0.70)	11(0.33)	45(0.04)	676(0.09)
33 Glass	158(0.40)	155(0.42)	5033(0.70)	36722(0.58)	3(0.09)	22(0.02)	760(0.10)
09 Machine tools	152(0.38)	140(0.38)	1367(0.19)	30445(0.48)	12(0.37)	307(0.29)	1343(0.18)
20 Photographic raw film/paper	123(0.31)	122(0.33)	1136(0.16)	10160(0.16)	1(0.03)	1(0.00)	55(0.01)
36 Timber products	103(0.26)	69(0.19)	1563(0.22)	13119(0.21)	34(1.03)	967(0.93)	6154(0.84)
11 Earth moving machinery	52(0.13)	52(0.14)	1066(0.15)	14342(0.23)	0(0.00)	0(0.00)	0(0.00)
32 Glue and gelatin	42(0.11)	42(0.12)	190(0.03)	7080(0.11)	0(0.00)	0(0.00)	0(0.00)
10 Agricultural machinery	33(0.08)	30(0.08)	1101(0.15)	5858(0.09)	3(0.09)	41(0.04)	4961(0.65)
15 Industrial instruments	29(0.07)	26(0.07)	63(0.01)	3853(0.06)	3(0.09)	14(0.01)	1057(0.14)
14 Medical and surgical appliance	10(0.03)	10(0.03)	57(0.01)	2144(0.03)	0(0.00)	0(0.00)	0(0.00)
21 Dye stuffs	9(0.02)	4(0.01)	25(0.00)	390(0.01)	5(0.15)	51(0.05)	1307(0.17)
37 Defence industries	6(0.02)	0(0.00)	0(0.00)	0(0.00)	6(0.18)	52(0.05)	155(0.02)
17 Math, survey, drawing inst.	3(0.01)	3(0.01)	4(0.00)	6(0.00)	0(0.00)	0(0.00)	0(0.00)
03 boilers and steam generating plants	1(0.00)	1(0.00)	8(0.00)	220(0.00)	0(0.00)	0(0.00)	0(0.00)
<b>Total</b>	<b>39773(100.00)</b>	<b>36486(100.00)</b>	<b>722430(100.00)</b>	<b>6299168(100.00)</b>	<b>3287(100.00)</b>	<b>104211(100.00)</b>	<b>765136(100.00)</b>

Notes. Figures in brackets are percentage shares to the total. Source: Ministry of Industry (GoI), SIA Statistics, July 1999

## BAJAJ AUTO

**Danger Signal**

BAJAJ AUTO, the leader in the two-wheeler segment of the automobile industry, fared well in 1998-99. While net sales increased by 11.7 per cent, operating profit improved by 7.9 per cent over the same period. A sharp fall in interest charges (down 45.2 per cent) coupled with a drop in depreciation (lower by 7.6 per cent) helped the company post a 19.5 per cent rise in its bottom line. Though earnings per share rose from Rs 38.8 per share to Rs 46.3 per share, the company did not raise the dividend rate but maintained it at 80 per cent.

The company produced 13,81,765 two-wheelers and three-wheelers (including CKD packs), as against 13,54,482 units produced in the previous year, representing an increase of 2 per cent. Sale of two- and three-wheelers increased by 6.7 per cent over the same period. The company's market share in the scooters segment moved up marginally from 64.49 per cent to 64.81 per cent, while that in the three-wheeler segment improved from 82.08 per cent to 83.64 per cent.

Meanwhile, for the first four months of 1999-2000, the company has seen a reversal in trend. Offtake of vehicles dropped by 12 per cent over the corresponding period last year. Turnover and net profit for the first quarter were also lower than that in the first three months of the previous year. Apparently, there has been a declining preference for scooters in the two-wheeler market over the last five years. While scooters accounted for 47 per cent of total two-wheeler sales in 1992-93, this share has been gradually declining over the years and was down to 39 per cent in 1998-99. In the same period, motorcycle sales have increased from 25 per cent in 1992-93 to 41 per cent in 1998-99.

To give Bajaj Auto its due, the company did try to reduce its dependence on scooters and reduced this share from 72 per cent of its total two-wheeler sales to 60 per cent. However, to draw more than 50 per cent of its turnover from a product that is constantly losing market could still prove to be dangerous for Bajaj Auto. Though

the company has managed to increase the proportion of motorcycles in its total two-wheeler sales from 18 per cent in 1992-93 to 36 per cent in 1998-99, the lack of choice in its offerings in this segment has hampered its progress over the years. Consequently, competitors like Hero Honda and TVS Suzuki have gained in terms of market share at the cost of Bajaj Auto. Unless the company gets its act together, it could be headed for tough times over the years to come.

## APOLLO TYRES

**Capacity Expansion**

Apollo Tyres performed poorly in 1998-99. While net sales declined by 16.1 per cent over the previous year, the company's operating profit fell by 8.8 per cent and net profit was lower by 23.6 per cent.

The Indian tyre industry is characterised by high capital investment, large volumes, wide geographical spread, diverse range of products and low profit margins. The industry is presently going through a recession and replacement market growth is low as tyres are a low involvement product. The fall in demand for automobiles has also affected offtake. To make matters worse, Apollo Tyres lost 100 days of production in the first and second quarters following a lock-out at its Perambra plant due to labour unrest. The company's Baroda facility was also closed for 15 days in the third quarter for maintenance and upgradation work. Also, during the year the company settled indirect tax disputes of approximately Rs 9 crore under the Kar Vivad Samadhan Scheme and paid Rs crore towards a voluntary retirement scheme introduced to optimise its staff strength.

Meanwhile, the company now plans to create a manufacturing capacity of 2,000 passenger radial tyres per day at its Gujarat unit as part of its expansion drive. The increase in capacity is expected to cost the company nearly Rs 100 crore. Apollo Tyres has already increased the bias truck and rear tractor tyre capacity at its Limda plant in Gujarat in order to ensure continuous supply to the market and to create flexibility of operations. The company has also created a capacity of nearly 50,000

two- and three-wheeler tyres per month at its conversion unit. Further, the company has already raised funds through a preferential issue of partly convertible debentures in order to part-finance its plans to manufacture passenger radial tyres at Limda.

Apollo Tyres now plans to set up a steel radial truck tyre unit at a cost of approximately Rs 400 crore in partnership with Continental Tyres, which is the fourth largest tyre company in the world. The latter is expected to provide technology transfer and consultancy for setting up the unit. The project is expected to be completed in 18 to 24 months and Apollo Tyres is also considering the possibility of converting the project into a joint venture with its foreign partner.

Apollo Tyres has today emerged as the premier truck tyre producer in the country and is now focusing on tractors, light commercial vehicles, cars and two-wheeler tyres. It commands almost 21 per cent of the truck tyre market which is expected to grow by over 20 per cent during the current year, after a 14-15 per cent growth in 1998-99.

## ATUL

**Rescued by Other Income**

Incorporated in 1947, Atul belongs to the Lalbhai group of companies and is engaged in the manufacture of dyes and dye intermediates, aromatics and chemicals. In 1998-99 Atul witnessed a mixed performance on the financial front. While net sales increased by 16.5 per cent over the previous year, operating profit declined by 1.6 per cent over the same period. However, a sharp increase in non-operating income coupled with a marginal fall in interest charges (down 2 per cent) helped the company post a 68 per cent rise in its bottom line.

A consistently disturbing factor in the company's performance is its dependence on other income in order to declare a net profit. While the company earned Rs 30.8 crore on account of profit from the sale of investments in 1997-98, this amount touched Rs 49.5 crore in the year under review. But for this profit, the company would have been deep in the red.

# The Week's Companies

(Rs lakh)

Financial Indicators	Bajaj Auto		Apollo Tyres		Atul	
	March 1999	March 1998	March 1999	March 1998	March 1999	March 1998
<b>Income/appropriations</b>						
1 Net sales	296198	265234	89996	107239	46947	40288
2 Value of production	291093	268331	95612	106248	45797	41102
3 Other Income	31860	28107	382	437	1233	1767
4 Total income	322953	296438	95994	106685	47030	42869
5 Raw materials/stores and spares consumed	167725	152026	54720	63743	19034	16695
6 Other manufacturing expenses	16579	17059	7721	9202	8330	8767
7 Remuneration to employees	23090	21983	6894	7051	6094	4720
8 Other expenses	31874	27786	13054	11779	6565	5569
9 Operating profit	83685	77584	13605	14910	7007	7118
10 Interest	459	837	5993	6409	5881	5999
11 Gross profit	90354	83120	6638	7653	6111	4191
12 Depreciation	13270	14362	2346	2209	3064	2381
13 Profit before tax	77052	68728	4292	5444	3042	1805
14 Tax provision	21768	22470	1184	1376	230	131
15 Profit after tax	55284	46258	3108	4068	2812	1674
16 Dividends	10602	10506	1405	1318	611	455
17 Retained profit	44682	35752	1703	2750	2201	1219
<b>Liabilities/assets</b>						
18 Paid-up capital	11939	11939	3306	3005	3567	3917
19 Reserves and surplus	258235	199883	28194	24245	24003	19277
20 Long-term loans	34970	25821	27400	26686	23126	23213
21 Short-term loans	NA	NA	2000	2800	13229	12840
22 Of which bank borrowings	NA	NA	NA	NA	11229	12840
23 Gross fixed assets	182083	159072	53102	45957	54908	46570
24 Accumulated depreciation	89828	90708	17303	15084	26910	20273
25 Inventories	17750	23339	15376	9759	15778	15910
26 Total assets/liabilities	457862	363625	79488	79615	73820	67189
<b>Miscellaneous items</b>						
27 Excise duty	56493	50530	25120	29280	4308	3613
28 Gross value added	105193	99571	19145	20708	22105	16440
29 Total foreign exchange income	16473	14443	NA	NA	17674	15373
30 Total foreign exchange outgo	32531	23499	13403	16517	4588	3445
<b>Key financial and performance ratios</b>						
31 Turnover ratio (sales to total assets) (%)	64.69	72.94	113.22	134.70	63.60	59.96
32 Sales to total net assets (%)	97.07	111.61	147.78	189.01	73.44	68.00
33 Gross value added to gross fixed assets (%)	57.77	62.59	36.05	45.06	40.26	35.30
34 Return on investment (gross profit to total assets) (%)	19.73	22.86	8.35	9.61	8.28	6.24
35 Gross profit to sales (gross margin) (%)	30.50	31.34	7.38	7.14	13.02	10.40
36 Operating profit to sales (%)	28.25	29.25	15.12	13.90	14.93	17.67
37 Profit before tax to sales (%)	26.01	25.91	4.77	5.08	6.48	4.48
38 Tax provision to profit before tax (%)	28.25	32.69	27.59	25.28	7.56	7.26
39 Profit after tax to net worth (return on equity) (%)	20.46	21.84	9.87	14.93	10.20	7.22
40 Dividend (%)	80.00	80.00	40.00	40.00	15.00	10.00
41 Earning per share (Rs)	46.31	38.75	9.40	13.54	7.56	3.94
42 Book value per share (Rs)	226.30	177.42	93.09	87.95	76.50	58.73
43 P/E ratio	9.91	NA	20.96	NA	3.04	NA
44 Debt-equity ratio (adjusted for revaluation) (%)	12.94	13.19	89.04	160.97	84.74	100.91
45 Short-term bank borrowings to inventories (%)	NA	NA	NA	NA	71.17	80.70
46 Sundry creditors to sundry debtors (%)	135.44	194.69	136.71	82.94	46.31	NA
47 Total remuneration to employees to value added (%)	21.95	22.08	36.01	34.05	27.57	28.71
48 Total remuneration to employees to value of production (%)	7.93	8.19	7.21	6.64	13.31	11.48
49 Gross fixed assets formation (%)	14.47	15.89	15.55	0.35	17.90	5.42
50 Growth in inventories (%)	-23.95	NA	57.56	-24.73	-0.83	5.02

NA: means not available.

Oblivious to this predicament, the company has raised its dividend from 10 per cent in the previous year to 15 per cent. The company's stock presently quotes at around Rs 23 on the bourses, discounting its 1998-99 earnings by a mere three times, reflecting the poor investor fancy for the scrip.

The company's lacklustre performance can be attributed to the subdued state of the dyes and dye intermediates market during the year. Sale of dyes and dye intermediates fell drastically from Rs 114.8 crore in the previous year to Rs 78.2 crore, representing a drop of 31.9 per cent.

The only silver lining for the company was the fact that its aromatics division performed well. This division draws a major part of its turnover (56.4 per cent) from para anisaldehyde which is produced in relatively small quantities but goes into a hugely successful end-product. The company is the world's largest producer of this chemical and commands a global market share of 35 per cent. Para anisaldehyde is a vital ingredient for sunscreen lotion and has helped the company boost its foreign exchange earnings over the years. For the current year, the company's exports were higher by 15 per cent with fob. value of forex earnings touching Rs 176 crore. Atul is the only manufacturer of the chemical in the country and competes with American chemical companies such as Merisol.

Supply and demand for para anisaldehyde are more or less balanced currently and an increase in capacity could only lead to a fall in prices. Keeping this in mind, the company is moving into downstream products like para aniside alcohol, which is used in the manufacture of perfumes.

Another product that scores high on the company's profitability list is carbamite which is manufactured by its agrochemicals division. Carbamite is a chemical which is used in making detonators used in warfare. Though this division accounted for Rs 34 crore of the company's turnover in 1998-99, Atul hopes to increase this to Rs 80 crore in 1999-2000. The company also plans to begin manufacturing glyphosate, which is the world's largest selling herbicide formulation. The company has already formed a 50:50 joint venture with Chinese herbicide major Rotam for marketing the product in the international market.

## Free Speech and 'Provocation'

A G Noorani

*Intolerance of dissent from the orthodoxy of the day has been the bane of Indian society for centuries. But it is precisely in the ready acceptance of the right to dissent, as distinct from its mere tolerance, that a free society distinguishes itself.*

IT is nearly four months now since PTV (Pakistan's TV) channel was taken off the air unconstitutionally as it was then pointed out ('Ban on Pak TV', *EPW*, June 12, 1999). The minister for information and broadcasting, Pramod Mahajan, had said that the ban would be lifted after the crisis was over. It was over by July 11. The ban was not lifted. This reflects our establishment's attitude to free speech. It is a 'provocation' if it clashes with the views of some. But they are not taught to be tolerant. It is free speech which must be curbed.

In his classic on *Freedom of Speech*, Eric Barendt of Oxford University has incisively discussed the law on this aspect:

It is, of course, understandable that laws should be enacted outlawing the use of unpleasant and offensive words in public. Few people enjoy the sound of foul language, particularly when directed at them, any more than they like the sight of ugly buildings. But acceptance of the special value of freedom of speech entails that we should be more prepared to tolerate the former than the latter type of unpleasantness... If the gravamen of the offence is the hurt to sensibilities of the person addressed, use of the criminal law is hardly compatible with respect for freedom of expression. *Listeners would then have some sort of veto and the implications for freedom of political speech would be considerable*

Foul language is the jargon of fascists who detest free debate. True enough that sheer abuse or racial or communal libel is not permissible. The true test is whether the speech is a real provocation to violence. The sensitivities of the listeners are relevant only in this context. As the Supreme Court of India has ruled, it is the duty of the state to uphold the exercise of the right to free speech and to suppress violence intended to stifle it.

On July 23, 1999 the Queen's Bench Divisional Court of England, comprising Lord Justice Sedley and Justice Collins, delivered a most important judgment on this aspect of the law on free speech in

*Redmond-Bate vs Director of Public Prosecutions*. It held that free speech included not only the inoffensive but also the irritating, the contentious, the eccentric, the heretical, the unwelcome, and the provocative as long as such speech did not tend to provoke violence.

The facts and the statement of the law are drawn from a report in *The Times*, London, of July 28, 1999. On October 2, 1997 Alison Redmond-Bate had been preaching on the steps of Wakefield Cathedral to passers-by in the street. In response to a complaint, police constable Tennant approached her and other women preachers. No crowd had gathered. Yet, he warned them not to stop people. Since they were not stopping people he left. He later returned to find that a crowd in excess of a 100 people had gathered. Some members of the crowd were showing hostility towards the speakers.

Fearing a breach of the peace, Tennant asked the women to stop preaching and, when they refused, arrested them for breach of the peace. The court held that it was irrational and illiberal to believe that she and her colleagues would have caused a breach of peace and quashed their conviction by a magistrate on this charge. The constable was not acting in the execution of his duty when he required the women to stop preaching and the defendant was

therefore not guilty of obstructing him in the execution of his duty when she refused to comply.

The court pointed out that free speech included not only the inoffensive but the irritating, the contentious, the eccentric, the heretical, the unwelcome and the provocative provided it did not tend to provoke violence. Freedom only to speak inoffensively was not worth having.

What the Speakers' Corner, where the law applied as fully as anywhere else, demonstrated was the tolerance which was both extended by the law to opinion of every kind and expected by the law in the conduct of those who disagreed, even strongly, with what they heard.

The court recalled that from the condemnation of Socrates to the persecution of modern writers and journalists, our world had seen too many examples of state control of unofficial ideas. A central purpose of the European Convention on Human Rights had been to set close limits to any such assumed power. (The same, of course, is true of the International Covenant on Social and Political Rights and indeed, of the Constitution of India.) The judges said, "We in this country continued to owe a debt to the jury which in 1670 refused to convict the Quakers, William Penn and William Mead, for preaching ideas which offended against state orthodoxy".

This has been the bane of Indian society for centuries – the intolerance of dissent from the orthodoxy of the day. But it is precisely in the ready acceptance of the right to dissent, as distinct from its mere tolerance, that a free society distinguishes itself. Justice Oliver Wendell Holmes prescribed the test in these telling terms – liberty not to those who agree with us; but, freedom to the idea that we hate.

### REVIEW OF LABOUR

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## Portents of a Liquidity Squeeze

*With government borrowing this year threatening to exceed even last year's record level, the pick-up in demand for commercial credit from banks and bank deposit growth beginning to slacken, the signs of a liquidity strain in the second half of the year are unmistakable.*

### I The Backdrop

THERE are clear indications that the banking industry would face some liquidity strain in the second half of the year. Last year, from August 18, 1998 onwards, there were Resurgent India Bonds (RIBs) worth Rs 17,945 crore included as term deposits with banks which helped the system to accommodate a historically high level of market borrowings by the government (Rs 62,900 crore). Fiscal compulsions suggest that the current year's borrowings, though budgeted lower, are likely to be higher still. Hitherto, this year the RBI has taken on itself through devolvement/private placement a burden of as much as Rs 23,500 crore (43 per cent) out of

total market loans of Rs 54,130 crore but at the same time sold to the market through open market operations as much as Rs 24,619 crore. Such operational manoeuvrability will be limited in the months ahead when there would not be any special accretion of liquidity into the system.

Secondly, there has begun a pick-up in the demand for commercial credit which the commercial banks seem to have slowly begun to entertain. There is already a turn-around of Rs 5,300 crore in non-food credit in this fiscal year so far compared with the previous year and in the next half of the year, the demand for bank credit is likely to be even higher, going by the signs of industrial recovery.

Thirdly, bank deposit growth has already begun to slacken. Net of RIB funds, aggregate deposits have so far up to September 10, 1999 grown by 5.1 per cent as against 5.5 per cent in the corresponding period last year. This growth is likely to be further affected by the reported increases in the total amounts of funds mobilised by all categories of mutual funds comprising those from the public and private sectors and the UTI. It is reported that due to a noticeable revival of the primary as well as secondary segments of the capital market (particularly those of IT and software companies, pharmaceuticals and consumer durable industries), the funds mobilised by the mutual funds during the first five months up to August this year have far

exceeded the annual mobilisations of Rs 3,060 crore and Rs 4,002 crore made by the mutual funds during the previous two full years. Such mobilisation is also routed through the banking industry, but they do not help the banks to create any substantial durable assets.

### EVALUATING PDs' PERFORMANCE

During the month, four primary dealers (PDs) published their balance sheets for 1998-99. The RBI introduced the system of primary dealers in 1996 with the objective of "strengthening the market infrastructure and making it liquid and broad-based, developing underwriting and market making capabilities for government securities, improving trading in the secondary market, widening investor base and making PDs an effective conduit of OMO". The PDs are obliged to make a minimum annual bidding commitment for dated securities as well as treasury bills (TBs) and achieve a minimum success ratio. They are also obliged to underwrite the gap between the subscribed/accepted and the notified amount where there is a shortfall.

The number of PDs increased from 6 to 13 in 1998-99 and one more has been added to the list on September 23, 1999. The new PDs have included some players in the private sector. They, however, became operational only after March 1999. Analysis of operations of the 6 PDs, indicates that their performance in terms of bidding was higher than their commitment. Their success ratio, that is, bids accepted out of bids submitted, was 49 per cent and 53 per cent in TBs and dated securities, respectively. As against the bidding commitment of Rs 16,350 crore and Rs 26,900 crore, respectively, in Treasury Bills and central government dated securities in the primary market, the

TABLE 1: DEPENDENCY OF PRIMARY DEALERS ON THE CALL MONEY MARKET

PD	(Rs crore)		
	Borrowing (On Daily Product Basis)	Lending (on Daily Product Basis)	Net Owned Funds (end-March 1999)
DFHI	7,46,469	5,22,506	353.4
STCI	5,47,730	2,06,247	578.28
GSTC	1,35,801	172	122.95
PNB Gilt	2,94,763	60,435	101.45
SBI Gilt	1,55,106	17,273	129.4
I Sec	1,67,609	58,571	217.64
Total	20,47,478 (5,610)	8,65,204 (2,370)	1,503.12

Figures in brackets represent the average daily borrowing/lending.

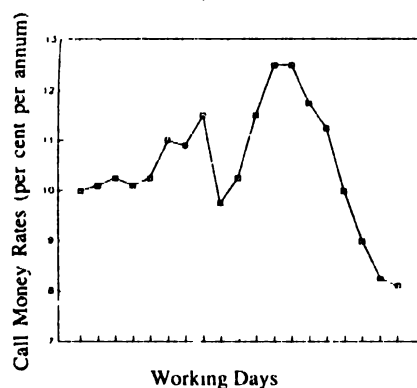
TABLE 2: ESTIMATED FLOW OF LIQUIDITY INTO THE FINANCIAL SYSTEM DURING SEPTEMBER 1999

(Rupees crore)

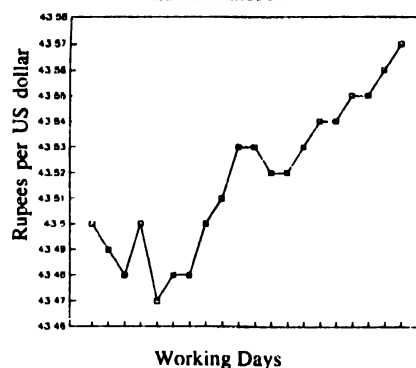
Week Ended	24			17			10			3		
	Inflow	Outflow	Net	Inflow	Outflow	Net	Inflow	Outflow	Net	Inflow	Outflow	Net
Auctions and Redemptions												
14-day T bills	1455	1127	328	300	425	-125	985	1455	-470	225	300	-75
91-day T bills	465	25	440	600	230	370	394	15	379	381	300	81
182-day T bills	-	-	-	0	305	-305	-	-	-	0	305	-305
364-day T bills	110	355	-245	-	-	-	400	0	400	-	-	-
Government securities	-	-	-	-	-	-	709	-	709	1066	2500	-1434
State Loans	-	-	-	-	-	-	-	3250	-3250	-	-	-
Coupon Payments	773	-	773	469	-	469	69	-	69	275	-	275
Advance Tax Payments	-	5000	-5000	-	1000	-1000	-	-	-	-	-	-
Net Foreign Assets (Variation)	-	514	-514	460	-	460	-	174	-174	76	-	76
Total	2803	7021	-4219	1829	1960	-131	2558	4894	-2336	2022	3405	1383
Memo Items												
Open Market Operations (RBI)	0	1104	-1104	0	14	-14	0	1	-1	0	42	-42

Note: A negative sign implies net outflow. - means nil.

GRAPH A: DAILY TOP-END QUOTATIONS OF CALL MONEY RATES, SEPTEMBER 1999



GRAPH B: SPOT QUOTATIONS FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET, SEPTEMBER 1999



## II Call Money and Forex Markets

The overnight money market generally faced firmness during September. With a spillover of the impact of sizeable RBI's open market operations (OMOs) on market liquidity in the closing days of August, the call money rate remained firm in the range of 9 to 11 per cent in early September. The firmness was sustained on expectations of a large possible outflow of funds except for one day on September 9 when excess subscriptions for state loans were refunded. The third week of the month saw a further hardening of the call rates to a high of even 12.50 per cent (Graph A) following a substantial outflow on account of advance tax payments (Table 2). As a result, the primary dealers and foreign banks quickly drew upon RBI refinance; the outstandings of loans and advances by RBI to scheduled commercial banks, primary dealers and others shot up from about Rs 8,267 crore as on August 27 to Rs 17,984 crore as on September 17. Subsequently, with the return flow of tax funds and inflows on account of coupon payments on some securities and maturity amount of floating rate bonds on September 29, call rates softened and came back to the floor level of 8-8.50 per cent (Tables 3 and 4).

The foreign exchange market was by and large calm with the rupee rate ruling at Rs 43.45 per US dollar in the first fortnight with a nominal loss in value to around Rs 43.55 per dollar in the second half of the month (Graph B). The latter occurred due to a sudden and sharp appreciation of the US dollar vis-a-vis the Japanese yen and not due to any of India's domestic factors. The turnover in the forex market was more moderate in September than in the previous month, both in merchant and inter-bank segments. As a result, there has been pressure on the RBI to relax forex operations including the facility to rebook cancelled forward contracts. On the other hand, in the absence of a strong export growth, the external sector remains vulnerable. As it is, the rupee stands depreciated by about 2 to 3 per cent since July both in nominal as well

actual bids tendered by PDs were higher at Rs 32,134 crore and Rs 25,024 crore, respectively. Of these, the bids accepted were Rs 15,652 crore for Treasury Bills and Rs 13,252 crore for central government dated securities. The RBI accepted Rs 28,848 crore out of Rs 69,709 crore offered by PDs for underwriting. PDs purchased 19 per cent of the total issues in dated securities in the primary market and 40 per cent of total issues in TBs.

The underwriting fees/commission paid to PDs amounted to Rs 83.31 crore this year against Rs 110 crore of the previous year. All the PDs by and large recorded lower profits in 1998-99. Gilts Securities Trading Corporation, for instance, recorded a profit of Rs 25.12 crore in 1998-99 against a profit of Rs 25.25 crore of last year. DFHI has recorded a profit of Rs 58.41 crore this year against Rs 67.92 crore last year, whereas STCI has reported a profit of Rs 82.98 crore this year as against Rs 98.36 crore last year.

The PDs attributed the lower returns to

falling yields on government securities. They also blame the Reserve Bank of India for adopting the private placement-cum-open market operations strategy for issuing new securities. This allegedly deprives them of their earnings as also stocks of government securities. They have been urging the RBI to revise its strategy to help PDs in their business. PDs have also urged the RBI to increase the amount of refinance made available to them, remove the collateral clause (which is not possible under the RBI Act) and also reduce the interest rates at which they can avail of the refinance.

The extent of the PDs' dependence on the call money market funds may be gauged from the data presented in Table 1. The six GPDs borrowed Rs 2,047,478 crore on daily product basis during the whole of 1998-99, that is, a daily average of Rs 5,610 crore against their daily lending of Rs 2,370 crore. Their networth stood at Rs 1,530 crore as at the end of March 1999.

TABLE 3: DAILY QUOTATIONS OF HIGHS AND LOWS OF CALL RATES IN PER CENT PER ANNUM. SIMPLE STATISTICAL CHARACTERISTICS

	All Four Weeks of the Month	September 1999 Week Ended				All Four Weeks of the Month	August 1999 Week Ended			
		24*	17	10*	3		27*	20	13*	
Simple Mean	10.0	9.3	11.4	10.1	9.9	9.9	8.1	10.0	13.4	8.2
Standard Deviation	1.3	1.2	0.8	1.0	5.0	5.0	0.4	0.1	9.3	0.4
Coefficient of Variation (percentages)	12.9	12.4	7.3	9.6	4.6	50.1	4.4	1.0	69.7	4.7

\* Data for reporting Fridays (RF) are omitted.

TABLE 4: CALL MONEY RATES

(Per cent per annum)

Items	September 1999				August 1999			
	24(RF)	17	10(RF)	3	27	20	13(RF)	6
Weekly range	6.85-11.25 (4.00-8.40)	7.75-12.60 (7.50-12.50)	7.75-11.15 (3.00-9.50)	7.80-10.35 (8.50-21.00)	7.00-10.0 (0.50-30)	9.60-12.50 (5.00-30.00)	8.25-35.00 (5.00-7.30)	7.75-9.25 (6.00-7.75)
Weekend (Friday)	6.85-8.10 (5.00-6.00)	11.00-11.75 (8.00-8.25)	8.25-10.25 (5.50-11.00)	10.00-10.25 (9.00-9.50)	7.50-8.00 (0.50-6.0)	9.90-10.05 (9.50-45.00)	8.00-35.00 (5.50-6.25)	8.25-9.25 (6.00-6.40)
DFHI lending rates (range)	na (8.40-6.00)	10.25-13.00 (7.80-12.50)	8.25-11.50 (5.75-9.60)	na (8.85-21.00)	7.35-10.1 (9.20-10)	9.90-13.50 (1.00-12.00)	8.50-35.00 (5.50-7.50)	8.00-9.25 (6.15-8.00)

Figures in parentheses represent weekly range during similar period last year.

as real terms against major currencies. In forward transactions, the money market tightness has resulted in a slight firmness in the annualised forward premia, but such firmness has been more in short-term one-month premia than in say, the six-month ones (Graph C), thus giving rise to a flat forward premium curve.

Incidentally, the RBI's recent directive to the Foreign Exchange Dealers' Association of India (FEDAI) to let the latter's member banks have complete freedom in fixing service charges on various types of forex dealings, thus abolishing free brokerage charges, etc, may result in squeezing margins of brokerage firms and consolidation of the brokering business in the forex market.

### III Primary Market

#### Dated Securities

The RBI announced a state loan issue for September 8. The notified amount for this 11.85 per cent 2009 bonds was Rs 3,250.08 crore for 23 states. The total subscription received for this loan was Rs 4,230.70 crore. The RBI refunded the excess subscription. The total net issuance of state loans this year so far has been Rs 9,482 crore (including the auction issues in respect of three states) as against the total net issuance of Rs 10,694 crore last year. Yet another tranche of state loans is due in the second half of the year.

An auction of central government

securities was announced on September 28 mainly to absorb the redemption amount of Rs 3,000 crore of the floating rate bonds. The bond to be auctioned was a reissue of the 12.32 per cent 2011 paper. The cut-off price for the paper was fixed at Rs 103.57 which meant a yield of 11.74 per cent. Prior to the auction, the paper was being traded at Rs 103.62/64. The RBI received 228 bids for an aggregate amount of Rs 5,853 crore and accepted 90 bids for the notified amount of Rs 2,500 crore. The underwriting commission for PDs was fixed at five paise per Rupee 100. This was the fourth time this paper was being reissued which has raised its outstanding level to Rs 11,000 crore, but the implicit yield at successive reissue has been brought down from 12.32 per cent to 12.05 per cent and then to 11.96/97 per cent and finally to 11.74 per cent, which is reflective of the successful attempts made by the RBI to reduce primary yields on dated securities in the recent past.

So far, about 86 per cent of net market borrowings of the central government have been completed but as proportion of the budget for gross borrowings only 75 per cent have been accomplished as there are substantial repayments worth Rs 12,702 crore due in the subsequent months of the year. Thus, to meet the target of net borrowings of Rs 57,461 crore, the government will have to resort to a gross borrowing of Rs 20,884 crore until the end of the year.

What is more, if recent experience is any guide the budgetary compulsions may make the government to borrow far beyond the budgeted provisions, essentially because the borrowings from the RBI

TABLE 5: CENTRE'S MARKET BORROWINGS

(Rupees crore)

Type	1999-2000			1998-99		
	Gross	Repayments	Net	Gross	Repayments	Net
	Actuals so far (April-October 5, 1999)			Actuals (April-October 6, 1998)		
Medium and large securities	56,630	11,353	45,277	61,121	8,803	52,318
364 day TBs	6,500	2,500	4,000	2,500	11,227	-8,727
Total	63,130	13,853	49,277	63,621	20,030	43,591
	Balance To Be Borrowed over the Budget			Balance To Be Borrowed over the Budget		
Total	20,884	12,702	8,184	15,755	11,020	4,735
				Extra Borrowing Effected over the Budget		
Total	-	-	-	14,577	-	14,577
Budget provisions (Full year)	84,014	26,553	57,461	79,376	31,050	48,326
Actuals (full year)	-	-	-	93,953	31,050	62,903

TABLE 6: AUCTIONS OF 14-DAY TREASURY BILLS

(Amount in rupees crore)

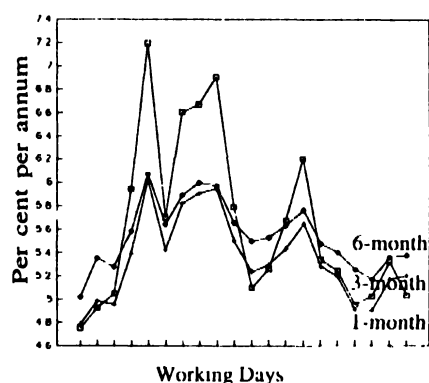
Date of Auction	Notified Amount	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount) (7)*	Cut-off Price (Rupees) (8)	Cut-off Yield Rate (Per Cent) (9)	Amount Outstanding on the Date of Issue (10)
		No	Face Value (Amount) (4)	No	Face Value (Amount) (6)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)*	(8)	(9)	(10)
<b>1998</b>									
Sept 4	500.00	0	0.00	0	0.00	500.00	99.69	8.09	1400.00
		(1)	(400.00)	(1)	(400.00)	(0.00)	[99.69]	[8.09]	
Sept 11	500.00	0	0.00	0	0.00	500.00	99.69	8.09	1400.00
		(-)	(0.00)	(-)	(0.00)	(0.00)	[99.69]	[8.09]	
Sept 18	100.00	1	25.00	1	25.00	75.00	99.69	8.09	800.00
		(1)	(200.00)	(1)	(200.00)	(0.00)	[99.69]	[8.09]	
Sept 25	100.00	3	65.00	1	25.00	50.00	99.69	8.09	400.00
		(-)	(0.00)	(-)	(0.00)	(25.00)	[99.69]	[8.09]	
<b>1999</b>									
Sept 3	100.00	13	120.00	1	5.00	95.00	99.67	8.61	1850.00
		(3)	(1450.00)	(3)	(1450.00)		[99.67]	[8.61]	
Sept 10	100.00	15	135.00	2	25.00	75.00	99.67	8.61	2050.00
		(1)	(400.00)	(1)	(400.00)		[99.67]	[8.61]	
Sept 17	100.00	13	125.00	3	26.50	73.50	99.67	8.61	1700.60
		(3)	(1100.60)	(3)	(1100.60)		[99.67]	[8.61]	
Sept 24	100.00	13	115.50	5	63.50	36.50	99.67	8.61	1700.60
		(1)	(400.0)	(1)	(400.0)		[99.68]	[8.35]	

Figures in parentheses in cols 3 to 6 represent numbers and amounts of non-competitive bids which are not included in the total.

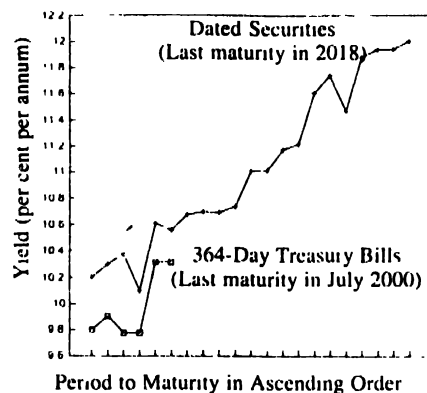
Figures in the square brackets under cols 8 and 9 represent weighted average price and respective yield.

\* Bracketed figures in col 7, if any, relate to devolvement on primary dealers, exclusive of RBI. - No bid.

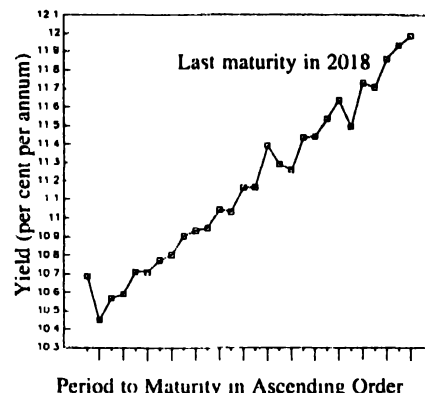
GRAPH C: ANNUALISED DAILY 1-MONTH, 3-MONTH AND 6-MONTH FORWARD PREMIA IN PERCENTAGE FOR THE US DOLLAR BY THE DOMESTIC INTER-BANK MARKET FOR SEPTEMBER 1999



GRAPH D: YIELD CURVES FOR 364-DAY TREASURY BILLS AND DATED SECURITIES: DAY OF MAXIMUM TRANSACTIONS (SEPTEMBER 1) DURING THE FIRST HALF OF SEPTEMBER 1999



GRAPH E: YIELD CURVE FOR DATED SECURITIES: DAY OF MAXIMUM TRANSACTIONS (SEPTEMBER 21) DURING THE SECOND HALF OF SEPTEMBER 1999



through ad hoc TBs have been eschewed and ways and means advances have been restricted to Rs 11,000 crore for the first half but only Rs 7,000 crore for the second half of the year. It seems as though the market borrowings have replaced borrowings from the RBI. During 1998-99, there were Rs 14,577 crore of extra borrowings from the market beyond the budgeted amount (Table 5).

#### Treasury Bills

The RBI was hard put to avoid an increase in the cut-off yields on treasury bills, all of which remained unchanged during the September auctions except for a fractional rise in the yield on 364-day TBs. This was achieved by the RBI by opting for huge devolvments on itself. Of the total TBs issuance of Rs 1000 crore in the first half of the month, the RBI took Rs 920 crore worth of devolvement. In the second fortnight, the devolvement at Rs 458 crore was much lower. Interestingly, the non-

competitive bids spurted to Rs 2,350 crore indicating that the states have invested the freshly raised sum into this paper (Tables 6 to 9).

#### Bonds Market

In conformity with the receding tempo of commercial debt issues since the beginning of the current fiscal year, there has been a further drastic fall in the number and amount of fresh issues in September. A few other qualitative changes discernible of late in the debt market were reinforced in this month: near absence of any issues from Central PSUs and all India FIs; quantum jump in funds mobilised by state-level undertakings on infrastructure projects; some improvement in the share also of private corporates; and some moderation in the coupon rates offered on bonds of comparable maturities and borrowers.

The total amount of bonds proposed to be raised during the month has been a low of Rs 1,341 crore (including green shoe

options) contrasted with previous month's figure of over Rs 5,000 crore. State-level undertakings yet again dominated the market this month with a size of Rs 1,033 crore followed by private corporates (Rs 190 crore) and finally HDFC (Rs 50 crore), one bank (Rs 18 crore), and one NBFC (Rs 50 crore).

Interestingly, all the issues among the state-level undertakings have been of traditional seven-year maturity, guaranteed by the respective state governments and offering coupon rates in the range of 12.5 per cent to around 14 per cent. The highest coupon of 14 per cent payable annually was offered by Uptron Powertronics of the UP government and the lowest rate of 12.5 per cent came from the Gujarat State Fertilisers and Chemicals. The best yield, however, was offered by Madhya Pradesh Electricity Board's (MPEB) privately placed paper at 14.17 per cent which had offered a half-yearly coupon rate of 13.7 per cent, followed by the unrated instrument

TABLE 7: AUCTIONS OF 91-DAY TREASURY BILLS

(Amount in rupee crore)

Date of Auction	Notified Amount	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)	Amount Outstanding on the Date of Issue		
		No	Face Value (Amount)	No	Face Value (Amount)				Total	With RBI	Outside RBI
(1)	(2)	(3)	(4)	(5)	(6)	(7)*	(8)	(9)	(10)	(11)	(12)
1998											
Sept 4	500.00	0	0.00	0	0.00	500.00	98.04	8.00	5557.00	1690.70	3866.30
		(1)	(40.00)	(1)	(40.00)	(0.00)	[98.04]	[8.00]			
Sept 11	500.00	9	215.00	9	215.00	285.00	97.80	9.00	5757.00	1975.70	3781.30
		(1)	(30.00)	(1)	(30.00)	(0.00)	[97.81]	[8.96]			
Sept 18	200.00	2	115.00	0	0.00	125.00	97.80	9.00	5862.00	2100.70	3761.30
		(1)	(30.00)	(1)	(30.00)	(75.00)	[97.80]	[9.00]			
Sept 25	200.00	4	155.00	2	100.00	100.00	97.80	9.00	5992.00	2200.70	3791.30
		(1)	(60.00)	(1)	(60.00)	(0.00)	[97.80]	[9.00]			
1999											
Sept 3	100.00	19	129.00	3	15.00	85.00	97.69	9.46	2460.35	350.20	2110.15
		(-)	(-)	(-)	(-)	(-)					
Sept 10	100.00	15	129.00	3	30.00	70.00	97.69	9.46	2160.35	420.20	1740.15
		(1)	(200.00)	(1)	(200.00)						
Sept 17	100.00	15	119.00	3	25.00	75.00	97.69	9.46	1760.35	460.20	1300.15
		(-)	(-)	(-)	(-)	(-)					
Sept 24	100.00	15	161.50	5	72.00	28.00	97.69	9.46	1760.35	481.70	1278.65
		(-)	(-)	(-)	(-)	(-)					

Figures in parentheses in cols 3 to 6 represent numbers and amounts of non-competitive bids which are not included in the total.

Figures in the square brackets under cols 8 and 9 represent weighted average price and respective yield.

\* Bracketed figures in col 7, if any, relate to devolvement on primary dealers, exclusive of RBI. - nil.

of the WB Industrial Development Finance Corporation (WBIDFC) 14.05 per cent which offered 13.6 per cent rate of coupon. The most attractive YTM of the month is, nevertheless, lower by 22 basis points from the previous month's highest yield offered by Sardar Sarovar Narmada Nigam (SSNNL) which was at 14.39 per cent on its 10-year paper and lower by 16 basis points from the one offered by AP Transco on its paper of 10-year maturity which was at 14.33 per cent.

There were three issues from the government of Maharashtra's irrigation projects, namely, Konkan (Rs 48 crore), Tapi (Rs 150 crore) and Godavari (Rs 150 crore) Irrigation Development Corporations – collectively aiming to raise Rs 348 crore through 7-year paper guaranteed by the government of Maharashtra. All the three issues were identically structured, AA-(so) rated by Care and offered interest rate of 13.5 per cent payable half-yearly with YTM working out to 13.96 per cent. They are getting good response from the investors and KIDC is reportedly heading toward closure after successfully meeting with the targeted amount. MP Electricity Board was in the private placement segment to raise Rs 300 crore (including Rs 100 crore as greenshoe option) with 13.7 per cent rate of coupon at the annualised yield of 14.17 per cent. Supported and guaranteed by the UP government was a small issue from Uptron Powertronics to collect Rs 5 crore with an option to retain an oversubscription of equal amount at 14 per cent rate of interest. The issue has been fully subscribed. Other issues from the state governments were those of WB Industrial Development Finance Corporation (WBIDFC) – Rs 200 crore – and Gujarat State Fertilisers and Chemicals – Rs 125 crore.

HDFC placed its 5-year paper at an annual coupon rate of 12.15 per cent to collect Rs 50 crore. Dhanalaxmi Bank was in the market with 13 per cent 67-month paper to raise Rs 18 crore. A similar small amount of Rs 50 crore issue was privately placed by Sundaram Finance; on the offer was 12 per cent 3-year non-convertible debentures (NCD) and it was exclusively placed with mutual funds. For the issue size of Rs 50 crore, contributions from Birla Mutual Fund was Rs 25 crore, DSP Merrill Lynch Rs 20 crore and Kothari Pioneer Rs 5 crore.

Among the private corporates, Ashok Layland entered the market with 12.5 per cent NCD to collect Rs 90 crore. The issue collected the targeted amount and was closed within a day of opening. It was largely subscribed by mutual funds and financial institutions (FIs).

There were many state-level issues in the market which made entry in August but continued to remain open this month as well. They were RSEB, UPFC, SSNNL, AP Transco, REC and finally VIDC which opened on July 26 but in view of sporadic and uncertain demand for its 7-year paper, the closing date had been extended twice; there has been an upward revision in the size of the issue as well from Rs 250 crore to now Rs 400 crore and it has reportedly collected Rs 300 crore to the last count.

Among the issues closed, UBI's 84-month sub-ordinated paper was very successful and was probably the first ever subordinated debt issue through book-building route by any nationalised bank. The issue which hit the market on August 30, collected Rs 500 crore at a cut-off yield of 12.5 per cent after having indicated a band of 12.3-12.6 per cent. So were other issues closed successfully like Bank of Maharashtra, Hongkong Shanghai Bank, National Housing Bank, MTNL, TNEB, RSRTC, KRC, etc. All the issues met with the targeted amount with some getting over-subscription. Collectively, the closed issues reported to have raised over Rs 5,000 crore.

The coming week will witness an issue from Maharashtra Jeevan Pradhikaran. The issue will have four instruments of 10-year (with coupon of 14 per cent for the first

year and subsequently 2 per cent over the PF till maturity), 7-year (13.25 per cent), and two options of 10-year each at 13.25 per cent with different redemption options. TISCO is also likely to place its 8-year regular bonds to mobilise Rs 150 crore with an indicative band of 12.50-12.70 per

TABLE 10: REPO TRANSACTIONS IN GOVERNMENT PAPER (OTHER THAN WITH THE RBI), SEPTEMBER 1999  
(Rupees crore)

Repo Period in Number of Days	Amount (Rupees Crore)	Range of Interest (Per Cent Per Annum)
(A) Dated Securities		
1	791	7.40-12.15 (8.48)
2	214	7.90-11.10 (9.17)
3	643	8.05-11.50 (9.18)
4	667	8.00-12.00 (9.57)
5	185	9.00-10.65 (9.67)
6	230	10.00-11.00 (10.52)
7	105	9.00-10.75 (9.49)
8	169	9.00-11.55 (10.36)
9	8	10.08 (10.08)
10	125	10.85-10.90 (10.89)
11	252	9.15-10.50 (10.40)
12	145	9.75-11.00 (10.66)
14	462	9.75-11.50 (10.72)
15	55	9.60-10.90 (10.14)
17	113	8.50-9.00 (8.95)
18	20	11.25 (11.25)
All Issues		
1-18	4183	7.40-12.15 (9.63)
(B) 182-Day TBs (All Issues)		
1-5	125	7.70-11.10 (9.83)
(C) 364-Day TBs (All Issues)		
1-14	269	7.60-11.50 (9.42)

Figures in brackets are weighted average interest rate

TABLE 8: AUCTIONS OF 182-DAY TREASURY BILLS

(Amount in rupees crore)

Date of Auction	Notified Amount	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)	Amount Outstanding on the Date of Issue
		No	Face Value (Amount)	No	Face Value (Amount)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1999									
Sept 1	100.00	15	119.00	1	5.00	95.00	95.29	9.89	1005.00
		(1)	(300.00)	(1)	(300.00)		[95.29]	[9.89]	
Sept 15	100.00	17	131.00	1	5.00	95.00	95.29	9.89	1310.00
		(1)	(300.00)	(1)	(300.00)		[95.29]	[9.89]	

Figures in parentheses in cols 3 to 6 represent numbers and amounts of non-competitive bids which are not included in the total. Figures in the square brackets under cols 8 and 9 represent weighted average price and respective yield.

TABLE 9: AUCTIONS OF 364-DAY TREASURY BILLS

(Amount in rupees crore)

Date of Auction	Notified Amount	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)	Amount Outstanding on the Date of Issue
		No	Face Value (Amount)	No	Face Value (Amount)				
1998									
Sept 9	400.00	9	445.00	9	400.00	0.00 (0.00)	91.26 [91.38]	9.58 [9.43]	7752.80
Sept 22	200.00	4	110.00	3	50.00	90.00 (60.00)	91.26 [91.26]	9.58 [9.58]	7519.80
1999									
Sept 8	500.00	23	609.00	0	0.00	500.00	90.68 [90.68]	10.28 [10.28]	13900
Sept 22	500.00	30	732.50	17	355.00	145.00	90.64 [90.66]	10.33 [10.30]	14200

Figures in the square brackets represent weighted average price and the respective yield. Figures in brackets represent devolvement on Primary Dealers (PDs).

APPENDIX TABLE: SECONDARY MARKET OPERATIONS IN GOVERNMENT PAPER: RBI'S SGL DATA

(Amount in rupees crore)

Descriptions	Week Ending September 1999 Yield to Maturity on Actual Trading												Total for the Month of September 1999		
	24			17			10			3					
	AMT	YTM	CY	AMT	YTM	CY	AMT	YTM	CY	AMT	YTM	CY	AMT	YTM	CY
1 Treasury Bills															
A 14-Day Bills	10.50	8.61		20.50	8.61		5.00	9.97		-	-		36.00	8.80	
B 91-Day Bills	145.63	9.26		103.65	9.68		136.59	9.08		84.35	8.86		470.22	9.23	
C 182-Day Bills	10.00	9.67		14.96	9.77		109.91	10.51		81.22	9.98		216.09	10.22	
D 364-Day Bills	282.89	8.18		317.00	8.50		533.87	10.35		227.40	5.90		1361.16	8.72	
2 GOI Dated Securities															
A Converted (Per Cent. Year)															
13.25, 2000	-	-	-	0.01	9.54	12.86	5.00	10.33	13.02	-	-	-	5.01	10.33	13.02
11.75, 2001	204.48	10.61	11.53	60.48	10.69	11.54	270.00	10.75	11.55	156.00	10.56	11.51	690.96	10.66	11.54
12.50, 2004	195.40	10.95	11.86	235.00	11.02	11.89	304.04	11.05	11.90	606.02	10.99	11.87	1340.46	11.00	11.88
Sub-total	399.88	10.78	11.69	295.49	10.95	11.82	579.04	10.90	11.75	762.02	10.90	11.80	2036.42	10.89	11.76
B Regular (Per Cent. Year)															
13.00, 1999	40.00	10.17	12.99	-	-	-	20.25	10.93	12.99	35.00	10.31	12.98	95.25	10.38	12.99
13.40, 1999	51.50	10.62	13.32	1.40	10.13	13.29	-	-	-	2.30	9.55	13.25	55.20	10.56	13.31
11.40, 2000	125.00	10.48	11.30	162.75	10.59	11.31	171.00	10.55	11.31	280.00	10.35	11.28	738.75	10.47	11.30
11.64, 2000	136.00	10.46	11.54	40.00	10.56	11.54	12.00	10.54	11.54	25.00	10.26	11.51	213.00	10.46	11.53
12.60, 2000	-	-	-	-	-	-	5.00	10.57	12.51	10.00	10.27	12.48	15.00	10.37	12.49
13.85, 2000	-	-	-	-	-	-	-	-	-	15.22	10.46	13.31	15.22	10.46	13.31
10.85, 2001	-	-	-	15.00	10.69	10.83	65.67	10.74	10.83	76.00	10.54	10.80	156.67	10.64	10.81
11.47, 2001	15.00	10.70	11.31	-	-	-	-	-	-	-	-	-	15.00	10.70	11.31
11.55, 2001	155.00	10.59	11.38	90.00	10.69	11.40	355.00	10.75	11.41	160.35	10.54	11.37	760.35	10.66	11.39
12.08, 2001	-	-	-	-	-	-	10.00	10.81	11.84	20.00	10.54	11.79	30.00	10.63	11.81
12.70, 2001	-	-	-	-	-	-	10.00	10.74	12.38	15.00	10.63	12.36	25.00	10.67	12.37
13.55, 2001	-	-	-	-	-	-	-	-	-	10.00	10.57	12.81	10.00	10.57	12.81
11.00, 2002	20.00	10.69	10.93	-	-	-	10.00	10.85	10.97	30.00	10.68	10.92	60.00	10.71	10.93
11.15, 2002	360.48	10.72	11.03	280.00	10.80	11.05	465.00	10.81	11.06	203.00	10.72	11.03	1308.48	10.77	11.05
11.55, 2002 (I)	51.00	10.77	11.32	10.00	10.84	11.34	-	-	-	20.00	10.66	11.29	81.00	10.75	11.32
11.68, 2002	100.00	10.72	11.42	15.00	10.79	11.44	10.00	10.75	11.42	55.00	10.63	11.39	180.00	10.70	11.41
11.10, 2003	120.00	10.81	11.01	75.00	10.86	11.03	95.00	10.91	11.04	135.00	10.72	10.98	425.00	10.81	11.01
11.75, 2003	-	-	-	-	-	-	-	-	-	20.00	10.75	11.40	20.00	10.75	11.40
11.78, 2003	-	-	-	-	-	-	20.00	10.94	11.48	-	-	-	20.00	10.94	11.48
11.83, 2003	-	-	-	-	-	-	125.00	10.97	11.53	30.00	10.81	11.47	155.00	10.94	11.52
11.50, 2004	175.00	10.92	11.27	40.00	11.01	11.31	25.00	11.05	11.32	127.10	10.98	11.29	367.10	10.96	11.29
11.75, 2004	5.00	10.98	11.44	-	-	-	5.00	11.12	11.49	25.00	11.04	11.46	35.00	11.05	11.46
11.95, 2004	85.00	10.96	11.53	165.00	11.01	11.55	100.00	11.08	11.58	5.00	11.06	11.57	355.00	11.02	11.56
11.98, 2004	495.00	10.95	11.53	350.00	10.99	11.55	110.00	11.05	11.57	25.00	10.98	11.54	980.00	10.98	11.55
12.59, 2004	5.00	10.95	11.89	17.50	11.07	11.94	5.00	11.09	11.94	50.00	11.06	11.93	77.50	11.06	11.93
8.25, 2005	15.00	11.17	9.44	-	-	-	-	-	-	-	-	-	15.00	11.17	9.44
11.19, 2005	146.10	11.05	11.12	100.00	11.12	11.16	140.00	11.17	11.18	5.00	11.05	11.13	391.10	11.11	11.15
11.25, 2005	192.00	11.05	11.16	30.00	11.11	11.19	30.00	11.14	11.20	10.00	11.12	11.19	262.00	11.07	11.17
11.68, 2006	40.00	11.17	11.41	90.00	11.22	11.44	5.00	11.26	11.46	25.00	11.18	11.42	160.00	11.20	11.43
11.75, 2006	57.57	11.18	11.45	-	-	-	5.00	11.25	11.49	70.00	11.18	11.45	132.57	11.18	11.45
11.50, 2007	50.25	11.28	11.37	25.00	11.37	11.42	20.00	11.38	11.43	10.00	11.40	11.44	105.25	11.33	11.40
11.90, 2007	270.00	11.30	11.56	50.00	11.36	11.59	36.79	11.38	11.60	530.45	11.58	11.64	887.25	11.48	11.61
13.05, 2007	35.30	11.39	12.05	15.00	11.43	12.08	55.00	11.45	12.09	15.01	11.40	12.05	120.31	11.42	12.07
12.00, 2008	70.50	11.45	11.66	30.00	11.47	11.67	1.50	11.84	11.90	-	-	-	102.00	11.46	11.66
12.25, 2008	75.00	11.46	11.74	30.00	11.50	11.76	0.87	11.52	11.77	30.00	11.50	11.76	135.87	11.48	11.75
11.50, 2009	125.00	11.55	11.54	-	-	-	-	-	-	-	-	-	125.00	11.55	11.54
11.99, 2009	1343.00	11.55	11.70	465.53	11.60	11.73	327.82	11.63	11.75	972.73	11.59	11.72	3109.08	11.58	11.72
11.50, 2010	3.50	11.49	11.50	-	-	-	5.00	11.49	11.49	9.93	11.49	11.50	18.43	11.49	11.50
12.29, 2010	345.00	11.65	11.85	240.00	11.72	11.89	290.00	11.74	11.91	120.00	11.72	11.89	995.00	11.70	11.88
11.50, 2011	0.60	11.68	11.64	1.25	11.59	11.57	2.50	11.58	11.56	5.00	11.61	11.58	9.35	11.60	11.58
12.32, 2011	240.00	11.74	11.90	65.00	11.80	11.94	47.84	11.83	11.96	220.65	11.83	11.95	573.48	11.79	11.93
12.40, 2013	387.07	11.86	11.97	252.31	11.90	12.00	72.30	11.93	12.02	203.51	11.92	12.01	915.18	11.89	11.99
12.30, 2016	59.05	11.94	11.99	4.42	11.95	12.00	3.54	11.97	12.02	39.42	11.94	11.99	106.42	11.94	11.99
12.60, 2018	152.25	11.99	12.06	122.88	12.02	12.08	26.56	12.04	12.10	15.10	12.04	12.10	316.79	12.01	12.07
Sub-total	5551.65	11.27	11.59	2783.17	11.28	11.58	2688.72	11.13	11.49	3656.96	11.25	11.60	14680.50	11.24	11.57
C Zero Coupon Bonds (Per Cent. Year)															
2000	40.00	10.32	7.18	-	-	-	-	-	-	15.00	10.18	7.14	55.00	10.28	7.17
2000(III)	55.00	10.21	7.61	30.00	10.41	7.64	15.50	10.55	7.66	125.00	10.23	7.66	225.50	10.27	7.64
Sub-total	95.00	10.25	7.43	30.00	10.41	7.64	18.50	10.47	7.66	140.00	10.22	7.60	283.50	10.27	7.55
(A+B+C)	6046.53	11.22	11.53	3108.66	11.24	11.56	3286.26	11.09	11.51	4558.98	11.16	11.51	17000.43	11.18	11.53
D RBI's Open Market Operations (Per Cent. Year)															
11.40, 2000	-	-	-	-	-	-	0.45	10.22	11.27	-	-	-	0.45	10.22	11.27
11.75, 2006	715.00	11.16	11.45	-	-	-	-	-	-	-	-	-	715.00	11.16	11.45
12.30, 2016	398.44	11.93	11.99	10.13	11.93	11.99	-	-	-	1.60	11.93	11.99	410.17	11.93	11.99
Sub-total	1113.44	11.44	11.64	10.13	11.93	11.99	0.45	10.22	11.27	1.60	11.93	11.99	1125.62	11.44	11.64
(A+B+C+D)	7159.97	11.25	11.55	3118.79	11.24	11.57	3286.71	11.09	11.51	4560.57	11.16	11.51	18126.04	11.20	11.54
3 REPO															
182-Day Bills	30.00	-	-	-	-	-	64.00	-	-	30.00	-	-	124.00	-	-
364 Day Bills	145.00	-	-	6.00	-	-	16.00	-	-	102.00	-	-	269.00	-	-
Govt Securities	1652.20	-	-	590.35	-	-	1082.00	-	-	858.55	-	-	4183.10	-	-
Sub-total	1827.20	-	-	596.35	-	-	1162.00	-	-	990.5					

(-) means no trading YTM = Yield to maturity in percentage per annum CY = Current yield in per cent per annum. Securities with small-size transactions (Rs 5 crore or less) and inflation linked bonds have been dropped from the above list but included in the respective totals.

Notes (1) Yields are weighted yields, weighted by the amounts of each transaction.

(2) Current yield has not been worked out for treasury bills

cent such that the final rate would be decided through book-building process.

### Securitisation

While the RBI worked on the guidelines and report on securitisation, HUDCO entered into a three-year reversible securitisation deal with Vijaya Bank to raise funds for meeting some of its infrastructure financing commitments. According to the deal, HUDCO will receive Rs 200 crore from Vijaya Bank for securitised urban infrastructure receivables from various state urban development authorities and municipalities for a period of three years. During this period, the deal will remain on a non-recourse basis. That is, Vijaya Bank will take the credit risk and will receive all payments including tax benefit. After this period, HUDCO will be able to buy back the receivables at interest rates prevailing at that time. HUDCO discounted the 16 per cent receivables at 13 per cent.

Meanwhile, SEBI was reported to have approved the concept of mutual funds floating dedicated schemes to buy securitised debt from financial institutions. The concept envisages mutual funds raising funds from investors for the sole purpose of investing in securitised debt.

### Other Instruments

The commercial paper (CP) market remained dull in the first fortnight of

September due to high call rates. CP rates also moved up to above 10 per cent for 90-day paper. Companies such as, NRB Bearings and Sony were seen to be placing their 90-day papers in the market at 10.25/35 per cent. As per the data released by the RBI, the total amount outstanding and the new issues of commercial paper showed a drop in the fortnight ending September 15; the total outstanding amount as on this date fell to Rs 7,293 crore from Rs 7,678 crore in the previous fortnight, whereas the new issues reported during the fortnight dropped to Rs 786 crore from Rs 1,535 crore. The interest rates on this instrument ranged from 9.61-12.70 per cent which were marginally higher than the rates prevailing during the previous fortnight. A year ago the outstanding amount was Rs 4,803 crore.

The data on certificate of deposit (CDs) also continued to be low. As on August 13, the outstanding amount under CDs was reported to be Rs 3,375 crore and the new issues during the fortnight were Rs 48 crore. The interest rates on this instrument ranged from 6.50-11.00 per cent.

## IV Secondary Market

### Gilt-edged market

The prices and yields of dated securities in the secondary market behaved differently in the first half as compared

with the second half of the month in response to liquidity conditions. The first half saw a drop in prices and a rise in yields due to tight liquidity conditions, which were somewhat reversed in the second half following the easing of liquidity. In the first period, however, the variations in the prices of medium- and long-term maturity segments were considerably higher than in the short duration segments, thus rendering the yield curve steeply upward sloping (Graph D). Prices of short-term securities dropped by an average of 15-16 paise and those of medium- and long-term securities fell on an average by 29.30 and 40-42 paise, respectively. In the second half, on the other hand, the prices of these segments rose relatively uniformly by around 5-6 paise which helped to retain the upward sloping nature of the yield curve (Graph E). The spread between the weighted average of YTM for a top traded one-year security and that for a similarly traded 10-year security has narrowed to about 1.10 percentage points from over 2 percentage points a year ago. (For relevant yield rates, see Appendix Table.)

### Repos and OMO

With call rates at around 10 per cent, the 6 per cent fixed yield repos of the RBI received no response throughout the month. Repos even outside the RBI were on a moderate scale (Table 10). During September, OMOs remained quite subdued during the first two weeks with sales worth only Rupees 1 crore in the week ended September 10 and Rs 13 crore in the week ended September 17; however, in the last week of the month when the RBI offered to sell the long-dated 12.75 per cent 2006 and 12.30 per cent 2016 securities at Rs 102.66 and Rs 102.60, respectively, there were Rs 1,104 crore worth of OMOs in the week ended September 24. The RBI's OMO sales aggregated Rs 23,515 crore as on September 17 during the current financial year.

### WDM of NSE

There was a drastic reduction in the wholesale debt transactions of the screen-based NSE due to liquidity constraint in the market. The secondary market dealings in PSU bonds fell sharply from Rs 154 crore in August to Rs 89 crore in September. There were, however, a relatively higher activity in CPs following a revival of their primary issues (Table 11).

TABLE 11 OPERATIONS OF NATIONAL STOCK EXCHANGE (NSE) DURING SEPTEMBER 1999 - ACTUAL TRADED AMOUNT

Descriptors	Week Ending September				Total during		
	20	17	10	3	September	August	July
1 Treasury Bills	70.34	20.00	456.33	200.00	746.67	1196.00	596.57
i) 14-day Bills	-	-	-	-	-	6.00	22.50
ii) 91-day Bills	5.00	-	10.00	-	15.00	67.00	97.95
iii) 182-day Bills	5.34	-	68.33	30.00	103.67	33.00	82.01
iv) 364-day Bills	60.00	20.00	378.00	120.00	578.00	800.00	394.12
v) Repo	-	-	-	50.00	50.00	-	-
2 Dated Securities	4662.43	2398.16	2850.23	2943.35	12854.17	23946.00	25228.97
A GOI Securities	4631.43	2393.19	2763.33	2932.82	12720.77	23745.00	25104.46
i) Converted	288.43	208.19	541.18	618.82	1656.62	3302.00	3296.56
ii) Regular	4263.00	2170.00	2192.00	2244.00	10869.00	19765.00	20535.00
iii) Zero Coupon	40.00	15.00	10.15	60.00	125.15	580.00	1271.70
iv) Cap Indexed Bonds	-	-	-	-	-	0.00	0.20
v) GCB	-	-	-	-	-	0.00	1.60
vi) Repo	40.00	-	20.00	10.00	70.00	98.00	0.00
B State Govts Stocks	31.00	4.97	86.90	10.53	133.40	201.00	124.51
3 PSU Bonds	17.57	1.05	8.48	61.88	88.98	153.70	197.33
i) Tax free	10.05	0.05	6.73	14.27	31.10	124.70	30.52
ii) Taxable	7.52	1.00	1.75	47.61	57.88	29.00	166.81
4 Commercial Papers	70.00	30.00	29.00	100.00	229.00	243.00	616.00
5 Certificates of Deposits	-	-	-	15.00	15.00	25.00	20.00
6 Debentures	0.35	10.00	9.00	14.25	33.60	26.00	52.21
7 Floating Rate Bonds	-	-	10.00	25.00	35.00	90.00	190.00
8 Others*	84.00	5.54	38.88	26.34	154.76	217.00	235.74
Grand Total (volume)	4904.69	2464.75	3401.92	3385.82	14157.18	25896.70	27136.83
Average per day working							
a Government Paper (1+2)	788.80	604.54	551.09	523.89	618.22	1047.58	1076.06
b Others (3+4+5+6+7+8)	28.65	11.65	15.89	40.41	25.29	31.45	54.64

- No trading. GCB Government Compensation Bonds. \* includes Non-SLR Institutional Bonds, SLR Institutional Bonds, Bank Bonds, Promissory Notes, Units of UTI, Company Notes and Zero Coupon PSU Bonds and others.

[The background work for this review was done by V P Prasanth, Rafiq L. Ansari and Dipti Parikh.]



# Two Eras and After

## People's Republic of China at 50

Alka Acharya

*The legacy of the last 50 years of the People's Republic of China comprises two decades of revolutionary mass mobilisation; two decades of reforms, a 'lost decade' in between. Seemingly, there can be no turning back. But, as the Chinese continue to hurtle on the Dengist road of market reforms, sometime, somewhere, they will have to pause and figure out exactly where they are headed.*

THE Third Plenary Session of the Eleventh Central Committee (CC) of the Communist Party of China (CPC) in December 1978, is generally considered as the point of departure from the Maoist era in the history of the People's Republic of China (PRC). This was the juncture that marked Deng Xiaoping's consolidation of control within, and consolidation of the leadership of the CPC. The People's Republic of China then embarked on a series of economic reforms, which amounted to no less than a total reversal of the earlier policies and would radically transform the face and character of Maoist China. It also signified China's intention to put an end to its global isolation and take what it considered its rightful place in world affairs. In effect, the Maoist period had drawn to a close and the era of Deng Xiaoping had begun.

There would be virtually no disagreement with the statement that the reforms of the last 20 years have transformed the face and character of Mao's China; in fact in many quarters, there is a tremendous fascination with and admiration for China's remarkable achievements. However, there are few efforts directed towards a systematic and thoroughgoing examination and analysis of the factors underpinning the success of the reforms. The necessity for such an exercise appears all the more urgent, particularly when the magnitude of the changes is seen in a comparative context. In India particularly, many questions concerning the Chinese reforms are routinely raised and there is a sense both of awe and curiosity, which gets heightened by the uncertainty that the uneven results of the liberalisation policies generate.

It would indeed be absurd to deny either the immensity of the transformation or the intensity with which it was sought to be brought about – either in the Maoist or the post-Mao period. Beginning in 1949,

the CPC led the country through a thorough restructuring of the social fabric and a total uprooting of earlier politico-economic structures, discarding in the process as well, traditional patterns of thought and relationships. Fifty years in fact appear to be at times much too little when we consider that there is virtually no example in the colonised or the developing world which can boast of a similar record. Moreover, the PRC also managed to overcome major domestic upheavals; emphatic and repeated reversals in developmental strategy; and dramatic – at times excessively so – power struggles at the very apex of the political system. The last major upheaval a decade ago on Tiananmen Square, had led western analysts to seriously predict the break-up of the PRC and/or the rise of regional separatist movements, which do not appear to be of much consequence or significance in western prognoses for China today.

At 50, the PRC has a population which has more than doubled since 1949 and a GNP which is in trillions of yuan. Between 1978 and 1992, the average annual growth rate of real GNP was almost 9 per cent – which is easily the highest in the world. Life expectancy has also more than doubled and infant mortality has declined to 30 deaths per thousand births; illiteracy has been more than halved – standards of living in general have risen. While urban incomes and job opportunities have, as a consequence of the market reforms, expanded and diversified enormously, peasant annual incomes have trebled and in some cases, more than quadrupled. Urban population also more than doubled as in the first decade of the reforms itself, the more prosperous big villages became towns and nearly 30 towns came up as large new cities while 10,000 new kilometres of roads were laid. The PRC has emerged as the largest recipient of foreign direct invest-

ment and it leads the world in exports, sending \$70 billion worth of goods to the US alone in 1998. It is unarguably the dominant military power in the region and over the last decade, through a skilful combination of economic and commercial diplomacy, established itself on a sound footing with the majority of nations on its periphery. It is unhesitatingly viewed as one of the major global actors in a multipolar world; is one of the five permanent members of the United Nations Security Council and, as it takes great pains to establish on every possible occasion, is a responsible and responsive member of the global community.

It may be recalled however, that the growth record of the first 25 years of the PRC appears no less impressive: industry grew at a rate of over 10 per cent, agriculture by 4 per cent, grain output by 3.7 per cent and the overall GNP by 6.5 per cent. Institutions such as the World Bank on the one hand and independent economic analysts – both western and non-western – on the other, by and large tend to identify a similar set of factors and attributes which distinguished the Chinese economy in the seventies and contributed to the extraordinary success of the reforms. The high rates of savings and investments; the unusually high levels of literacy, particularly at the primary and secondary levels of education and high life expectancy rates – both of which are universally admitted to have been due to the measures adopted and structures established in the 1950s and 1960s; and relatively low levels of income inequality. China moreover had the lowest number of people living under the poverty line in the developing world. The Maoist period also saw the massive – if questionable – use of human capital, for the creation of extensive infrastructure, which proved invaluable during the reform period. Even the critics of Maoist policies admit that the poor of China emerged significantly better-off than the poor of most other developing countries and that the egalitarian goals were to a remarkable degree, fulfilled.

Thus, when Deng Xiaoping took charge of China's destiny and embarked on the reforms which were to reorient the direction of China's 'second' revolution, he did not do so in a vacuum. He built on an extremely concrete domestic socio-economic and political legacy, in an international context of globalising capitalist forces. It has been pointed out that despite

the achievements of the earlier decades, the Chinese economy had reached a plateau by the early 1970s and that the standards of living of the people had shown no noticeable improvement. Attempt to push up the savings rate was no longer possible. The worldwide recession of the early seventies had moreover led to a sharp fall in the demand for Chinese exports which were also seen as highly uncompetitive. The only way they could achieve a qualitative breakthrough in the economy was by bringing in large amounts of capital and superior technology and this could only be done by opening up to the outside world and by the initiation of structural adjustment programmes.

There is a view taken by some that market reforms were not necessary which is not only debatable, but in any case, a moot point now. We are dealing with a China in the throes of modernisation and reform. As a matter of fact, we in the developing world are all modernising – the crucial point is that we are modernising in a capitalist world. For perhaps the first time in human history, the structures and processes of development are being conditioned and controlled by the capitalist world economy. The PRC recognised and decided to tap these forces to serve its own ends, by a careful and controlled process of opening to the outside world, while retaining autonomy of decision-making much earlier than most developing countries or the erstwhile Soviet Union.

#### REFORMS, CHINESE STYLE

This translated into a rather unique – one may say almost unprecedented formula: market reforms with Chinese characteristics. In its first stages, this formula sought to impart some flexibility to the erstwhile centralised command economy and the total state ownership and control in the agricultural and industrial sector. Small-scale private entrepreneurship, autonomy of decision-making and small unregulated markets were allowed. Over the decades, these gradually expanded, but a combination of plan and market continued to remain and this is essentially the paradigm in which debates on the nature and direction of the Chinese economy continue to take place.

Economic policy reversals were however only half of the story. Their implications, in epistemological and politico-ideological terms unfolded in June 1981, when the Sixth Plenum of the Eleventh CC adopted a 35,000-word 'Resolution on Certain Questions in the History of Our Party since the Founding of the People's Republic'. The break with the Maoist

period was sought to be documented and enshrined as the official party position. The two notable aspects of the resolution were the verdicts that were passed on the Great Proletarian Cultural Revolution (GPCR) and the contribution and role of Mao Zedong and of course, the link between the two. The former, which lasted from May 1966 to October 1976 "caused the most devastating setback and heavy losses to the party, the state, and the people in the history of the People's Republic, and this 'Great Cultural Revolution' was initiated and led by Comrade Mao Zedong". And after giving the necessary credit for his role in the Chinese revolution, the resolution dwelled on Mao's "shortcomings and mistakes", which chiefly occurred in his later years when "he separated himself from the collective leadership of the party, often rejecting or even suppressing the correct views of others. Mistakes thus became inevitable. A long period of comprehensive, serious mistakes led to the outbreak of the 'Great Cultural Revolution' which brought the most severe misfortune to the party and the people." In other words, a clear departure was sought to be established: a definite and determined discarding of class struggle and renunciation of revolutionary mass mobilisation strategies.

The immediate political context of Deng's decisive break with the Maoist period was thus undoubtedly that 'decade of turmoil' and many of his subsequent actions have to be assessed in the light of his determination to avoid 'chaos and disorder' of the GPCR variety at all costs. In his view, while fundamental and far-reaching reforms were essential, the critical importance of a tightly organised and disciplined structure exercising authority and control over the socio-economic forces likely to be released by the reforms, could not be downplayed. Deng was thus instrumental in establishing the state's, and by implication the CPC's centrality in the Chinese political system – a centrality that was moreover highly authoritarian. This also implied that the interpretation of the official ruling ideology, and thereby the source of the party's legitimacy, was also tightly controlled. This is not to suggest that the CPC was and is unanimous on the question of reforms; there was and continues to be considerable debate on the 'how far and fast' of it. The point is that differences arose and were contained within the reform paradigm, not outside it. There is also criticism of and opposition to the reforms from the 'left', but at this point it is not an effective or strong enough force to pose any major challenge to the

dominant discourse.

Moreover, every effort was to be made to separate economic development from its political context. Whereas for Mao, economics could not be isolated from politics given the interconnectedness of the base and superstructure, Deng Xiaoping's slogan of the 1980s, "to get rich is glorious" equated socialism almost wholly with modernisation and economic development. Socialism under Deng was thus re-conceptualised as an ideology of modernisation. The objectives, in the first instance were to increase productivity, improve efficiency. This would gradually lead to an improvement in living standards and over a period of time to the development of "comprehensive national strength". In the process, the Communist Party has also evolved and metamorphosed from an organisation committed to mass mobilisation, combating bureaucratic elitism and privilege and promoting an egalitarian ethos to one in which there is a distinct technical and bureaucratic-capitalist elite as well as a group of private entrepreneurs who have considerable stakes and interests in the continuation of the reforms. It is this party which today interprets and establishes the operational content of Chinese socialism, in which process the distinction between capitalism and socialism is blurred beyond recognition. "White cat, black cat", said Deng, "if it catches mice it is a good cat."

The reforms have not been an unqualified success story. We see the emergence of regional economic imbalances, increasing poverty in the backward hinterland provinces, pervasive corruption, increased migration from rural to the urban areas, a general rise in social disorder, rising unemployment which is only likely to rise as the reforms of the state-owned industrial enterprises gathers momentum and the dominance of consumerism and materialism. The party, in the process of implementing "capitalism with Chinese characteristics" and the "socialist market economy" seems to be combining the worst of both the worlds. Many commentators have pointed out how this combination, while promoting growth at a particular stage, is becoming increasingly unsupportable. It is not only capitalism, but feudalism that is making a come-back – a development that is most strikingly seen in the rural areas. The Chinese society, after two decades of market reforms, has acquired a more complex character with the emergence of new classes. Urban society in particular demonstrates a complexity which goes beyond the limits of the market reforms. It is also a society

which is increasingly exposed to and fascinated with western lifestyles and values. From time to time there are campaigns to criticise 'bourgeois liberalism' and 'spiritual pollution' but the contradictions stemming from the stress on unity and stability on the one hand and encouraging economic productivity and vitality on the other were clearly evident throughout the eighties and nineties. But the 'crisis of faith' facing society at large and the periodic upsurges, both in the rural and urban areas have been responded to by a further tightening of control. The neo-liberal expectations that economic reforms over a period of time lead to political reforms and the emergence of a civil society, do not appear to be materialising.

"History", wrote Karl Marx, 'is nothing but the activity of men in pursuit of their ends.' Mao Zedong and Deng Xiaoping, who more than any other individual leaders shaped the policies and politics of their respective eras, were certainly pursuing the goal of making China a rich and powerful nation state. But they differed fundamentally in the means they adopted. The history of Mao's China and Deng's China is thus bound to be different. However, unlike the erstwhile Soviet Union, the Chinese have not sought to break off or disassociate with their Maoist past. The June 1981 Resolution neither denied Mao's contributions nor attempted to gloss over his mistakes. In Dengspeak, to assess Mao's achievements and errors impartially was "to seek truth from facts and to learn from past experiences" since Mao's achievements were "primary and his mistakes secondary". Having absorbed "the lessons of (Maoist) history" the CPC and China proceeded to launch market reforms. Since the 1970s, the stress has been on the economic achievement of the Deng period. Interestingly however, the official pronouncements and projections in the media regarding the PRC's 50th anniversary invariably emphasise the achievements and solid foundations laid over the last 50 years, without ever pacifying them. On the occasion of the 50th anniversary of the founding of the PRC, the general office of the central committee of the CPC and the general office of the state council released 50 slogans. They are a fascinating compilation of the nature, aims and objectives of a modernising nation-state. There are six slogans on socialist construction and development of productive forces, two on the socialist market economy and two on the socialist legal system; four on Deng Xiao Ping Theory, four on the party and two on the

army. There is one on political stability and unity and the bulk on the social, cultural and human values essential to making China a strong, modern, prosperous and united country. In this compendium, the slogan which calls on the people to rely on the working class wholeheartedly appears quite out of place amidst those which are a product of the distilled wisdom of the reform era. One has merely to recall the slogans of the Cultural Revolution to confirm that this is indeed a new China with a new agenda. The "third generation of Chinese leadership with Jiang

Zemin at its core", leads a China still in the "primary stage of socialism". In this stage, according to the new leaders China will have to continue maybe even for a hundred years. The legacy of the last 50 years of the PRC comprises two decades of revolutionary mass mobilisation; two decades of reforms, a 'lost decade' in between. Seemingly, there can be no turning back. But, as the Chinese continue to hurtle on the Dengist road of market reforms, sometime, somewhere, they will have to pause and figure out exactly where they are headed.

## CHINA

# Reforms and Health Care

Shyam Ashtekar

*What has been the impact of reforms on Chinese health system and how is China responding to the situation?*

AT about mid-century both China and India had rudimentary health care systems, with some hospitals in cities and only traditional systems for the vast rural hinterland. India started working on the Bhore committee report, which prescribed a rather top-heavy model, with big hospitals in townships and district cities and primary health centres for village clusters. China took a three-tiered model, with a vast foundation in the form of barefoot doctors (BD) in lakhs of villages. With BDs, China gave a concrete shape to its health intentions down to the grass roots level – curative, preventive or promotive.

India's Bhore committee report was weak in the village-level infrastructure and lay stress on shaping it like the British system. India's subsequent efforts, to mend the Bhore model, did not work for various reasons. For instance the Srivastav committee recommendation for community health workers was implemented in 1977 but the programme failed to take roots and died in the mid-1980s. This and other factors resulted in a wide gap between the health status of the two nations over the decades.

China fought it out without any external aid, technical or financial. The Chinese rulers worked on four principles. The basic principles came from the dire situation and the war-like circumstances throughout the troubled decades. These very principles became the cornerstones of the modern concept of primary health care.

They continue to be relevant for all nations with similar problems: priority for the problems of the masses; prevention first; making the most of traditional and local resources, combining these with modern medicines; and mobilisation of community for solving health problems. The principles are self-evident, except one that needs a rider. 'Prevention first' is a slogan in India too, but curative care was not neglected in China even at the village level.

China acted on these principles and there was the collective system, the communes, the work brigades and the production teams to ensure implementation of the policy. It worked well and put China's health on a strong foundation. With its 8-lakh villages armed with BDs, China moved on to build the next tiers of health care. This logical growth ensured the right use of resources and optimised service-utilisation at each tier. The institution of co-operative medical scheme strengthened the internal relations between the three tiers and also mobilised the community behind the gigantic effort.

Right through 1950s and 1960s, China established its health facilities at three levels: village, township and county. Here is the brief anatomy:

Level one: The village health station (formerly known as the brigade health station) with one or two BDs, a health aide, sometimes a nurse. This facility served the masses at the grass roots. Apart from treatment of common manageable ailments, BDs offered health education,

spearheaded preventive campaigns and administered co-operative medical scheme (CMS).

Level two: The township health centre (THC) (formerly known as the commune clinic) for a cluster of 15-20 villages, covering together about 40-50 thousand population. The THC has 30 beds and other facilities for curative and preventive services.

Level three: County, population about four to five lakhs, equivalent to about 2-3 talukas in India: At this level there are several facilities – a 400 bed general hospital, 30-100 bed MCH hospital, a 30-100 hospital for Chinese system of medicine, anti-epidemic station for preventive campaigns, secondary professional schools for BDs (now called rural doctors) and nurses, and some other facilities.

Above all this, there are provincial hospitals, generally attached to medical colleges like in India. In major cities there are ward-hospitals (called the district hospitals) for parts of the city. Special purpose hospitals like the infectious disease hospital also fall in this category.

Chinese leaders laid emphasis on native healing systems right from the beginning. At all levels of health care traditional healing methods and facilities have a prominent presence. Even the RD uses about 30 herbal medicines and 50 acupuncture points. In the early periods, TCM was the mainstay of treatment at brigade health stations and people were involved in collection of herbal medicines for their health facility (Health Care in China, China Health Care Study Group, Christian Medical Commission, Geneva 1974). In all hospitals TCM services are available under the same roof. In addition there are special TCM hospitals that also offer western medicine. Equity of pay scales, status and administrative powers between the western and TCM systems is complete something that ayurveda utterly misses in India. Since TCM has been given a lot of space, there is a discernible progress in the TCM sector even on the research front. This fact is supported by other experts. In Zaiding county near Shanghai I saw a 400-bed TCM hospital with a regular research wing. Most of the TCM hospitals have their own TCM pharmacies too. Medicinal raw material flows from the hinterland into these hospitals. It is a regular trade now.

The non-drug acupuncture system has a visible presence in all hospitals. For many illnesses people prefer acupuncture and massage therapies that give, in addition to therapeutic effects, some physical comfort and warmth to the suffering

people. In contrast with the cold, calculated and objective methods of western medicine, this physical system of healing is quite popular in China.

Clinical trials in TCM came later in China, but a virtual 'multicentric clinical trial' was conducted by people themselves over four decades. People made their own decisions about which treatment to take for which illness. To help them, major hospitals employ treatment guides in reception. In India, most western system doctors do not see eye to eye with ayurvedic doctors. Ayurveda's position in India looks too weak in comparison with that of TCM in China. This is a conscious political development, not a merely scientific decision.

Till 1978, the rural people had a co-operative medical system in 95 per cent of villages (CMS) in China, relying upon annual contributions from households. This not only met the expenses at the village health station, but also covered major part of expenses at the referral hospitals. The BDs, who looked after 70-80 per cent problems of the village people, were paid by the commune by way of work points. The contribution to CMS itself ranged from 1-2 yuan per annum which is Rs 8-16. It covered costs of both medicines and consultation at the VHS plus part of referral care. This made a wide safety net at all levels.

For other sections of the society – mainly the factory workers, there was and still is a reasonable cover of medical insurance, supported by the central government. Government servants enjoyed a free medical care, which continues till today. (Unpublished paper of Gu Xingyaun, Department of Health and Statistics, Shanghai Medical University, China) I was told that factory establishments are now grumbling about the rising insurance premia.

The CMS kept a rational check on the costs, ensured optimal utilisation of services, and provided equitable access to health care. The CMS also ensured people's participation in health initiatives and a decentralised mechanism for health finance and administration.

Before liberation private doctors trained in modern medicine were common in cities, while villages were dependent upon private TCM healers. This changed after liberation and both these sectors were absorbed in the new public sector. It was not possible to start private clinics and hospitals in China till 1978. This kept a lid on costs of medical care in some way. But a compulsion to absorb all doctors and paramedics in the health system did have its impact on costs.

## AFTER REFORMS

After the disbanding of communes in 1978, the CMS simply collapsed. The government was unable to suddenly bear the expenses of such a huge programme in lakhs of villages. User fees were the natural option in this period of transition. Whatever money government had was pushed into infrastructure that helped market, leaving less money for health care than ever before (Zuo Xuejin, 'China's Fiscal Decentralisation and Financing of Local Services in Poor Townships', *IDS Bulletin*, Vol 28:1, 1997). Foodgrain subsidy continues.

The reform package involved a 'push to the market'. The communes were disbanded and farmland handed over to households. The household responsibility gave farmers freedom to cultivate, process and sell their produce, while the government provided infrastructure facilities. China began its economic reforms with the farm sector, taking other sectors in reform process later. This contrasts with India that began its reforms for non-farm sector, and even now the farm sector is heavily chained. The market reforms helped rural people in parts of China that had better infrastructure and market access. The second change involved freedom for entrepreneurs. Opening of internal markets and external trade was another major part of reforms. While talking to doctors and professors, I got an impression that reforms are a welcome thing in most sections and there are visible signs of reforms paying off. In eastern China, it was after 1978 that farmers built good houses for themselves. Malnutrition is still common (35 per cent children in two-five year group), but famine and starvation deaths are unheard of after 1978. Life is still a struggle for most farmers especially in the western, far northern and south China. Small farm size with little equipment drives the peasants, especially women into hard menial work. The class that was hitherto unaffected by reforms was the government employee but the new premier has announced his intention to 'free' half of the government employees. In words of Gu, public health expert of Shanghai Medical University, "reforms were inevitable and have done good to China but their adverse impact on CMS needs to be corrected."

The commune disappeared in 1978 and with it went many of its organs including CMS. The first thing that happened to the BD-VHS system at villages was switch over to user fees. This may have been too hard for the cash starved peasantry, but

it did hold together the VHS services through the turmoil. Since the fees at this level are relatively small, people somehow accommodated this additional cost. But it was a different story altogether at the hospitals, where fees are far more. Only two categories were protected – the government employee and the factory worker. The latter was supported through medical insurance contributed by the factory establishment. These two categories constitute about 25 per cent of the total users at hospitals, leaving 75 per cent users to pay for services. Payments for hospital services have been reasonably high (see Table for some rates) although cheaper by Indian private sector standards. It has been reported that the cost of average hospital admission amounts to 60 per cent of average annual household incomes of poor families. Several factors contribute to this high cost – oversized staffing pattern, rising costs of medical consumables, etc (Yu Hao, Cao Suhua and H Lucas, 'Equity in the Utilisation of Medical Services: A Survey in Poor Rural China', *IDS Bulletin*, vol 28:1, 1997).

User fees have hit the utilisation of hospital services in China. An official report states that about 29 to 48 per cent of patients referred to hospitals could not get in-patient treatment as they could not afford hospital fees (Gerald Bloom and Gu Xingyuan, 'Introduction to Health Sector Reform in China', *IDS Bulletin*, vol 28:1, 1997). User fees have sustained the health infrastructure in difficult times, when no system was there to support the village health services. As for village level services, the fees were still manageably small. As there was a kind of ceiling through years of usage of the system, controls on fees remained. But it was a different story with the hospital services.

After reforms, some doctors have started clinics, but a hospital run by private establishments is a rare thing even in 1998. With China's elaborate public health infrastructure, it is almost unattractive to start private hospitals. Yet, in a way, the whole hospital system in the public sector earns fees from consumers and has become a privately funded monopoly public sector. I learnt that corruption, in form of doctors asking money from patients, is common.

Barefoot doctor was the most significant feature of the Chinese health system. To begin with the village youth turned 'doctor for the village' received a training course of variable period (few weeks to few months). They started working and were given short training exposures from time to time. Traditional medicine came

in handy for lakhs of BDs spread in the vast country, which was a great logistical challenge for external drug supply. They earned some remuneration in addition to the farm work compensation. Many such BDs mingled with the general medical system in later times and in this sense their linkage with the developing health system was unique.

After reforms, the title BD was dropped in favour of rural doctor (RD). The old generation of BD is now nearly replaced with new RD and secondary professional schools are training a new generation of RDs. Many old BDs got their training later in these schools in each county. The new course is of three years' duration, which combines two years academics and one year of hospital training. Half of the 2,600-hour curriculum is allotted to clinical topics including TCM. The training now involves computers and this will help the elaborate data management of the Chinese health system.

The RD candidates are sent by villages, which bear some portion of the training costs of RDs. The main portion comes from the candidates. The money has to be refunded if the RD fails to join the duties at village health station. The entire course costs about 7,200 Y (over Rs 35,000) and living costs are extra. The course actually costs some more money (30,000 yuan) but these extra costs are borne by the government.

Final tests are conducted by the provincial government and nearly 10-30 per cent fail to pass. Another chance for passing is allowed, failing which the candidates mostly give up. After joining the VHS, the RD gets about 500 yuan per month through fees. They can get an entry to degree courses after five years of work and many such RDs are now working in hospitals.

Reports indicate that preventive health services have actually improved after reforms in the rich counties, but have been adversely affected in the poor counties, as less funds are available for the same in poor counties (Shu Baogang and Yao Jun, 'Preventive Health Care Services in Poor Areas of Rural China', *IDS Bulletin*, vol 28:1, 1997).

The share of government in overall national health expenditure has fallen from the pre-reform level of 28 per cent to current level of 14 per cent. So also has government's CMS share from 20 per cent to 2 per cent. The share of out of pocket medical expenses rose from 20 per cent to 42 per cent of national health expenditure. Rural health facilities now support three quarters of their expenditure from payments by patients.

Several scholars have expressed difficulties about the exact details of health economics in China, since after reforms each province has its own variable approach to health care finance. Local bodies in each city and village have their own tax revenue to pay for local development services. About 90 per cent of recurring expenses on health services come from local bodies. Villages collect a tax from its residents. The tax revenue varies according to the income level in each village and area. The local bodies in south-east China region get far more from tax revenue than say the north Chinese villages. So the spending on health too changes drastically according to the prosperity of the area. This has left poor villages without much funds to spend on health services while the rich areas have not only survived the user fees era but have entered new phase of insurance systems in health care. After reforms the central government revenues have fallen to 50 per cent and more is retained by provinces, cities and prefectures. So central grants for social sector have declined.

The most important challenge in Chinese health services after reforms is the rising proportion of 'unmet needs' – people going back from hospitals without treatment due to steep costs of hospital services. Chinese policy-makers are exploring ways for making health care economical and re-establish insurance systems for all people.

The cost factor is hard to control because of cost of medical technology, consumables, and the heavy staffing pattern. In Chinese policy circles there is little support for free care as the state is increasingly unable to bear costs of such a widespread health care network. It is difficult to get away from the user-paid-finance. So the only option is to establish insurance mechanisms. Experts have suggested a

TABLE: RATES OF COMMON SERVICES IN CHINA AND IN A MIDDLE LEVEL CITY IN MAHARASHTRA (NASIK 1997)

Service	China: Yuan Converted in Rs (Public Health Institutions)	Nasik (India) in Private Sector (Rs)
OPD consultation	50-100	50-100(12)
Sonography	80	300
Childbirth	4,000	1,000
Appendectomy	4,750	10,000
Childbirth: I (Institutional),	1,000(I), 350-	1,000(I)
H (Home, attended)	400(H)	
Cesarean section	7,500	10,000
Bed charges	110	200-300
1 Yuan is about 4.75 Indian Rs		

mix of pre-payment and co-payment system with a 60:40 formula. The household pays the required pre-payment annually to the county insurance scheme. This ensures the user access to all levels of health care village to county – at reasonable costs. Some co-payment has to be made at the time of contact with health system.

In the coastal counties where villagers are better-off than northern and eastern China villages, such a system is slowly taking roots. I saw one such county near Shanghai. But in the better part of rural China this stage is a far away dream. The expert I met in Shanghai told me that this is very difficult even if the Chinese government passes a resolution making health insurance a compulsory task of the local governments down the county level. Such a legislation is on the cards. There are a number of difficulties why this is less likely to happen. One reason is the increasing costs of health care, another being inability to pay the pre-payment costs on the part of farmers in poorer regions.

Since the CMS system is broken, people are increasingly bypassing village health facilities in favour of higher centres of care. The answer is to modernise the village health care services and bring back insurance systems. The new RD course is already a modernised version of the old BD version. Health establishments are increasingly resorting to 'medical malpractice' as they look for more funds for paying the staff. I saw that even RDs are indulging in 'injection-saline practice' like the rural Indian private doctor. I saw similar scenes in township hospitals. This is recognised as a public health challenge and again the answer lies in a mix of pre-payment plus co-payment mechanisms.

China is still grappling with three major public health problems – smoking, child malnutrition and illnesses of aging. The first two date back to pre-reform days. The last, aging is a consequence of longevity. Now we know that famines killed millions of Chinese before the reform era. I did not hear any health policy expert blaming reforms on any of these counts.

China has undoubtedly a very elaborate health care network thanks mainly to the million plus rural doctors (former BDs). We have seriously erred on this front. We still have sometime to correct this problem before the vacuum is filled with untrained quacks. Even the states that are flush with World Bank soft loans have done little on this front. It is an urgent national task to train lakhs of men and women as health providers for lakhs of villages.

The large private medicare sector in India is a result of poor development of

public health sector. We cannot correct this situation at this moment. What we need and can do is devise ways to control costs and improve overall quality of this sector. One way is to foster a third sector between the government and private, which has the coverage qualities of private operators with accountability factors of government sector, keeping a low cost for the bulk of health care needs. Insurance is unlikely to happen in the countryside for sometime for various factors, including continued pauperisation of India's agricultural economy.

On the technology front, China's excellent approach to integration of traditional knowledge and resources should be an eye-opener to the India's 'ruling' medical community. Frankly, they did not wait for laboratory reports and clinical trials to prove or disprove a traditionally established medication. They simply made available all the services everywhere under the same roof. People did the job of separating wheat and chaff.

The concept of home beds extension services in China is a marvelous idea and I do not think it is impossible to follow for our private and public hospitals. It keeps costs down, increases employment of paramedics, ensures patient comfort and compliance and keeps the health system tuned to the realities of common people.

The widespread use of computers with Chinese software has modernised the information system in China's health system. This is a far cry even in our modern urban hospitals, leave alone public health institutions.

User fees in public health system is an abhorred subject in India, but Chinese experts were surprised about free health care in Indian public hospitals. Community finance demands a lot of quality and commitment from providers. There is more to user fees than just the 'state-disowning of health care'. It is worthwhile introducing a system of pre- and co-payments in health care. This will make rapid expansion of facilities possible without bloating health care costs. Needless to say that people below poverty line must receive a subsidised/free referral care and the costs borne by state governments. Free care across the board however creates more problems than it solves.

Decentralisation of health care with effective role for village level bodies was a major factor in the spread of health care network. India has not attempted this beyond the level of state government and municipal corporations. The zilla parishads have only been subservient to the top down health administration. Village bodies have no role in health care in India. This has stalled progress.

China has paid serious attention to the non-medical health inputs like water safety, sanitation and primary education. This has paid off rich dividends. That infections have declined is proof enough of this fact. India has a long distance to go on these fronts. Finally, let us not link China's health progress to their regimented political system; it is because they thought of 'villages first', rather than our blundering 'cities first' centralised approach.

## REVIEW OF POLITICAL ECONOMY

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## Rise of Smaller Parties

SG

*The emergence of some small, single caste political parties in eastern Uttar Pradesh is indicative of the failure of the larger parties to effectively represent or bond with certain social interest groups which are no longer prepared to be the vote banks of these larger parties.*

THE post-Mandal landscape in Uttar Pradesh has witnessed an unprecedented churning: If the implementation of the Mandal report in 1990 by VP Singh's National Front government was intended to 'co-opt' the upper backward castes who now wanted social acceptability - in the shape of government jobs - to match their growing political and economic clout, the political parties, too, did not lag behind in 'social engineering' - in accommodating more OBCs and, indeed, dalits.

The decline of the Congress in this period saw the Muslims and dalits moving to the Janata Dal, which was also the main beneficiary of OBC gratitude, as the party which had implemented the recommendations of the Mandal report. The Bharatiya Janata Party - though inherently and instinctively opposed to the idea - began to mobilise the OBCs as well. The BJP's task became easier when the Janata Dal split and the Samajwadi Party emerged: The latter began to be identified not with the OBCs as a whole in the way the Janata Dal had been, but with the Yadavs in particular. And so the BJP was able with less effort to attract not just other powerful OBC communities, such as the Kurmis and the Lodh Rajputs, who were rivals of the Yadavs, but also sections of the MBCs as well.

It is against this background of competitive mobilisation that the emergence of some small, single caste parties in eastern Uttar Pradesh needs to be looked at. For their appearance is indicative of the failure of the leadership of the larger parties to effectively represent or bond with certain social interest groups. It also means a depletion in the social coalitions these larger parties are trying to form and stabilise. Take the case of two registered but unrecognised parties, which operate mainly in the eastern part of the state - the Apna Dal and the Pragatisheel Manav Samaj Party. While the Apna Dal, led by Sonelal Patel, is a party of the OBC community of kurmis, the PMSP represents the MBC community of binds.

The Apna Dal, which was formed in the early 90s, has been steadily increasing its vote share over the last two general elections. For instance, in Macchlishahr, its vote share rose from 2.46 per cent in 1996 to 5.53 per cent in 1998; in Jaunpur,

from 4.67 per cent in 1996 to 6.17 per cent in 1998; in Varanasi, from 4.76 per cent in 1996 to 10.16 per cent in 1998; in Robertsganj from 1.77 per cent in 1996 to 5.83 per cent in 1998; and in Phulpur, from 0.44 per cent in 1996 to 6.27 per cent in 1998.

Equally significant, in these five Lok Sabha constituencies, the Apna Dal was just behind the three major parties in the state, the BJP, the SP and the BSP, but was ahead of the Congress which it had pushed to the fifth place - in Macchlishahr, the Congress stood sixth, with the Janata Dal placed fifth. The Apna Dal picked up votes in 1998 in another 37 Lok Sabha constituencies across the state: Of these, it was ahead of the Congress in Ghatampur, Banda, Allahabad, Mirzapur, Faizabad and Akbarpur.

In this current round of elections, the Apna Dal was visible once again. A senior civil servant in Varanasi stressed that with elections in eastern Uttar Pradesh being fought largely on "caste and communal lines", the Apna Dal would definitely "poll again". In fact, in Phulpur, its candidate, party president Sonelal Patel, was making a strong enough showing for locals to consider him to be in the reckoning. Huge hoardings of Mr Patel, stretched out, his foot in a cast - the result of a fight which had landed him behind bars - had excited enough sympathy for the local Momin Conference to publicly announce its support to him.

At the busy Sason bazaar in Phulpur, a group of dalits - mainly pasis - while declaring their own unswerving commitment to the elephant, i.e. the BSP, predicted that the Apna Dal would get a substantial chunk of the kurmi votes here. They pointed out that Phulpur's sitting MP, Jang Bahadur Patel, who had been denied a ticket by his party, the SP, was campaigning actively for Sonelal Patel.

In the Birqazi kasba of the same constituency, Faiyaz Ahmied, a young doctor, said there was an "ajib sa mahaul" (strange atmosphere): His contention was that the SP was being challenged not just by the BJP and the BSP, but also by the Apna Dal, as changing the SP candidate had ruffled some feathers. He also maintained that the Muslims were going to be divided between the SP, BSP and

the Apna Dal - the Congress candidate, Ram Poojan Patel, who has represented Phulpur in the past was considered unreliable because he was a 'dalbadlu' (one who has changed parties too many times). Clearly even a small single caste party such as the Apna Dal can attract some votes of other communities such as the Muslims - whose main objective is to defeat the BJP - if it can demonstrate that it is making a strong bid for a seat.

So why are substantial numbers of kurmis voting for the Apna Dal rather than a mainstream - or at least a larger - party, given that at present virtually all its candidates have no chance of making it to the thirteenth Lok Sabha? In the kasba of Puropurnahar in the Macchlishahr constituency, a group of locals standing outside a kirana shop, hotly discussed the relative merits and demerits of the various candidates.

Suddenly, one man declared, "I don't know about the others here, but I am going to vote for the Apna Dal". To this correspondent's query as to whether he was a kurmi, he replied in the affirmative. But before Radhey Shyam Patel (for that was his name) could answer another question - why was he wasting his vote on a candidate who clearly would not win - another man in the crowd shot back: "Jaatiwad (casteism)".

Red-faced, Radhey Shyam Patel took him on: "When you Brahmins (Patel's expositor turned out to be a CP Mishra) vote for the BJP, that's not casteism. But if I vote for the Apna Dal, that's casteism. Everyone has a party these days, the upper castes have the BJP, the Yadavs the SP and the Dalits the BSP. So we kurmis have the Apna Dal." But when Patel's anger had dissipated after others in the crowd had pacified him, he added that he knew that as a single caste party, the Apna Dal's avenues of growth were limited unless it attracted a few other left-out castes as well. "Then the Muslims, too, may consider voting for the Apna Dal", concluded Patel, pointing to Phulpur.

Similar sentiments were expressed by the proponents of the even smaller and more recently formed PMSP, which currently has a presence in about seven Lok Sabha constituencies in Uttar Pradesh - Mirzapur, Phulpur, Chail, Robertsganj, Varanasi, Jaunpur and Macchlishahr.

In the village of Barki Khajri which falls in the Varanasi Lok Sabha constituency, the binds, who make up half the 2200-strong village, said that they had made up their minds to vote for the PMSP even though they had been divided between the BJP and SP in the elections in 1998. Explaining the decision, Shivpujan Bind said, "We want to assert our rights as binds. No one knows we exist at all. If you don't make yourself heard, no one



bothers about you. We want others to know that they can't do without us."

The desire to be heard is also born of despair. For here in Barki Khajri, where a majority of the binds are weavers of the silk saris that Varanasi is justly famous for or of the carpets that have made the exporters of the adjoining Mirzapur-Bhadohi belt into millionaires, conditions are dire. "The trade is in bad shape", said Hari Ram Bind, "and so we make only Rs 25 a day – on a good day, it might be Rs 50. It is our compulsion that makes us accept such poor payments. We don't have the capital to buy our own yarn nor do we have the marketing skills to sell what we make: So we are totally dependant on the traders and exporters." He added that the nearest school was quite a distance from the village and, even then, it was on the rare day that the teachers put in an appearance, for most of them were busy farming their land. Given this scenario, Hari Ram Bind said the vote was their only means of protest, "Nahin to hamari sunwai nahin hogi (no one will hear us otherwise)".

The role models for formations such as the Apna Dal or the PMSP are the SP and, more particularly, the BSP. The strong presence of the SP has clearly provided the yadavs – already an upwardly mobile community – with even more political, economic and social clout. BSP general

secretary Mayawati's two brief tenures as chief minister of Uttar Pradesh were sufficient to demonstrate to the Dalits the value of having their own representative in power.

In Bheran Khatai in the Varanasi constituency, the chamars assert they will vote for the BSP because during her stint as chief minister, Mayawati got this village declared an Ambedkarnagar, thus ensuring that a pucca road was built to the village and houses constructed there under the Indira Aawas Yojana. In Dharsauna village, P K Chowdhury, a chamar declared, "If we send our man to parliament, whether he becomes the PM or sits in the opposition, he can speak up for us. But if we don't get a seat there, how will we be heard?"

It is evident then that such assertions spell a depletion of votes for larger parties such as the BJP and in some cases, the SP. The kurmis, for instance, were considered to be largely supporters of the BJP, but the party has no kurmi leader who inspires confidence in the community. The former Bajrang Dal president, Vinay Katiyar, may be a kurmi but his influence is restricted to Faizabad which he has represented in the past, but his criminal record has not washed well elsewhere. Nor has the presence of Beni Prasad Verma – a kurmi leader who was union communications minister in the United Front

government – in the SP helped that party with this community. As Radhey Shyam Patel in Puropumahar in Macchlishahr put it: "Beni Prasadji to Mulayam Singh ke pithu hain (Beni Prasad is merely Mulayam Singh Yadav's sidekick)."

Single caste parties such as the Apna Dal and the PMSP then provide their supporters with a channel of self-assertion, a way of ensuring that castes – which are either numerically small or lower down the social ladder – are not swamped by the dominant social groups. And with the failure of the state to address the common man's agenda – education, employment, health facilities, housing, even safe drinking water – a growing number of social interest groups are beginning to feel that unless they have a share in power and decision-making, they will be no closer to getting the basics or improving the quality of their lives.

So if mainstream parties such as the BJP or the SP don't allow them the means of such self-expression, then they have to create avenues in the way the BSP did – a party which today commands almost 21 per cent of the vote share in Uttar Pradesh. They are no longer prepared to be vote banks of the dominant castes, because that route has proved unfruitful. Political power, they feel, must precede social and economic amelioration.

## Orientation Course in South Asian Peace Studies

The Peace Studies Programme at South Asia Forum for Human Rights (SAFHR) is offering a fifteen-day orientation course in Kathmandu, Nepal, from 7-21 February 2000. The course is intended for peace and human rights activists, media persons, researchers and academics in peace studies and diplomats involved in policy making in conflict resolution. The course will include examination of themes such as peace as value in South Asian cultures, traditions of conflict resolution, peace accords in the region, civil society in peace process in South Asia, refugee and minority rights, sharing and common management of scarce resources, bilateralism and regionalism as the way to conflict resolution, economics of war and peace, women in peace, media as a catalyst of conflict and peace and evolutions in the notion of rights and peace.

Participants will have to support their own travel. Registration fee for South Asian participants is US \$ 100 (or its equivalent in Nepali rupee) and participants from outside the region US \$ 250 (or its equivalent in Nepali rupee). Board, lodging and other expenses for the selected candidates will be provided by SAFHR. Travel grant is available for limited number of candidates for which they will have to apply separately. The preferable age limit for participation is 35 years. Women, members of minority communities and refugees are particularly encouraged to apply.

Applications must reach Peace Studies Desk in the South Asia Forum for Human Rights (GPO Box 12855, Fax 977-1-527852, E-mail south@safhr.wlink.com.np) by November 15, 1999. Applications by fax or e-mail will be valid. Applications will have to be supported by full particulars, 500-word summary of the relevance of the course to the work of the participant, and names of two referees whose recommendations should reach independently SAFHR peace studies desk by November 15, 1999. The application must include all necessary details such as language skill, experience and nature of current work. The summary has to include the candidate's own idea of peace and human rights activism, and the relation of the applicant's work with SAFHR's peace studies programme. In selection of candidates the 500-word summary will be accorded importance.

The course will be participatory, and will involve intense course and field work. Frontline activists and researchers will be sharing their knowledge and experience with the participants who will leave the course with a critical understanding on issues of peace in South Asia.

# Micronutrients and Child Health

## Vitamin A Initiative in Orissa

Meena Gupta

*Vitamin A deficiency has only recently been acknowledged as a major public health problem in India. Orissa has initiated a new programme that will ensure that young children are adequately protected from the consequences of the vitamin deficiency.*

THE role of Vitamin A in preventing blindness is well-documented. However, there is growing evidence of its role in providing protection against other infections, especially measles, diarrhoea and pneumonia, and in controlling mortality during pregnancy and infancy. Improved Vitamin A status reduces the duration, severity and complications associated with measles and diarrhoea.

Vitamin A deficiency (VAD) is widespread in young children in many developing countries, and it substantially increases a young child's risk of death. A meta-analysis of a series of controlled trials indicates that routine Vitamin A supplements given between 6 and 72 months can be expected to reduce mortality by 23 per cent wherever VAD exists. Additionally, Vitamin A supplementation as part of measles case management can reduce the case fatality rate by more than 50 per cent [WHO and UNICEF 1998]. Vitamin A supplements given to a mother immediately after birth will improve mothers' Vitamin A status, as well as the Vitamin A content of their breast milk, and is likely to contribute to the improved health of both mothers and infants.

Clinically VAD manifests as ocular signs, including night blindness, and these are associated with advanced stages of the deficiency condition. These are rare compared to the vast problem of subclinical deficiency, which is difficult to measure in a field situation. India is one of the countries where Vitamin A deficiency is widely prevalent. At the national level, it is reported that the prevalence of VAD based on clinical evidence (Bitot's spots) in children up to 5 years varies from 0.3 per cent to 3.6 per cent [Department of Women and Child Development, Government of India, 1995].

In India VAD is a public health problem, and/or high under-five mortality exists. The present coverage with Vitamin A supplements is inadequate [UNICEF 1999]. In Orissa, one of the poorer states in the country, VAD is likely to be much

more widely prevalent. According to the National Nutrition Monitoring Bureau (NNMB) report (1981-91), the average daily intake of Vitamin A in the general population in Orissa is only 70 per cent of the recommended daily intake.

National Immunisation Days offer an excellent opportunity to provide a single high dose of Vitamin A to all children aged 6-60 months and 34 countries (including Bangladesh) have so far begun to do so [UNICEF 1998]. However, this policy has not yet been adopted in India. The National Prophylaxis Programme for Prevention of Blindness due to VAD implemented throughout India aims at protecting children between 6-60 months, who constitute the most vulnerable segment of the population. The long-term strategy of the programme focuses on dietary improvement by promoting consumption of inexpensive sources of Vitamin A. Dietary improvement is a slow process which can be possible only over a period of time. Considering the importance of Vitamin A in controlling childhood morbidity and mortality, it is imperative that education for behavioural change should continue alongside supplementation with Vitamin A [MoHFW 1991]. The short-term strategy focuses on a single massive dose of Vitamin A given at six-monthly intervals to children between the ages of six months and five years. Since the prevalence of deficiency is highest

among children below three years, priority is given to children in the age group of 6 months to 3 years. The contact with the infant during measles vaccination between the ages of 9 to 12 months is considered to be a suitable time for administering the first dose of Vitamin A. The time of the booster dose of DPT/OPV at 18 months of age is used for administering the second dose of Vitamin A. Subsequent doses are given at six-monthly intervals up to the age of three years. The administration of Vitamin A in India is done both through the health system (multi-purpose health workers) and where the ICDS programme is functioning, through the anganwadi workers.

The WHO/UNICEF/IVACG Task Force (1997) plan for administering Vitamin A as a preventive and therapeutic intervention and the government of India policy which also indicates a similar plan, but does not include administration of Vitamin A to pregnant and lactating mothers, are outlined in Table 1.

### SITUATION IN ORISSA

Though precise data are not available, VAD in Orissa is likely to be high. The administration of Vitamin A through the National Prophylaxis Programme for Prevention of Blindness due to VAD has not been very successful. The Multi-Indicator Cluster Survey (MICS), 1998, reveals that only 56 per cent of children in Orissa received the first dose of Vitamin A when they had the measles vaccination. This, though marginally higher than the reported coverage in 1996 (51 per cent), is far from satisfactory. The main bottlenecks in the successful implementation of the National Prophylaxis Programme for Prevention of Blindness due to Vitamin A are many.

Irregular and inadequate supply of Vitamin A: Currently the only supply to the state is through the drug kits supplied by the government of India to the health sub-centres. These kits are normally sup-

TABLE 1: VITAMIN A INTERVENTION: POLICIES AND PROGRAMMES

Document	Dosage	Duration/Interval	Dosage form
<b>Population Group: Women of reproductive age group with night blindness or Bitot's spots</b>			
WHO/UNICEF/IVACG Report	10,000 IU daily	At least 4 weeks	10,000 IU Tabs / solution
GOI Policy	No policy	No policy	No policy
<b>Population Group: Infants 6-12 months of age</b>			
WHO/UNICEF/IVACG Report	100,000 IU	Once in 4-6 mths	Capsule/solution 100,000 IU/ml
GOI policy	100,000 IU	Once in 6 months	1 ml solution of 100,000 IU.
<b>Population Group: Children over 12 months of age</b>			
WHO/UNICEF/IVACG	200,000 IU	Once in 4-6 mths	Cap/solution of 100,000 IU
GOI policy	200,000 IU	Once in 6 months	2 ml solution (each with 100,000 IU)

and supplies of Vitamin A, grossly inadequate for the five doses that each child is supposed to receive between the ages of 9 months and three years. Often only the first dose is administered.

Vacant posts of paramedical staff: Paramedical posts in remote areas often remain unfilled.

Physical inaccessibility: Health facilities in many tribal areas are not accessible because of poor communication facilities.

Ineffective utilisation of available supplies: The entire bottle of 100 ml of Vitamin A often cannot be used within 6-8 weeks of opening the bottle, resulting in loss of potency of the remaining solution.

In August 1998, the Kandhamal district of Orissa was the first to try out an alternative strategy to administer Vitamin A to under 5 children. The district decided to hold a campaign to administer the vitamin on a single day to all children between the ages of 12 and 60 months, and to continue such administration at six-monthly intervals. The shortfall in supplies was bridged by UNICEF. Good coverage (96.5 per cent of eligible children) was obtained, and the available stocks of Vitamin A solution could be used effectively as all children were dosed on the same day.

Encouraged by this, the department of Health and Family Welfare decided to undertake a statewide campaign for improved coverage of Vitamin A for the age group 9-36 months. The overall objective is to achieve, over a period of two to three years virtual elimination of VAD in children in the 9-36 month age group by administering Vitamin A supplement through the following approach: Vitamin A administration along with routine immunisation for measles (A Catch-up Measles Campaign contact for nine-month old infants) is planned; one stand alone Vitamin A single-day administration campaign for children 12-36 months annually; a second single day Vitamin A administration campaign after six months piggy-backed whenever possible on one dose of pulse polio immunisation.

The government of Orissa expects to achieve the following results through this approach: (a) coverage of 90 per cent of children 12-36 months with five doses of Vitamin A supplementation by the year 2001; (b) Elimination of all clinical signs of VAD among children below 5 years of age by 2001; (c) consumption of Vitamin A rich foods on a regular basis by at least 80 per cent of children below 5 years as well as pregnant and lactating women.

The impact of the campaign will be measured by analysing morbidity and

mortality data in designated sentinel centres. The first such evaluation is planned for November this year. Secondary data will be analysed to see whether there is any change in mortality and morbidity among under-fives, especially related to measles and diarrhoea apart from blindness.

Some technical issues had to be considered before the campaign could be finalised. These were:

**Toxicity of Vitamin A:** Toxicity resulting from excessive ingestion of Vitamin A is a minor concern compared to the devastating effects of VAD. For children aged 1-6 years, it is reported that prophylactic doses of 6,000-10,000 IU given each day over a period of months pose a negligible risk of toxicity. A single oral dose of 2,00,000 IU poses no significant risk for children over the age of six months, and in adults, a single dose of 4,00,000 IU in one day is generally well tolerated. Children over 6 months can receive two high doses (2,00,000 IU) separated by at least one month with virtually no risk [UNICEF et al 1997].

**Sero-conversion:** Data concerning sero-conversions of measles and polio vaccines when given simultaneously with Vitamin A indicate no significant reduction in sero-conversion rates. Vitamin A supplementation of 1,00,000 IU, given concurrently with measles in India at the age of 9 months was found to significantly increase the sero-conversion rate. In Bangladesh, concurrent Vitamin A supplementation with each of the three doses of OPV had no significant effect on sero-conversion.

#### STRATEGY FOR SUPPLEMENTING VITAMIN A IN YOUNG CHILDREN

Administration of Vitamin A to infants 9-12 months of age will continue along with measles immunisation, as part of the routine immunisation programme. However, at present, nearly 44 per cent of children in Orissa do not receive the first dose of Vitamin A. As the first dose of Vitamin A is generally given with the measles vaccine and the measles immunisation coverage of 65 per cent [MICS

1998], to achieve 100 per cent coverage of children below one year, the present measles immunisation coverage needs to be increased from 65 per cent to 100 per cent. This will require strengthening of the normal immunisation programme, and a subsequent round to catch the infants left out.

The earlier practice of administering Vitamin A to children between the ages of 1 and 3 years, individually at different times and repeating it at six-monthly intervals throughout the year has been discontinued in the state. These children will now receive their supplements during the campaign on a single fixed day, every six months. As the first campaign was planned for March 1999, routine Vitamin A supplementation for children over one year of age was discontinued from January 1999 to eliminate the risk of toxicity. Though an interval of four weeks between the administration of massive doses of Vitamin A virtually eliminates this risk, the state took the precaution to stop administration eight weeks prior to the campaign.

The first statewide campaign began on March 7. All children aged 12-36 months were covered on in the first round of the Pulse Vitamin A campaign. The vast network of nearly 27,000 anganwadi centres was used to administer Vitamin A. Where the ICDS programme is not in place, the ANMs were primarily responsible for administration, along with NGOs and other local bodies.

The stock of Vitamin A in each district was estimated, and the shortfall supplemented by UNICEF. Vitamin A was procured in bottles of 50 ml, to make distribution easier to smaller AWCs and sub-centres where the number of children is small. The stocks of Vitamin A were distributed during the routine monthly meeting of the workers of the health and the ICDS systems, and hence no additional funds were required for transport of the vitamin supplement. As maintenance of cold chain was not involved, the logistics of distribution were more easily handled.

TABLE 2: NUMBER OF CHILDREN TO BE COVERED IN EACH ROUND

Vitamin A dose	Age Group	Estimated Number of Children	Estimated Requirement of Vitamin A (Bottles of 50 ml)
1st dose (March 99)	12-36 mths	18,10,500	72,420 bottles
2nd dose (Oct 99)	12-42 mths	22,63,125	90,525 bottles
3rd dose (Mar 00)	12-48 mths	25,92,000	1,03,680 bottles
4th dose (Sep 00)	12-54 mths	30,24,000	1,20,960 bottles
5th dose (Mar 01)	12-60 mths	33,05,000	1,32,200 bottles
Subsequent doses (Sep 01 onwards)	12-36 mths	18,10,500?	72,420 bottles

Note: Calculated on basis of projected population 0-4 years.

As administration of the pulse dose was restricted to children over one, all children received 2 ml (equivalent to 2,00,000 IU of Vitamin A) of the solution. However, workers were instructed to administer 1 ml if a child 9-12 months who had not received Vitamin A with measles immunisation was brought to the booth. The second round of the Pulse Vitamin A campaign is planned for October 1999 together with the first round of Pulse Polio. As the target group for Vitamin A is also covered under the Pulse Polio programme, and civil society and frontline functionaries have been mobilised for administration of polio drops, linking Vitamin A with PPI will reduce mobility and social mobilisation costs considerably.

Though the health and family welfare department is the nodal department for the campaign, to achieve the mammoth task of reaching an estimated 18 lakh children between the ages of 12 and 36 months across the state, the campaign was organised in partnership with the department of women and child development. This will be repeated in all the future campaigns. Responsibilities were spelt out at state, district and block level for all the staff. Training was built into the routine monthly meetings at the sector and block levels.

To ensure good coverage during the campaign, advocacy, communication and social mobilisation activities were taken utilising mass and folk media prior to the campaign. The focus was essentially to position Vitamin A administration as an intervention for reducing morbidity and mortality instead of its focus only on prevention of blindness.

The monitoring strategy decided upon is similar to the one used for PPI, using both the routine service delivery system and an independent coverage evaluation survey (which is planned for 2000). Monitoring was at the booth, the sector, block, district and the state level. State level observers supervised the campaign in the districts, and district level observers were appointed at the block level. Likewise, block level officials were to supervise the campaign in a cluster of panchayats or wards. District collectors were also actively involved in planning, supervision and monitoring the campaign at the district level.

Each child between the age group 12-36 months has been enrolled in the campaign in March to be followed up till s/he receives five doses of Vitamin A before graduating out of the campaign. This would mean an increase in children for the next five subsequent rounds, to include the successive cohorts of 12-17-month old

children. This also implies that the few children who miss the first dose at the time of measles vaccination will receive the first dose of Vitamin A only at the age of 12-17 months. The state is attempting an alternative model for administration of Vitamin A solution to children in the age group of 9 to 36 months to enhance coverage and thereby help reduce ailments such as diarrhoea, acute respiratory infections and blindness among children. The programme adopted by the state government will cover all children below 12 months who will receive the first dose at the time of measles immunisation; no Vitamin A supplementation will be given with measles immunisation to children above the age of 12 months; for children above 12 months the routine administration of Vitamin A supplementation will be discontinued; all children between the ages of 12 and 36 months will be covered through a single day campaign held at six-monthly intervals with any remaining children to be covered in the next couple of days; in all, 5 doses, each of 2 ml, of Vitamin A solution will be administered to a child over a period of two and a half years, excluding the first dose to be given at the time of measles vaccine; one round of the campaign will be linked every year to one round of Pulse Polio Immunisation; one standalone campaign will be held every year; routine therapeutic approach for treatment of children with clinical signs will be done through medical institutions. UNICEF is willing to support supply of Vitamin A for the first two years to cover the shortfall in supply. The government will mobilise resources for supplies after this period.

In September 2001 the numbers will reduce and remain stable thereafter as the number of children entering the campaign for the first time will be more or less equal to the number of children graduating out of the campaign with five doses.

Of a total number of 19,09,204 children enumerated in the 12-36-month age group, 18,15,355 were administered Vitamin A during the first round in March. This con-

stituted about 95 per cent of the children in that age group, as compared with 7.2 per cent coverage during routine administration of Vitamin A to this age-group in the past. No cases of adverse reactions to administration of the vitamin were reported. IEC activities clearly need strengthening - many parents referred to this as another 'polio' dose given with a spoon instead of with a dropper. For the second round, IEC activities are proposed to be started well in advance. Since the second round will be along with PPI in October, the costs of organising the campaign will be considerably reduced.

The cost of administering two doses of Vitamin A per child per year is estimated at USD 0.08 - i.e., Rs 3.40. This includes the cost of the vitamin, as well as the transport cost to the site of administration. The major cost is for supply of Vitamin A, which the state will be able to meet from the central government supply or from its own resources within two years' time.

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MANAGER

# Media and Kargil

## Information Blitz with Dummy Missiles

Geeta Seshu

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*For the Indian media, Kargil was big news. Pages of print were devoted to stories about the conflict, the personalities, the government's role, national security issues and of course Pakistan's actions. What was the subtext of all this verbiage? Are we really as well-informed about the conflict as the media blitz would imply?*

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KARGIL caught the Indian media un-awares, as it supposedly did the government and the army. Covering the war from the battle-lines was easier said than done, for the army clamped down on direct coverage barely a few days after the air-strikes were launched on May 8. As a result, the media did the next best thing : it manufactured stories. Stories, euphemism in journalistic parlance for reports/features/analysis, were written up on every aspect of the conflict, often going far beyond government briefings and reports of the army handouts to bring us second and third-hand accounts of various actions in the battle. The media blitz included reports covering a plethora of possible angles of the conflict. We had human interest profiles of families of martyrs and the plight of villagers in border areas, poignant reports of letters from home and STD calls home and little spot stories on tailors stitching shrouds for the dead soldiers, the food we feed our soldiers, corporate responses to Kargil and views of celebrities on the conflict. Obviously, Kargil was major news and every newspaper and television channel wasted little time to get onto the story of the day. But what was the sub-text of all this verbiage? And importantly, what was left unsaid?

We looked at three leading national English dailies: *The Times of India (TOI)*, the *Indian Express (IE)* and the *Asian Age (AA)* between May 9 and July 31. Our analysis covered news-reports, features, editorials and editorial page articles.

For over two and a half months, war-games occupied television viewers and readers of newspapers and magazines. The hindutva right spoke openly about 'finishing off Pakistan, the enemy' and of 'a strong and mighty India'. The VHP proclaimed in a meeting at Hardwar that '1999 was the year to wipe Pakistan off the globe' (AA, June 27). At the height of the crisis, the RSS organ *Panchjanya*

exhorted Vajpayee to rise and fulfil the role destiny has chalked out for him, rhetorically asking 'after all, why have we made the bomb'.

No doubt, the newspapers covered by this study, while publicising these statements and others by Advani ('Pakistan is a rogue state'), Kushabhau Thakre ('Kargil conflict is nothing short of war', *IE*, June 16), did condemn these statements, but these were mere formalities. The *TOI*, in an edit (June 23), cautioned against the nuclear option, not because such a course of action was disastrous but merely to counsel the government to adhere to a 'no first strike' commitment.

### BEHIND THE WAR VERBIAGE

What did we get to read/see about the actual action? Initially, very little. The World Cup cricket was on, and while journalists covered the army briefing on Kargil, much more space and air-time was given for cricket coverage. Sponsored supplements filled newspapers while television news gave more importance to battles on the cricket ground.

Cricket and Kargil did meet when India played Pakistan: newspaper headlines were apprehensive of the 'battle' ahead, emphasising security arrangements. *Indian Express* (June 8) had a curtain-raiser entitled "India, Pakistan to 'fight' it out today". The report itself outlined the high excitement over the match stating that it was a sad fact but true that, for many of the spectators and journalists, the Indo-Pak cricket match 'seems the next best thing to a war'. Naturally, when India did beat Pakistan, headlines gloated. The *Asian Age* (June 9) distastefully proclaimed, 'Reborn India kill Pak'.

Till this day, the press is divided about the nature of the army action in Kargil. Even the semantics of the army action is confused. Was it a war, a battle or a conflict? (a skirmish it was not, not with 410 bodies

returning home). Were 'they' infiltrators, mujahideen intruders, Pak-backed intruders, the enemy? In the absence of any clear idea, it was safer for the press to use all of the above, in the same copy, at different times, throughout its coverage. Some newspapers were in no doubt that a war was on. The *Asian Age*, for example, gave us headlines like, 'The 4th India-Pakistan war has started' (AA, June 24) or 'Nawaz tries bomb blackmail' (AA, June 25) and finally, when a truce of sorts was called and Pakistani troops began to pull out, the same newspaper said, 'Pakistan quits India' (July 12).

The *Indian Express* was not far behind. 'From war to Wimbledon, its India's day all the way', the paper said on July 5, celebrating the army's re-capture of Tiger Hills and the Bhupathi-Paes tennis victory at Wimbledon. Reporting on the action, said to be a turning point of the conflict, the reporter said, "They had reached the top, battling each inch of their way to the top". And later, "The night sky over the steep mountain remained an awesome orange throughout and the pungent smell of gunpowder filled the air".

All this despite the fact that journalists were unable to get to the actual scene of battle except in the last stages of the conflict. According to reports from Rahul Bedi (AA, July 23) and Gaurav C Sawant (*IE*, June 19), 'Hacks have a battle on their hands', reporters were not allowed to go beyond National Highway 1A till July 5 ('Army can't stem media invasion', AA, July 13). In the light of these revelations, what does one make of the report from the *Indian Express* on the recapture of Tiger Hills. Especially when the same report informs that there was no contact with the soldiers and there was 'complete radio silence'.

In the main, however, reportage was colourful and descriptive. Consider another report: "The flares lit up the night sky darkening the mood at the Drass HQ. The infantry soldiers were advancing slowly and cautiously". Or this one: "The pakis were a mean, hawk-eyed lot who slept during the day and kept vigil at night". This priceless quote was not even attributed to anyone, either army officers/jawans, local residents of Kargil, or even intelligence personnel. When the reporter could not have got within seeing distance of the 'pakis', how could this piece of fiction rear its head in a serious newspaper report?

A story headlined, 'Pakis play dirty, booby trap body of army officer', about

the handing over of the body of major R S Adhikari and three jawans (June 28, 1999), said that the Indian jawans "jumped at the offer since the thought of their beloved colleagues' bodies lying in the open was just too agonising". Again, there was simply no qualifications to such 'emotional' reportage and the statements were blithely reported, unattributed to any source.

The other newspapers were marginally better or worse. *The Times of India*, reporting the reactions of jawans to the cricket world cup, quoted a jawan as saying, "we need to settle this issue once and for all" and "Tell Sachin to take some rest as we blow the daylights out of Pakistan. They'd better know that this is not cricket, they just cannot win."

The editor of *Indian Express*, Shekhar Gupta, in an edit-page article entitled, 'Let the media witness the mess' (July 14, 1999), made an impassioned plea that journalists be allowed to cover the conflict from the battle-lines. Gupta argued that reporters at the front were young and enthusiastic but definitely too fond of their own lives to wilfully allow a '40 kg sonofabitch on our heads'. If one inferred from Gupta's article that journalists were indeed young and inexperienced, what were the newspapers sub-editors and editors doing? These and other instances clearly bring out the manner in which basic editorial checks and balances simply did not function, or were they allowed to sing a different tune?

For newspapers, all the action did not emanate from the front. The conflict opened up several other fronts. The battle-cry found its echo in remote villages, thanks to the army's new policy of dispatching home the bodies, not only of officers (as in the past) but also of jawans. Speaking of the change in policy ('Bodies replace urns as Army changes policy', *IE*, July 16), the newspapers marked this departure from the norm as a sign of the army's 'new openness' and readiness to facilitate the involvement of the entire population in the 'war-effort'.

The valour of death on the battle-field, the 'celebration' of the 'martyrdom' of the officer or soldier, the readiness of others (either from the family or those who attended the funeral) to 'give up' one more youth for the country and to war...this was the common theme running through these reports. The tragedy and futility of war, the sheer wastage of a life or even the loss to a family of an important member, perhaps a sole breadwinning member, these

sentiments were rarely reflected in news-reports.

A glaring example of a reporter's participation in this exercise: *The Asian Age* (July 4) reporting on the funeral of Lt Vijayant Thapa (headlined - 'Son of India') described how military police directed the public to the funeral site a police van with a loudspeaker beckoned everyone to pay homage to the soldier who had died. The report ended with the words: "and all that we Indians can do is to thank God for those brave soldiers who sacrifice their todays for the sake of our tomorrows."

But not all reports were celebratory. A report from the *Indian Express* (July 13) condemned the politicisation of death: 'Politics of patriotism shadows martyr's last rites' is said in a headline, adding that the next of kin were pushed aside as politicians turned the funeral into an opportunity to hog the limelight. If RSS functionaries dominated this funeral, the Congress was not far behind, taking over the funeral of Lt Saurabh Kalia in Palampur, (*IE*, June 13).

#### CALLING FOR CONSENSUS

Newspapers also vied with one another to obtain reactions from the upper strata of society. The *Indian Express* carried a daily feature titled, 'Calling for consensus', ostensibly to support the 'war' effort. The column featured celebrities from the more glamorous walks of life. The *TOI* (July 5) carried a full-page feature, 'Everybody loves a hero -- Mumbaiites on how they view the Indian soldier', peppered with the views of the smart set.

The newspapers also carried reports of the 1965/71 war veterans and highlight some instances of war widows still waiting for compensation (notably, *The Times of India* (July 11)) which devoted a full page to the issue) but these were few and far between, remained at the 'human interest' level and failed to trace the administrative negligence and corruption because of which compensation was swallowed up.

Every newspaper had its pet project for Kargil. The *TOI* fund was entitled 'Zara yaad karo qurbani' while the *IE* tied up with Iridium to provide phones for soldiers at the front. The *IE* even co-sponsored a programme, presumably a fundraiser, 'Aye watan tere liye' in Delhi on July 17, utilising for publicity, a photograph captioned 'tears of pride', showing the wife of an officer saluting the coffin of her husband.

All the other shows in the 'Kargil-utsav', from entertainment programmes, designer shows, corporate schemes for proceeds of sales of various products, opinion polls and other 'Kargil specials' received more than their fair share of publicity. The designers' show, according to the *Asian Age* (August 12) 'woke up too late, but when they did, they did it in style'!

The same newspaper (July 28) carried a report of a computer game 'I love India' wherein the user can cross the LOC and destroy Lahore. The tone of the report is laudatory and is meant, the reporter states blandly, "for all those who want to vent their anger at Pakistani intruders". There were a few articles in the edit pages of all three newspapers expressing distress at this trend (Nivedita Menon, 'Plastic patriotism in times of war', *TOI*; Mushirul Hasan's 'Don't teach me patriotism' *IE*, July 17, or Bachi Karkaria's 'Patriotism in a fashionable war', *TOI*, July 18) but these were virtually drowned in the sea of stories which publicised the corporate milking of Kargil.

What did the newspapers neglect or de-emphasise?

*Communalisation of the conflict*: The newspapers analysed refrained from any overt or covert communalisation of the Kargil conflict. Muslim soldiers who died in the action were specially mentioned, perhaps to reinforce that India was fighting an Islamic state with believers of Islam, though this was not spelt out. When several Muslim organisations came out in support of the Kargil action holding up placards proclaiming, 'We love India, we hate Pakistan', the press regretted the fact that Muslims had to exhibit their patriotism in this manner. However, there was one glaring omission: the coverage of riots in Ahmedabad and the involvement of the Hindu right in fomenting trouble. Riots were sparked off when protestors burnt effigies of Pakistan prime minister Nawaz Sharif and then continued their protest by raising anti-Muslim slogans. Preparations seemed underfoot much earlier as a report in the *Indian Express* (June 18) clearly indicated: 'BJP workers hone talent in effigy-making'. The BJP's Yuva Morcha president claimed that he had a master's degree in effigy making! Yet, alarm bells failed to ring.

*The media and US mediation*: Reportage on the US intervention gave no insights about the US new support for India. Instead, there was gratitude and childish glee at winning big brother's support. *IE*



gloated: 'Sharif on his knees as US says what Delhi wants' (July 6). Bilateralism was now a dirty word. In a signed article, the *Indian Express* editor Shekhar Gupta (June 30), actually chastised the government for parroting the 'no third party intervention' line of the past asking whether chanting this 'mantra' was smart?

**Torture of six Indian soldiers:** Front-paged reports in all newspapers mentioned the government and army's version of the mutilation of the soldiers. The incident marked a turning point in the conflict. Reporters either did not care, or practised self-censorship in the 'national interest', to ask basic questions: the motivation of Pakistan to return mutilated bodies, whether all or only one body was mutilated (as later reports) or the possibility of natural decomposition.

**Financial costs of war and conflict:** Newspapers scarcely touched upon any estimates about the losses of war and the Kargil action. The *Asian Age* was an exception in that it carried a solitary report quoting a study from Assocham on the short and long-term impact of the Kargil action, estimating the daily cost of the war at Rs 30 crore.

Again, newspapers were silent about who benefits from the conflict? Which arms manufacturers, apart from Bofors, would obtain extra orders thanks to Kargil? Or, more disturbing, the chorus to push up defence expenditure in the wake of the defence forces' ill-preparedness to deal with Kargil.

**Intelligence failures:** The *IE* mentioned in passing, without attributing its report to any source, that patrols in the area was discontinued. When and why it failed to mention. It also had a report that an 'Intelligence alert in 1997 on the LoC was ignored' (July 20). When *Outlook* newsmagazine stated that a top army officer had alerted his seniors about the infiltration, they instead carried the army's denial of the story. The *TOI* spoke of the lack of alertness of Indian intelligence when Pakistan placed orders with Austrian agencies for 50,000 pairs of snowshoes, thermal jackets, snow tents, etc. However, these reports were not attributed to any source and failed to confront the army, either in its daily briefing or otherwise. They simply died in the army's convenient 'maun-vrat'.

**Kargil vs Siachen:** Kargil, defence analysts said, was Pakistan's answer to Siachen. Yet newspapers, save for one or two reports (*IE*, *TOI*), did little to question the comparison; failed to suffi-

ciently give the public any historical analysis of the conflict or the meaning of LAC/LoC and the importance of bilateral negotiations.

**The other side:** What of the Indian press's coverage of Pak affairs? At the height of the Kargil action, Indian newspapers began paying attention to the Pak press. The *TOI* began a 'Periscope on Pak' and *IE* had 'The other side'. In the main, the snippets chosen highlighted the 'unreasonable' nature of people of Pakistan. *AA* was the only paper to print full-fledged articles which were both 'supportive' of the action of the 'freedom-fighters' and critical of the leadership of Nawaz Sharif and his mishandling of the Kargil situation.

**The government's hand in misinformation:** The caretaker government was ham-handed in the extreme. Reporters were disallowed anywhere near the scene of the action; Pak TV was blocked and VSNL jammed the *Dawn* newspaper website. And how did our press react? The protests and condemnations only seemed like feeble bleatings for all the effect they had on the government and army. *IE* magnanimously gave the information and broadcasting minister Pramod Mahajan a chance to give reasons: 'Why I blocked Pak TV' (June 30, 1999).

**India's first televised war:** Not a single newspaper or their television columnists discussed India's first televised war. Rajesh Joshi writing in *Outlook* (July 26), mentioned how TV newscasters dressed in battle-fatigues and standing in disused bunkers added just that authentic touch to their reports from the 'front'. Rajesh Ramachandran wrote in the *Hindustan Times* of being hit by shrapnel from a missile, the other side being alerted by lights carelessly switched on by a television crew. But other newspapers maintained a discreet silence about this.

**National debate on Kargil:** When the opposition raised the demand for a Rajya Sabha session on Kargil, the press meekly agreed that the all-party meeting was a apt substitute and that 'wrong timing' marked the opposition's demand (*IE*, June 25). It was to the dubious distinction of Congress member Mani Shankar Aiyar (*IE*, June 15) to point out that the present prime minister A B Vajpayee had demanded, and succeeded in obtaining, both a special RS session in 1962 during the war with China and the resignation of then defence minister Krishna Menon.

**Inquiry into Kargil:** The press did no serious evaluation of the prime minister's assurance that an inquiry would be con-

ducted into the Kargil action and the later statements by both the PM and the defence minister back-tracking on this assurance that the inquiry would not cover intelligence failure.

Despite the reams of matter in the newspapers and air-time devoted to Kargil, are we better informed? Are we in a position of trust vis-a-vis our government and media on the actual state of affairs on the border? Are we confident that the enormous sums of money spent on defence are being utilised correctly, leave alone justified? Or are we ready to accept the rising chorus of the hawks that the defence expenditure is 'inadequate' and needs to be upped, in the light of increasing aggression from our neighbour? Ten days after George Fernandes proclaimed that the last of the 'intruders had been driven out and the Kargil action was effectively at an end', why did 70 soldiers lose their lives?

The media failed to or chose not to seriously analyse who would be the ultimate losers in the Kargil confrontation. An overwhelming number of persons on both sides who died in battle were poor jawans. Increased military expenditure will also further be disproportionately borne on both sides by the poor in the form of indirect taxation. Little or no effort was made to bring out the fact that the common people in both countries had no stake in the war and that Kargil was simply reinforcing the fundamentalist forces on both sides of the border.

The elites consensus on the issue was also not carefully analysed and this should be understood in the context of the monopoly ownership of the media in the country, i.e., the owners of the media are themselves part of the ruling elite.

[The above is an abridged version of a detailed study on media coverage of Kargil conducted by the Centre for Monitoring the Media (CMM). The CMM is an independent, non-profit making organisation comprising mediapersons who analyse how various events are reflected in newspapers, magazines and television, laying bare the structure and subjective biases of the media.]

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# Delivering the Right to Development: ESCR and NGOs

Arjun Sengupta

*Why do the masses in south Asia, and particularly India, not rise up in revolt against political repression, hunger, illiteracy and many other deprivations? There are various groups, each fighting for a different cause. There is nothing to bring them together to effect changes at the national level. Could NGOs fulfil this function?*

JEAN DREZE and Amartya Sen in their book *India: Economic Development and Social Opportunity* (OUP, Delhi, 1995), quote a warning from John Dryden three hundred years ago: "Beware the fury of the patient man." They go on to say, "Successive governments in India have had reason enough to rely on the unending patience of the neglected and deprived millions in India, who have not risen in fury about illiteracy, hunger, illness or economic insecurity. The stubborn persistence of these derivations has much to do with the lack of fury."

All revolutions in history were in effect the outbursts of that fury of the deprived and the downtrodden in the society of the time and most major changes in social orders had been the results of those revolutions. But not all revolutions have led to the removal of poverty or deprivation and the expressions of fury have often taken forms other than open rebellion, especially in democratic societies. Nevertheless it is true that outbursts of such fury or the threat of such outbursts often dislodged the forces of status quo and initiated changes in the system. If democracy works and the governments are truly representative, these threats and the pressures building up to these threats can work fairly early to redress the grievances or can lead to a change in the governments without a revolution. But fury or an articulation of public anger would almost always be a necessary condition to make vested interests give up their privileged position.

It is time we ask ourselves why that fury has not expressed itself in India, or in other countries in south Asia, to bring about the changes necessary to end the deprivations. Or, in other words, why has there been no revolution in these countries, or not even the creation of revolutionary conditions. It is not true that Indians are naturally non-violent or law-abiding citizens, who shun situations that may lead to violence. Either as individuals or groups, Indians have displayed the worst proclivity to violence. Nor is it the case that we have

no revolutionary parties, though their influence has dwindled over time, having given up practically all ambitions of revolution. There has, of course, been some economic and social change, not always so insignificant. But by and large they have made little dent on the conditions of widespread deprivation that Dreze and Sen were talking about. More than a third of India's population still live below the poverty line. As of 1995, about 665 million people have no access to sanitation, 178 million no access to safe water and about 145 million no access to health services. More than 250 million adults are illiterate, more than half of the children under five years of age are malnourished and underweight. The infant mortality rate in India is still among the highest in the world. The records in other countries are often much worse. There are enough of such statistics that can cause anguish if not anger. But somehow this does not get converted into 'fury' that can bring about revolutions.

One may offer several hypotheses to explain this situation and there can be serious debate on this for quite some time. The most plausible of these is the proposition that while there can be enough anguish and agitation, sometimes even leading to violent uprise around specific issues of deprivation and injustice of the people affected by them, it is not possible to combine them into an overwhelming national agitation and 'fury' unless there is one issue of almost universal concern that can unite all the groups on a common platform.

The issue of deprivation affects different people differently and there are so many and diverse points of grievance and agitation affecting the various groups that the forces of establishment have been able to keep them divided and prevent the individual group angers from coalescing into national fury. The political parties, especially of the left supporting the cause of revolution, have not been able to build up a national movement for revolutionary change, even though they may have

succeeded in pushing forward the cause of specific groups of people to redress specific grievances. It is not the parliamentary form of Indian Constitution that has thwarted the attempts at revolution in India. It is the failure to build up a national movement around an overriding cause that has failed to generate the conditions for any revolutionary change. This has been made worse by the lack of any agency to articulate the specific grievances in terms of such an overriding cause unifying all the deprived.

Historically, revolutions in the world occurred mostly around two basic causes: political freedom and equity. Whether it was the English Revolution, the French Revolution or the American Revolution, the uniting platform of all the diverse points of grievances and injustices was freedom and equity, which appealed directly to all concerned and which could incorporate all their individual grievances. This was articulated in terms of human rights – the rights which flowed from the concept of human dignity and irrespective of all the theoretical edifices in terms of divine or natural or legal rights that were built as philosophical basis of those demands for freedom and equity, their strength was their acceptance by all, especially all of those who were disaffected and who were prepared to rise up in revolt.

"In the ultimate analysis, human rights are those rights which are given by people to themselves. They are not granted by any authority, nor are they derived from some overriding natural or divine principles. They are human rights because they are recognised as such by a community of people, flowing from their own conception of human dignity, in which these rights are supposed to be inherent. Once they are accepted through a process of consensus-building, they become binding at least on those who are party to that process of acceptance" ('Study on the current state of progress in the implementation of the right to development' submitted by Arjun K Sengupta, independent expert, pursuant to Commission Resolution 1998/72 and General Assembly Resolution 53/155 (E/CN.4/1999/WG.18/2, July 27, 1999) ECOSOC, Geneva).

Indeed the crucial element in the natural right theories of John Locke and others that inspired the Glorious Revolution of 1688 was not so much that rights such as to life, liberty (freedom from arbitrary rule) and property pertain to individuals because they existed in "the state of nature". It was more importantly that people informing a civil society through a social contract, "surrendered to the state only the

right to enforce these natural rights, not the rights themselves", and that the state's failure to secure these natural rights gives rise to a right to popular revolution (Burns Weston, 'Human Rights', *New Encyclopaedia Britannica*, 1992).

The American Declaration of Independence (1776) squarely put this point: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their creator with certain inalienable rights, that among these are life, liberty and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed. That wherever any form of government becomes destructive of these ends, it is the right of the people to alter or abolish it..."

Those principles of freedom and equity were reflected again in the French Declaration of the Rights of Man and of the citizen of 1789: "Men are born and remain free and equal in rights." They remained the driving spirit of all radical movements of social change throughout the 19th century. The Bolshevik and the Chinese revolutions - the two major revolutions in the 20th century, championed the cause of equity, but had a convoluted, philosophical concept of freedom as freedom from necessity. That was quite different from the earlier concept of political freedom which got reflected in the principles of democracy. Still, these two revolutions got wide support because their advocacy of equity was based on a rich philosophy of social change in terms of grand theories of social and economic formation. These grand theories turned out to be flawed - which all grand theories tend to be. But that was not why these revolutions failed, the Bolshevik one literally, the Chinese one for all practical purposes. The main reason for their failure was their inability to incorporate political freedom in their design and conduct of the affairs of the state. It is possible to argue that almost all the shortcomings of their systems, which led to the large-scale disaffection of their people were the absence of their freedom, and to express, to organise and to choose their government.

Almost similar was the case of the only other popular revolution in the 20th century - the revolution in Iran. There also, the background to that revolution was a notion of equity, different from the Marxist or the western liberal notions, but a separate and self-consistent notion no doubt. And again, that revolution failed because of its position against the principles of individual and political freedom which disaffected most of the population.

Can we build up a cause in our countries that can unite all the downtrodden and

disaffected people suffering from specific grievances, economic and political deprivations and inequalities, as well as social and cultural injustices, around a concept of freedom, equity and justice? Let us not have a grand theory to explain all the problems of the economy and society. Nor do we need one general and overriding answer or approach or plan to solve all these problems. Specific situations need specific approaches. Each problem has to be solved in its own way. But there has to be one cause which may unite all the groups and one platform on which all those who are deprived, downtrodden and vulnerable can combine to give expression to their anguish and fury. I submit that cause can again be the championing of human rights, the cause of freedom, justice and equity which every individual has the right to claim by virtue of his identity as a human being. And elaborating that cause, we have the new theory that propounds the principle, the right to development is a human right, where development means economic growth with freedom, equity and justice.

Indeed the right to development, which was adopted by a universal declaration by the United Nations in 1986 and approved by a general consensus at Vienna in 1993 was a qualitative leap forward over the Universal Declaration of Human Right adopted more than 50 years ago. That first declaration was the outcome of a long drawn out international movement of human rights where freedom from want was one of the four fundamental freedoms that all human beings were entitled to claim. The Universal Declaration was expected to be followed by the enactment of one covenant incorporating all civil and political rights as well as economic, social and cultural rights, reflecting the vision of the original champions of the human rights movement. The rise of the cold war disrupted that process and we had two separate covenants, one on civil and political rights, and the other on economic, social and cultural rights, which gave these rights the sanctions of an international treaty. All this is history, but it is worth recounting, because with the adoption of the right to development, the two covenants have in effect been integrated and we are back where we had started from. Economic, social and cultural rights (ESCR) can no longer be seen in isolation from civil and political rights (CPR). They are not only interrelated but are actually integrated. A violation of ESCR would be regarded as a violation of CPR and vice versa.

For a long time the developing country representatives were saying that there cannot be any fulfilment of civil and political rights without development, by which they meant the fulfilment of

economic, social and cultural rights - an improvement of the standards of living and the security of jobs, food, shelter, health, education and social insurance. When they accepted the right to development, they recognised that these economic, social and cultural rights cannot be realised without political freedom or civil and political rights. There is a process of development with equity and justice where all freedoms of expanding opportunity and choice and fulfilling the rights are realised. Every person is entitled to that process of development as an inalienable human right (see the Declaration on the Right to Development, United Nations, 1986; and the Report of the independent expert, op cit).

What is even more important is that the right to development also specifies the way in which these rights have to be exercised - through transparency, accountability, effective participation and equality of access. So the economic, social and cultural rights which are now an integral element of the right to development must also be exercised in the same way. All programmes of action for implementing these rights must be transparent, with every beneficiary and every participant seeing fully who is doing what, and who is benefiting how from the programme, and who is sharing the cost and to what extent. All the programmes and their executors and beneficiaries must be accountable for the public trust bestowed upon them. Every person or agency involved with the programme must effectively and fully participate in the design and execution of the programmes. At no point, can the programme be seen as imposed on any group or being denied to anyone else. Finally, of course, both the design and the implementation of the programme must ensure the equality of access. Any person willing to accept the obligations of the programme must be able to access the services of the programme on an equal footing with all others involved.

In this framework and as an agency of executing public action that is behind converting public sentiment into programmes of change, civil society organisations and NGOs are going to be major instruments. The NGOs or non-governmental organisations are the generic terms used for civil society organisations working on different issues for different interest groups separately or in combination. They play the role of activists, executing programmes and delivering services and also as the mobilisers of opinions, awareness and support of the people concerned with and affected by social, economic and political problems.

The NGOs, by virtue of their being civil society organisations functioning as non-

profit voluntary agencies, have in this context a historic role to play, which political parties as organs of the state, trying to wield political power cannot always play. The NGOs can organise the people affected by specific deprivations into a national movement in terms of a unifying cause, cutting across the different interest groups. This is a difficult task, because the NGOs cannot become political parties or form alliances of interest groups to capture political power. But they can create the consciousness by articulating the grievances, upholding the rights, encountering the adversaries or even helping in delivering the programmes for redressing the problems, linking the separate individual causes together into a broad uniting platform so that all the anguish from specific deprivation becomes an overriding fury. It is not necessary that such fury finds its expression in revolutionary violence. But in democracies, that fury may take the form of intense pressure from diverse interest groups for the state machinery to act and the civil society to change. Dislodging the vested interests which have thrived in the systems that have perpetrated the deprivations for such a long time is almost a revolutionary task, but it can be achieved in a democracy without any violent uprising, if the pressure for change becomes overwhelming. The NGOs have much to contribute in the building up of that pressure. To act as agents of social change, the NGOs may have to adjust their behaviour significantly from the role that many of them currently play as the so-called 'development NGOs' as agents to deliver the programmes supported by international agencies and national governments. They may not be a part of the political machinery, but they have to be involved with generating political consciousness, because no enduring social change will be possible without that. Keeping these identities separate would be difficult, but in that would lie the strength of the NGOs with the image of disinterest in political power but dedicated to social change. They can still act as agents for delivering development, but with the full participation of the beneficiaries with transparency and accountability and for programmes to promote equity and social justice. With the new approach to the right to development, agencies for development are also agencies for human rights, playing both the roles of activism and of advocacy.

The single most important violation of economic, social and cultural rights and so also of the right to development is poverty, and eradication of that is no doubt the first aim of realising those fundamental rights. In a sense, poverty is an all-

encompassing term that encapsulates the violation of most of the economic, social and cultural rights and of human dignity, which is the basis of all human rights. Any agency involved in delivering and protecting human rights must naturally try to eradicate poverty in the most effective way.

As a first approximation, poverty is defined in terms of a benchmark standard of living represented by an index of consumption expenditure or income, and anyone having income or expenditures below that benchmark is taken as poor. There are national poverty lines where the benchmarks refer to national expenditure baskets. There are also international benchmarks, such as \$1 per day that is used by the World Bank for almost all developing countries. The number of persons below the poverty lines of different countries is periodically published which shows that the incidence of poverty is highest in south Asia and sub-Saharan Africa.

But this income/expenditure definition of poverty does not capture all the debilitating effects of poverty. The poor people are also undernourished, unhealthy with low life expectation, illiterate or poorly educated, with very little capability of improvement. They are also mostly unemployed with very little dignity left as individuals. In other words the poor people tend to remain poor. An anti-poverty approach must aim at removing all these incapacity, so that poverty eradication or even reduction can be sustained (see the *Human Development Reports* of the UNDP, published yearly; and also Mahbub ul Huq, *Reflections on Human Development*, 1995, Oxford University Press).

Most government policies, which are genuinely aimed at poverty eradication, would try first to raise the rate of growth of GDP and then prevent deterioration in the income distribution. GDP must grow faster than population, so that per capita income and consumption can rise, and if income distribution does not deteriorate and become more skewed, the class of people below the income (or expenditure) poverty lines will improve their levels of living leading to a fall in this level of absolute, though not relative poverty. But it is difficult for the government to achieve such high growth without deteriorating income distribution, if the civil society organisations, do not remain vigilant and mobilise pressure groups and agitations that prevent the growth of monopoly rents or activities that enrich the already rich. Without any non-governmental pressures for intervention, market forces would make the rich richer, and the governments usually would not

prevent the distributional deterioration. The NGOs can promote development maximising strategies moderating the market propelled purely GDP-raising activities. In other words, NGOs may have to play the role of keeping the government policies strictly on track of egalitarian income distribution.

The governments often try to supplement the incomes or consumption of the poor through specific policies that benefits the poor more than the rich. These are done through, (a) special supply of concessional foodgrains at subsidised prices to the targeted group of people who were known as poor, undernourished, unemployed and underprivileged, and (b) adoption of special programmes for income generation among the relatively poor. In both the cases the governments would badly need the help of the NGOs.

On specially targeted foodgrains distribution, the government would very much depend upon the NGOs—their ability to find methods of identifying the poor and help the governments to deliver the foodgrains to the genuinely poor with the least wastages in their amounts. The fact that the NGOs are not a part of the administration machinery would give them an image of impartiality which the local government agencies connected with local pressure groups may not have.

On adoption of special programmes, again the NGOs have the special advantage of the knowledge of local conditions, not only to design the programmes better but also monitor them effectively. The leakages in the employment generation schemes, or public works programmes, or special schemes of midday meals for children and nourishment of lactating mothers or deprived women members of the families can be effectively plugged only with the help of the NGOs.

Even for poverty eradication as for the general aim of delivering human rights, the greatest contribution that the NGOs can make is to spread consciousness. Individuals in all walks of life must become conscious of their rights – and once they are, half the battle is won. People must be able to claim their rights and make the governments meet their obligations.

The original proponents of human rights, both during the American and the French revolutions, declared that if the governments cannot deliver those fundamental rights, they have no business to govern and people have the right to throw them out. It is only when people can assert their right in such a way that things start to change. The NGOs have the responsibility of making the people conscious of their rights and translate their fury against the non-fulfilment of those rights into effective public action.

# The Bomb: Debates in Pakistan

Kanti Bajpai

**Pakistan and the Bomb: Public Opinion and Nuclear Options** edited by Samina Ahmed and David Cortright; University of Notre Dame Press, Notre Dame, Indiana, 1998.

THE Kargil war between India and Pakistan dramatised the fact that the two countries now live under the shadow of nuclear weapons. When Pakistan attacked India in 1965, after having sent in 'irregulars' into the Indian part of Kashmir, India retaliated by crossing the border in Punjab and Rajasthan. The Indian army somewhat unexpectedly found itself at the doorstep of Lahore. Under pressure, the Pakistani army had to restrict its operations along the line of control (LoC) and save Lahore. In the summer of 1999, retaliating to relieve the pressure on Kargil was no longer a serious option for New Delhi. Confronted by the possibility that Pakistan might use nuclear weapons to defend itself, India was in no position to do what it had so successfully done in 1965.

*Pakistan and the Bomb*, edited by Samina Ahmed and David Cortright, is a very useful and timely book in this context. It is not a history of the Pakistan nuclear weapons programme. It is more than that. Like its counterpart, *India and the Bomb: Public Opinion and Nuclear Choices*, edited by David Cortright and Amitabh Mattoo (Notre Dame University Press, 1996) it does two interesting things: first, it presents the results and analysis of a public opinion poll on nuclear policy; and second, it supports this with four chapters which look in some depth at the various nuclear choices before the country. Oddly, this kind of book has never been done before. No one, before these two volumes were published, had thought of a book that combined opinion data with analyses of the pros and cons of the various nuclear policy options before the two societies. The two books are almost identical in format. The Indian book appeared in 1996. The Pakistani book was written before the Pokhran II and Chagai blasts but appeared shortly thereafter. Both efforts were brought out under the auspices of the Notre Dame Studies on International Peace of the Joan B Kroc Institute for International Peace Studies, University of Notre Dame.

This review is divided into two parts: the first deals with the public opinion data on Pakistani nuclear choices; the second attempts to assess the four accompanying

analytical essays. I deal with the essays at some length because, after Kargil, it is vital that we in India get a sense of the length and breadth of the Pakistani nuclear debate.

## PAKISTANI AND INDIAN OPINION ON NUCLEAR POLICY

The first thing that is striking about the Pakistani poll results is that they are virtually identical to the Indian survey on a number of questions. For instance, the supporters of official policy in Pakistan, those who supported the so-called 'ambiguity' option, were 61 per cent. Nuclear advocates, those who supported weaponisation, were 32 per cent. And nuclear opponents were 6 per cent. The figures in the Indian case were 57 per cent, 33 per cent and 8 per cent respectively. The rating of the nuclear issue vis-a-vis other social issues also shows a similarity. In Pakistan, it was ranked fifth after economic stability, Kashmir, ethnic and religious conflict, Afghan refugees presence; in India, it was ranked seventh, after communalism, poverty, economic stability, terrorism, Kashmir and GATT. In both Pakistan and India, about 20 per cent of the respondents said that information on nuclear issues was neither easy nor difficult to get. And 77 per cent in Pakistan and 67 per cent in India said information was 'not easy' to get or 'difficult' to 'almost impossible' to get. In both countries, 7 per cent said that they had never really paid any attention to their country's nuclear policy. Those who were 'well informed' or informed 'just enough' about nuclear policy constituted 87 per cent and 72 per cent of the sample, respectively. The vast majority of respondents, not surprisingly, replied that they had little or no influence on nuclear policy (93 per cent in Pakistan and 83 per cent in India). There was huge support for civilian nuclear energy – 94 per cent in Pakistan and 87 per cent in India. Interestingly, in both countries there was also solid support for an international agreement to eliminate nuclear weapons. In Pakistan, 97 per cent 'totally' support and 'support to some extent' an

international elimination agreement. In India, the corresponding figure is 94 per cent.

Having said that there were a number of striking similarities, there were also key differences among the two sets of opinions. In Pakistan, 80 per cent of the sample considered the nuclear issue 'very important' (even though they ranked it fifth among a list of social issues). In India, only 41 per cent said the same thing. All of those who opposed nuclear weapons in Pakistan thought the issue 'very important'. In India, the corresponding figure was only 40 per cent. This suggests perhaps that Pakistani opponents of the bomb are far more concerned about full-blown nuclearisation than Indian opponents. Some 20 per cent in Pakistan thought information on nuclear issues was impossible to get. Only 6 per cent of the Indian sample thought so. This may well reflect the relative openness of the Indian political system. A striking difference related to the benefits of nuclear energy. In Pakistan, only 23 per cent thought that the benefits of civilian nuclear energy outweigh its costs. In India, 60 per cent thought so. In other words Indians were about three times as optimistic about the benefits of civilian nuclear energy. Similarly, 92 per cent of the Pakistani sample felt that a civilian nuclear energy programme had 'high' environmental costs. Only 60 per cent of Indians felt the same way.

Getting to the issue of nuclear weapons more directly, only 3 per cent of those who supported a policy of nuclear ambiguity (neither testing nor giving up the nuclear option) replied that Pakistan could never give up the bomb. Amongst those who supported weaponisation, no one thought that Pakistan could not give up the bomb under any circumstance! In India, though, renunciation of the bomb was thought to be far less plausible. About 18 per cent of the ambiguity group thought India could never give up the bomb and 33 per cent of the pro-bomb group also replied that India could never renounce the bomb. Amongst ambiguity and pro-bomb supporters in Pakistan, over 90 per cent supported signing the NPT if India did so. No one would countenance unilateral renunciation in these two groups. In India, only 35 per cent of the ambiguity supporters and 31 per cent of the pro-bomb would support signing the NPT if Pakistan signed. This, clearly, reflects the traditional Indian stand against the treaty. But, oddly, in the Indian case, 17 per cent of the ambiguity

group and 16 per cent of the pro-bomb group would sign it unilaterally! Less than 10 per cent of the ambiguity and pro-bomb group in Pakistan totally reject the NPT. In India, the figures are much higher: 49 per cent and 52 per cent, respectively.

One of the most telling differences is of course on the issue of nuclear weapons motivations. All of the pro-bomb group in Pakistan said that their country should develop the bomb against threats from India. No other threat warranted nuclear weapons. In India, the picture, expectedly, was different. Amongst the pro-bomb group, 57 per cent thought the bomb should be for threats from 'nuclear Pakistan'. Forty-nine per cent thought that it would improve India's bargaining power in the world, and 38 per cent thought it would enhance India's status. Interestingly, only 20 per cent saw the bomb in relation to a threat from China. The Indo-centric nature of Pakistan's nuclear concerns is revealed also by the fact that 96 per cent of the pro-bomb group thought that Pakistan needed to develop a nuclear arsenal "capable of striking *only India*" (emphasis mine). In India, only 12 per cent of the pro-bomb group supported the development of an arsenal "capable of striking *only Pakistan*" (emphasis mine). Thirty-five per cent of the Indians wanted the capability to strike all nuclear powers and 34 per cent wanted to develop all the components of the bomb but not actually assemble the devices.

Finally, Pakistanis and Indians differed on the issue of when their country could actually use the bomb. Pakistanis could only countenance using the bomb against India and in two circumstances - if India were about to attack across the border (98 per cent) and if India were to intervene across the LoC (77 per cent). In light of Kargil, and the call by some in India to cross the border or LoC to relieve the military pressure, this finding assumes some importance. By contrast, in India, only 33 per cent thought that India could use nuclear weapons if Pakistan were "about to take over Kashmir". Twenty-three per cent thought India could use nuclear weapons "if China were about to overwhelm India militarily". And 27 per cent could countenance its being used "if a US-led military coalition...were to intervene militarily". China is, interestingly, at the bottom of the list in terms of who the bomb could be used against. But the key difference is that only about one-third of the Indian sample thought nuclear weapons could ever be used, whereas virtually every Pakistani thought it was usable - and against India. Forty-four per

cent of the Indian sample said India could never use the bomb; only 1 per cent of Pakistanis said that.

I present these figures crudely and with no great comment as to their validity and overall meaning. It is worth noting that trained pollsters who spent up to 30 minutes with the respondents carried out both polls. They polled 1,000 'elites' in eight cities in Pakistan and seven cities in India. These are not rural, ordinary folks or small to medium town dwellers giving their opinion. The polls do not necessarily tell the whole story about public opinion, therefore, but until we get something larger and more variegated, these results do tell us something more than we knew before.

If I had a criticism of the Ahmed and Cortright essay at the beginning of the book, that attempts to summarise and interpret the findings of the Pakistani poll, it is that it did not do what I have only very summarily done here, namely, to contrast and compare the Pakistani and Indian cases. For instance, if these views are at all representative, then the findings may well have implications for future India-Pakistan conflicts and the whole issue of deterrence and how it may or may not work in the subcontinent. Thus, it seems clear that any attempt by India to cross into Pakistan militarily could lead to a nuclear strike against either our forces or our cities. The reverse does not seem as true. Indians seem reluctant to sanction nuclear use against a Pakistani incursion. Is this because Indians see this as not a very likely possibility? Or because there is a sense that India can beat Pakistani forces back without nuclear weapons? Or is there a greater reluctance in India to actually use nuclear weapons?

In the Cortright and Mattoo volume on India, the nuclear choices before India (in 1996) were: the then dominant preference, namely, ambiguity; nuclear abstinence (or renunciation); capping or freezing nuclear capabilities; and overt weaponisation. The Ahmed and Cortright volume on Pakistan divide up the choices before Pakistan the same way. At the outset, I should say that these are all high quality essays and are both informative and analytically rewarding. If I had to pick the prize offerings, though, they would be the essays by Zia Mian and Pervez Hoodbhoy.

The first essay, on ambiguity, is by Zahid Hussain, a leading Pakistani journalist specialising on defence and security issues. This essay was supposed to present the ambiguity case for Pakistan. It is, in essence though, a very solid recap of Pakistan's nuclear history from 1970 onwards. The story is a fairly standard

account of the development of the nuclear programme in this period. A good bit of the information is available in other works such as Ashok Kapur's *Pakistan's Nuclear Development* (Croom Helm, London, 1987); but Hussain brings the history up to 1996 when Pakistan followed India's lead in rejecting the CTBT. Anyone who wants a quick overview of the Pakistani programme up to the CTBT can read Hussain along with the Ahmed and Cortright essay on the weaponisation option, the final essay in the book, with profit.

Three rather interesting points are worth noting in Hussain's recounting of this period. The first is his contention that Pakistan's defeat in 1971, India's Pokhran test of 1974, and the 1984 scare to the effect that India was planning a pre-emptive attack on Kahuta were key milestones in Pakistan's determination to develop the weapons option. Also important though was the 1973 oil crisis, which suggested to Pakistani decision-makers that nuclear energy was a key alternative to oil. That Pakistan seriously considered the nuclear programme in terms of civilian applications is a controversial claim. Most Indian analysts, for instance, are convinced that the Pakistani nuclear programme has no motive other than a military one, against India.

A second point of interest in Hussain's history is confirmation of a point that Indians have often made, namely, that the various offers from Pakistan in the 1980s on some sort of a bilateral nuclear deal were bluff and propaganda. Pakistan, it will be recalled, had offered to accede to the NPT with India, to accept full-scope safeguards along with India, to construct a bilateral inspections regime, and to sign a regional or bilateral test ban treaty. Hussain notes that Pakistan made the offers knowing India would reject them all out of hand (p 36).

The third point of interest is his claim that Pakistani decision-makers have seen in the bomb a shield against an Indian conventional military attack. He cites Nawaz Sharif's statement, during a visit to Kashmir in 1994, to the effect that Pakistan would use its nuclear capability to protect its interest in the contested state. This is a point that is repeated and elaborated upon by Pervez Hoodbhoy. I mark it because of course one can see that the Kargil crisis in a sense grows out of the May 1998 tests and Pakistan's subsequent confidence that it finally possessed the Great Equaliser, no ifs or buts.

There are two disappointments in the essay. First, Hussain has nothing to say,

except in passing, about a crucial part of Pakistan's nuclear history, namely, the Pakistan-China nexus on nuclear technology. He deals with the issue in two sentences (p 35) and merely notes that, according to the US state department, there is evidence that Beijing did indeed help China. As western sources of nuclear-related technology dried up, China apparently moved in. Why the Chinese helped Pakistan is not addressed by Hussain. And yet, over 50 years, one important thing we have learned is that no nuclear power has gone out of its way to help even an ally attain nuclear capability. Why have the Chinese been different? What were their calculations? Is it credible that Beijing simply wanted to 'balance' India, as if it could not do so by itself? What leverage does Pakistan have in the relationship? These are vital questions historically.

The second disappointment is more important, and it relates to what the essay was supposed to do and does not do. It was supposed to lay before the reader the reasons why ambiguity was Pakistan's preferred option all these years when it is clear that, after 1984, the country was capable of testing a device. Was there a view that ambiguity suffices to deter, as some in India were arguing in respect of India's nuclear posture? Was there a sense that restraint was a diplomatic necessity? Hussain seems to suggest that this was the primary concern, but he is not particularly crisp on this point. On the other hand, were Pakistani capabilities the restraining factor? Was Pakistan simply not ready to go nuclear, in terms of fissile material stock, the engineering of the actual device, and so on? In sum, Hussain provides a useful overview of Pakistani official policy until 1996 or so, but does not present a very convincing explanation about why Pakistan did not go nuclear earlier.

#### RENOUNCING NUCLEAR WEAPONS

The second essay on nuclear choices in the volume is perhaps the most engaging and provocative. I say this not because, in the sister volume on India, I wrote the companion piece and am therefore a fellow traveller intellectually, but because it is a cogently, passionately, and crisply written piece.

Zia presents seven arguments for renouncing the bomb. First, the pro-bomb deterrence arguments are susceptible to moral counterarguments. The basic contention against the bomb on this score is that since it is immoral to kill millions of innocent non-combatants it is also immoral to threaten to do so which is what

deterrence rests on. This is a staple of the moral attack on deterrence but it rarely gets mentioned – I did not mention it in my chapter – in south Asia and is therefore an important reminder. Second, the consequences of nuclear use are indeed horrific, Zia points out, and renunciation can be justified on this basis alone. He drives his point home by citing two Indian scholars, S Rashid Naim (presently at Georgia State University in Atlanta) and M V Ramana (presently at Princeton University), both of whom have estimated what a nuclear attack would do to south Asian cities.

Zia's third argument against the bomb is that the bomb kills, maims and hurts, even when it is not used. The health damage to those working in nuclear plants and to those who mine and handle the uranium is grave, and we in south Asia have no real comprehension of the toll it has taken. Here Zia cites an incident that most Indians will not have heard of, namely, a strike at Kahuta in 1996 by 500 workers who demanded better pay, compensation, medical facilities, and safety measures (p 49). The strike was severe enough that it had to be put down by the Pakistani government more or less forcibly. The construction of the Khushab reactor on the river Jhelum is also a risky venture environmentally. An accident at Khushab would put virtually all of Punjab and Sind at risk (p 50). The fourth argument against the bomb relates to the economic costs. Zia's estimate is that \$1 billion has certainly already been spent. If one includes the cost of Khushab, of the heavy water plant to supply it, and of the reprocessing plant to extract the plutonium from the reactor fuel, then at current prices one has to add another \$1 billion in expenses. Hoodbhoy puts the figure even higher, at somewhere near \$4 billion (p 75, 77). The opportunity cost, Zia points out, has a social effect. Uneven economic development has led to social disintegration on a national scale, with one community pitted against the other for more of the small and often stagnant economic pie.

This leads Zia on to make a fifth argument, namely, that the nuclear programme has led to a militarisation of Pakistani society. In a section he calls 'Creating Support for the Bomb', he argues that the high degree of support for the bomb along with lack of knowledge about nuclear matters (as revealed by the opinion poll) has been sustained by an indoctrination process centred about the villainy of India (p 54). That indoctrination begins with the school curriculum. Amongst other things, Pakistani children, he notes, are "expected

to 'collect the pictures of policemen, soldiers, and national guards'" (p 54). Along with indoctrination goes manipulation of the media and intimidation of those who question the bomb programme and who have been involved in track two peace efforts with Indian counterparts. All this amounts to a massive militarisation of Pakistani society that spells danger for Pakistanis and for Indians.

Even more important in some ways than these five arguments, though, is Zia's attack against the strategic logic of the bomb. In effect, as I tried to do in my companion piece, he takes on the pro-bomb wallahs on their own turf. The first strategic counter-argument he puts forward is that the bomb does not provide defence. If Pakistan's bomb is supposed to deter India's bomb, the prior question is: can India use its bomb to blackmail Pakistan if Pakistan did not possess the bomb? Zia argues that the evidence from the nuclear age is that nuclear threats even against non-nuclear states did not work and, conversely, that even when both the US and Soviet Union were at par in nuclear terms it did not stop one or the other from using nuclear threats (p 57). In the India-Pakistan context, he notes that India, after 1974, could have resorted to nuclear threats but did not do so. If nuclear weapons can't be used for or prevent nuclear blackmail, what can they do? Deter? Even this, Zia notes, is hard to prove: did nuclear weapons deter each other in the cold war and keep the peace, or was it the case that neither side sought the other's conquest or destruction?

The second counterargument Zia makes is against the view that nuclear weapons can prevent India using its conventional forces to invade Pakistan. This implies that Pakistan would be prepared to kill millions of Indians and that it would be prepared in turn to risk massive nuclear retaliation from India. This, he suggests, is irrational in any sense of the term 'irrational'. In any case, India may be tempted to go first in such a situation, and Pakistan, realising that India may be tempted to do so, would in turn be tempted to pre-empt, and soon in an infinite regress. This is the logic of 'pre-empting the pre-empter' which strategic thinkers have understood and feared virtually since the dawn of the nuclear age.

In the end, Zia argues that nuclearisation is folly and that Pakistan would be best served by giving up nuclear weapons unilaterally. I won't replay his arguments about unilateralism here except to say that he makes a strong and reasoned case and certainly the most convincing one mounted by any Pakistani, perhaps any south Asian,



for giving up nuclear weapons and doing so regardless of what the other side does.

Pervez Hoodbhoy's essay on 'Pakistan's Nuclear Future' is the third essay on nuclear choices. Hoodbhoy differs with Zia on the political feasibility of renunciation, but it is clear enough that that is where his sympathies reside. Interestingly, like Zia, Hoodbhoy is a nuclear physicist and arms control expert.

Hoodbhoy, first of all, probes Pakistani motivations for the bomb. The first motivation is deterrence. Hoodbhoy is sceptical about the Pakistani deterrence argument for at least three reasons. For one thing, India cannot seriously want to undo partition and therefore has no reason to conquer Pakistan. Second, occupation of Pakistan after a military defeat in war is not a possibility given the limits on Indian military power. Finally, not every relatively weak power seeks the bomb as an equaliser.

Pakistani motives therefore go deeper, and here Hoodbhoy sees three lines of reasoning for the bomb. First of all, there is, as hinted at by Hussain, the nuclear shield doctrine according to which Pakistan can continue to provide support to Kashmiri militants secure in the knowledge that a retaliatory invasion by India is ruled out given Pakistani nuclear capabilities. In the wake of Kargil, we should note Hoodbhoy's statement to the effect that "The 'nuclear shield' logic is now a de facto element of Pakistani policy even if it has never been officially articulated" (p 71). Hoodbhoy suggests that the so-called 1990 crisis confirmed for Pakistanis the value of the nuclear shield. The second deeper motive for the bomb is "more psychological" (p 72). As Pakistanis have grown more pessimistic about their country's future and as processes and institutions of governance have decayed, a crisis of self-confidence has set in – to the point that "More and more Pakistanis in the English language press ask what was gained from partition..." (p 73) In this situation, the bomb gives Pakistanis comfort. The third factor behind the bomb is the military's dominance in Pakistani decision-making. The military, as other militaries, wants the biggest weapons available. Their control over strategic issues has meant that the nuclear weapons programme is beyond questioning.

The consequences of the bomb option worry Hoodbhoy who is not persuaded that a small arsenal will suffice. There will be a tendency, given the three imperatives he outlines, for the numbers to grow. The economic costs of the bomb will be enormous for a country that is already in

horrendous economic shape. This is particularly so because the 'ancillary' costs will be extremely high. He reminds us here of US estimates that the actual warheads accounted for a mere 8 percent of American defence expenditures after the second world war. The bulk of the spending went into delivery vehicles and command and control! Beyond the economic costs are two other costs that will eventually affect the nuclear programme itself. First, with economic strain, even collapse, Pakistani society and politics will tend towards implosion (rather like the Soviet Union). Second, the economic burden will have the ironic effect of draining the very talent needed to develop the bomb programme to its next level, that of bigger and more efficient bombs. Thus, Hoodbhoy argues that defence spending has seriously hurt the country's higher education system, and it will not be possible to train enough high quality scientists for the next generation of the bomb programme. Hoodbhoy presents an interesting dialectic. The more money the army and government put into defence including the nuclear programme, the more they beggar education. The more they beggar education, the less likely they are to produce the talent that can take the nuclear programme forward.

If rollback and renunciation are politically infeasible options, what can be

done? Hoodbhoy argues that a number of relatively small steps can be taken to reduce tensions between India and Pakistan. The big steps – signing the NPT, a South Asian Nuclear Weapons Free Zone, a fissile materials cut-off – are fraught with difficulties. India will not sign the first two, and Pakistan has problems with the cut-off. Contrary to the standard Pakistani position, Hoodbhoy endorses the idea of a no first use policy, arguing that since Pakistan cannot rationally use nuclear weapons against India (because Indian retaliation will destroy Pakistan), a no first use agreement could reduce tensions and bring India to the bargaining table. India of course has formally tabled the idea of a no first use agreement (at Lahore). More importantly, Hoodbhoy believes that a treaty banning the production of tritium – which is a booster in fission bombs and is therefore also used in fusion devices (because boosted fission bombs trigger the fusion process) – would be a good and modest beginning to get serious nuclear talks going, to prevent an escalation of the arms race, and to build confidence.

Hoodbhoy's essay is a very sober, realistic intervention and not just for Pakistanis. Many of his judgments about the motives, dynamics, limits, and political problems associated with the bomb apply to India as well, though perhaps not in

The University of California, Berkeley invites applications for a tenured position in South Asian Studies beginning in the 2000-2001 academic year. Candidates in any social science discipline whose work is committed to the study of contemporary India will be considered. The appointment will be made to the department of the successful applicant's expertise. Capacity and willingness to serve a term at some point in the future as the chair of Berkeley's Center for South Asian Studies also will receive positive consideration. It is expected that an endowed Chair in India Studies will accompany the appointment. Applications with vitae, names of at least three references, and other relevant supporting materials should be sent to **Ms. Gail Stern, South Asia Search Committee, International and Area Studies, 260 Stephens Hall, University of California, Berkeley 94720-2300 by October 31, 1999.** The University of California is an Affirmative Action, Equal Opportunity Employer.



equal measure. Having said that, parts of the essay seem to have been overtaken by events. For instance, Hoodbhoy seems pessimistic about the chances of Pakistan signing the CTBT. Clearly, after the Chagai tests, Islamabad's reluctance may have changed. So, also, he argues that signing a fissile materials cut-off will be difficult for Pakistan. Is this true after Chagai, particularly now that India has shown an interest in taking the cut-off treaty negotiations more seriously? Hoodbhoy argues for a no first use agreement in south Asia, but Pakistani opposition to the idea still seems very strong, in the wake of Chagai. As for a tritium treaty with India, this will run into the problem that there is growing interest in India in having the full range of nuclear weaponry right up to the fusion bomb, in which case tritium will become more, not less, important. Thus, post May 1998, India and Pakistan may be in a position to go further on some things than Hoodbhoy envisaged in his essay and less far on others – both could sign the CTBT and eventually a cut-off but not be able to agree to a tritium treaty.

#### GOING NUCLEAR

The final essay, by Ahmed and Cortright, examines the weaponisation option for Pakistan. The chapter sets the Pakistani nuclear programme, briefly, in historical context and examines also very briefly Pakistani motives for the bomb. This part of the essay mostly covers well known ground. Where it is more useful, indeed prophetic, is in its assessments of the consequences of going nuclear.

Ahmed and Cortright basically argue that Pakistan would complicate its strategic situation vis-a-vis India by going nuclear and that it would face a number of rather serious external pressures particularly in light of its economic difficulties. With the bomb, it would be tempting for Pakistanis to think that they are more secure, as the pro-bomb lobby argues, but in fact a number of serious problems will arise. Any attempt to use the bomb against India would encounter the problem that India has a much larger arsenal and that it is much harder for Pakistan to target India's more distant cities and value targets, whereas the reverse is not true. Second, given Pakistan's limited size, India may be able to think in terms of a first strike against Pakistan. Third, given the proximity of the two countries, early warning in the India-Pakistan case will be very limited. Accidental or inadvertent war will therefore be a more serious danger here than in US-Soviet interactions in the cold war. This problem will be compounded by the fact

that with the military's dominance, Pakistan's command and control may not be in the hands of its civilian leadership, thus complicating the question of who has his or her hand on the button. How much confidence India can have in Pakistan's command and control is questionable. If it lacks confidence in Pakistan's command and control, it may have to move towards more risky postures itself.

Ahmed and Cortright illustrate the potential seriousness of command and control problems by recounting the Ojheri incident on April 10, 1988 when an ammunition dump blew up near Rawalpindi and Islamabad and, crucially, not far from Kahuta, Pakistan's main nuclear uranium processing facility. In the ensuing confusion, it was widely rumoured that an Indian attack was underway. Had Kahuta been damaged, there would have been fallout, but more seriously there was the danger that Pakistan, in momentary ignorance of the real cause of the explosion could have attributed the blast to an Indian pre-emptive strike. If so, it might have prepared to carry out a retaliatory strike. India, sensing that Pakistan might be doing so, could well have begun preparations for the very pre-emptive strike that it was suspected of already having attempted. At that point, India and Pakistan would have been caught in a terrible, escalating vortex.

If Pakistan went nuclear, it would have to face not only the strategic challenge of India, but also the wrath of the international community. Here Ahmed and Cortright are prophetic. They suggest that sanctions would follow and that this would hurt Pakistan more than India. They note also that Japan would cut ODA and other assistance. The Europeans too would take economic action against Pakistan. Interestingly, they predict that China's reaction to a Pakistani test or to an escalation of the conflict in, say, Kashmir would be negative. In the aftermath of Kargil, we can see that their predictions were rather accurate.

Having sketched out the likely course of international pressures, they argue that sanctions and pressures on Pakistan may have the opposite reaction, namely, of a rally round the flag response. Thus, they argue that the international community should adopt an incentive based strategy which empowers democratic forces in civil society so that there can be a far more comprehensive and far-reaching debate on nuclear issues and so that the much larger issue of societal security is advanced. They also suggest that debt rescheduling might be a powerful incentive in limiting Pakistan's nuclearisation.

Ahmed and Cortright are at their strongest in the chapter in respect of India-Pakistan dynamics in an overt nuclear situation and the international repercussions of going nuclear. As noted, they are prophetic on the reactions of the external powers to Pakistan's nuclear tests. Where the chapter is not so satisfactory is in portraying the motives for nuclearisation. The arguments of the pro-bomb lobby are rather too summarily treated. For instance, it would have been interesting to lay bare some of the differences amongst the weaponisers, something that Varun Sahni did in the Indian volume. Certainly, in India, it is clear that, post-Pokhran II, there are various schools amongst the pro-bomb group. Surely something similar must be true for Pakistan.

The other major problem is that Ahmed and Cortright's argument about international incentives to encourage nuclear restraint in Pakistan does not particularly convince – or at least it raises as many questions as it disposes of. It is true that an incentives strategy aimed at the Pakistani military is not a terribly good idea. Incentives for civil society groups may not be quite the answer either though. First of all, what is the influence of these groups in Pakistan, especially in relation to the military that has such power and prominence? Second, will the Pakistani government allow foreign funding of, and contacts with, groups in civil society? Third, who in civil society should be empowered? As in India, there are groups that are mere front organisations and others that are simply incompetent. Fourth, with the May 1998 tests and the subsequent dialogues with Pakistan, a more traditional state-to-state policy may be both quicker and more effective: encouraging Pakistan down the road of the CTBT and fissile cut-off may do more for restraint than civil society empowerment.

*Pakistan and the Bomb* is indispensable reading in the aftermath of Kargil. There is no book in recent memory, as far as I am aware, that is quite as informative, reasoned, descriptively rich and analytically rigorous on Pakistani nuclear thinking and choices as this slim volume. Unfortunately, the book is not yet widely available in India. My review has therefore departed from the usual length and style of such pieces and taken the liberty of presenting in some detail the major arguments and findings of the volume. After the events of this summer, it is imperative that we in India get a clearer sense of Pakistani debates and concerns on such a vital issue.



**Statement of Shri D. Basu,  
Chairman of the Board of  
Directors of Securities Trading  
Corporation of India Limited at  
the Fifth Annual General  
Meeting of the Company held at  
Mumbai on September 27, 1999.**

I have great pleasure in welcoming you all to the Fifth Annual General Meeting of your Company.

The report of the Directors and the audited accounts of the Company for the year ended March 31, 1999, the fourth full year of operations of the Company, have already been circulated and with your permission, I would take them as read.

There were changes in the Company's Board during the year and these have been detailed in the Directors' Report. The only subsequent development has been that Dr. Arjun K. Sen Gupta, the noted Economist and former Member of Planning Commission, has recently accepted our invitation to join the Board. I look forward to his valuable counsel and guidance at our Board Meetings.

As you will have observed from the Directors' Report and the accounts, the profit after tax of the Company for 1998-99 amounted to Rs 82.98 crore as against Rs 98.36 crore for 1997-98, reflecting a decline of 16 per cent in net earnings. The reasons for the decline in profit have been dealt with in some detail in the Directors' Report. Just to recapitulate, profit declined mainly on account of reduced trading opportunities due to abundant supply of Government paper, both through primary issues and sales through Reserve Bank of India's open market window, and higher funding costs, unmatched by any increase in yields on Government securities. Decline in profit has been a phenomenon witnessed across all Primary Dealers in 1998-99 and reflected a stiffening of the operating environment for Primary Dealers during the year.

Your Company continued to maintain its leadership position as a Primary Dealer in 1998-99. Its market share in the primary issues, reckoned on the basis of successful bids in auctions, including developments against underwriting, was 28 per cent, highest amongst the Primary Dealers. Its market share in transactions in the secondary market was 26 per cent which was again the



# SECURITIES TRADING CORPORATION OF INDIA LIMITED

Regd. Office : Krishna C

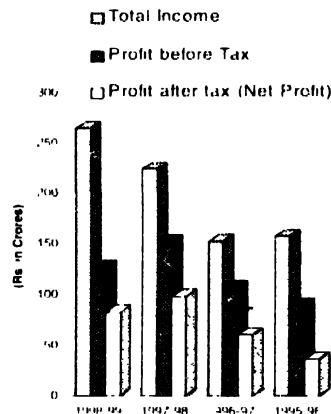
highest amongst all Primary Dealers. It would be the Company's endeavour to maintain its leading position amongst Primary Dealers during the current year as well as in the future.

## OUTLOOK AND PERFORMANCE OF THE COMPANY IN THE CURRENT YEAR

As I speak to you today, I do so in an environment of high short term interest rates which belies the expectation at the commencement of the financial year that following the cuts in Bank Rate, RBI Repo Rate and CRR in March 1999, we would be moving on to a period of softer short term interest rates. The high call money rates that have prevailed in the past months have

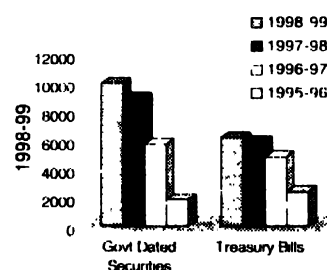
increase in yield in Government securities, in fact, the yield has been steadily declining despite the high market borrowing programme of the Government. Yield 10 year Government dated securities primary issues declined from 12 per cent in April 1999 to 11.60 per cent in September 1999, a fall of 40 basis points in a five months. The continuing strong appetite for Government Securities among commercial banks and the insurance companies and an adroit mix of primary issues, auctions and private placements with RBI enabled the Government to continue borrow at low rates. The interest spread earned by the Company has thus been greater than in 1998-99. Unless monetary authorities take steps to ease short term liquidity conditions, an seemingly linked to its Exchange management policy, the possibility of recovery in spread in the current financial year seems a distant possibility despite expectation that the actual level of Government borrowing this year will

### Total Income and Profit



pushed up the funding cost of Primary Dealers to a level well above the average funding cost in 1998-99, which itself was

### Turnover in Secondary Market



regarded as high when compared to that of the preceding year. Your Company, like most other Primary Dealers, has had to resort to RBI's refinancing facility pretty much on an ongoing basis, frequently utilising the costlier Level II facility. As in last year, the increased funding cost has not been matched by any

## HIGH

### Financial Year 1998-99

- Leadership position in Govt Bills maintained.
- Market share - 28% in Primary Market - Highest amongst Primary Dealers.
- Bidding commitments, successful.
- Entry into CPs, CDs and FVs.
- Net Profit earned Rs 82.98 crore.

### Financial Year 1999-00

- 94% and 83% of Annual Government Dated Securities issues in 1999-00.
- Secondary market outright trading up by 50% over the corresponding period of last year.
- Pre-tax Profit (unaudited) up by 50% over the corresponding period of last year.

exceed the planned level of Rs 84,000 crore. With regard to trading profits, conditions for trading have once again become soft with rise of short term rates. As is to be expected, trading in gilts becomes subdued when short term interest rates rise.

Recognising the foregoing shifts in the operating environment, your Company has adjusted its business strategy this year. It has been seeking to boost its trading profits as spread income by maintaining a high inventory of gilts, giving closer attention to the same time to management of its risks. So far, this strategy has paid a dividend and the Company's out-

# NG CORPORATION OF INDIA LIMITED

rs, 59 Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai - 400 020.

turnover in Government dated securities in secondary market during April - August 1999 has registered a handsome growth of 50 per cent over the level of such turnover in the corresponding period of last year. This has led to higher trading and spread incomes in absolute terms and I am happy to report that despite significantly higher funding cost, our unaudited estimate of pre-tax profit till September end this year is ahead of our pre-tax profit upto the end of September last year by approximately 20 per cent. If this trend continues in the remaining six months, I expect the Company to close the current financial year with better profit performance than FY 98-99.

As for the Company's performance as a Primary Dealer, it has already completed 94 per cent and 83 per cent of its annual bidding commitments for the current year in respect of Government dated securities and Treasury Bills respectively. There should be no difficulty at all in completing the remainder of the bidding commitment.

## RIGHTS

### Dated Securities and Treasury

market and 26% in Secondary / Dealers.  
Cover ratios more than fulfilled.  
Bids Market.

### Upto Sept '99)

Commitments achieved in Treasury Bills respectively, in six

Government Dated Securities period last year  
over the corresponding period

due to RBI. The Company's success ratios in auctions this year so far has been 53 per cent and 43 per cent in respect of Government dated securities and Treasury Bills as against the required minimum of 33 per cent and 40 per cent respectively stipulated by RBI.

### DEVELOPMENTS IN GOVERNMENT SECURITIES MARKET

There have been continued reforms in the money and Government securities markets which is a welcome trend. The recent introduction of interest rate derivatives is also a positive move as it opens up the feasibility

of hedging interest rate risks. It is hoped that RBI will continue with further reforms of the Government Securities market especially by generally permitting non-bank corporates and institutions to participate in the repo market and permitting trading in Government Securities on "when issued" basis once an auction is announced.

A welcome development in the Government Securities market in recent times has been the arrival of Gilt Funds. The Mutual Fund industry deserves to be complimented for setting up Gilt Funds which have attracted positive investor interest and would enable retail investors to invest in gilts which they have so far found it difficult to do, for procedural hassles. Your Company is keen to consider supporting Gilt Funds in their operations by making available repo facilities, by offering liquidity through firm two-way quotes and by supplying strips that they require from time to time.

### THE BUSINESS OF PRIMARY DEALERS

The scheme of Primary Dealers has now been in existence for over 3 years and these institutions have grown into a key element of the infrastructure in Government securities market. It is generally acknowledged that Primary Dealers have added much needed liquidity to the gilt market and volumes in secondary market in gilts have gone up considerably. Reserve Bank has been very supportive to the community of Primary Dealers which has recently increased in size to 14 with the authorization of 5 new Primary Dealers. Reserve Bank has relaxed the system of underwriting fee commission payable to Primary Dealers and also the liquidity support scheme, particularly by removing the uncertainty that prevailed in the past regarding the availability of liquidity support. I am confident that Reserve Bank will further refine these arrangements as warranted by experience in consultation with Primary Dealers. There are, however, still some major issues which affect the functioning and viability of Primary Dealers and these require to be addressed urgently. One issue relates to source(s) and cost of funding for Primary Dealers. Given the average yield on assets earned in the books of Primary Dealers, viz. Treasury Bills and Government dated securities, the only sources of cost effective funding that Primary Dealers can consider today are the call money market and RBI's refinancing facility. High call money rates as also the high rate on RBI's Level II refinancing facility affect the viability of the Primary Dealers. Banks are still not allowed to lend to Primary Dealers below prime lending rates and this source is thus ruled out for funding inventory of Government securities. As and when repo market is further opened up, generally permitting corporates and institutions to participate therein, Primary Dealers may be

able to source cost effective funds from that market. Until that happens, Primary Dealers can only look to RBI for lowering the cost of Level II refinancing and also to provide additional assistance to Primary Dealers when short term rates shoot up requiring, in turn, buying support to gilt market.

The other important issue is of building up a more constructive relationship between RBI's open market window and the Primary Dealers. RBI's Scheme of Primary Dealers itself envisaged favoured access to open market operations being given to Primary Dealers, this is yet to happen. As a matter of fact, RBI's open market operations have often led to a situation of competition to Primary Dealers. This and some of the other issues affecting the business of Primary Dealers have recently been highlighted by the Chairman of the Primary Dealers' Association of India and it is hoped that Reserve Bank would consider the Association's submissions favourably.

### DIVERSIFICATION OF BUSINESS

Last year, I had touched upon the need for companies like SICIL to diversify their activities in view of the fluctuating nature of gilt business by entering other related areas, such as underwriting and trading in PSU and corporate bonds and other fee earning business. To begin with, your company has taken some initial steps to enter the markets of CPs, CLs and P+L DEF Bonds. We are beginning to develop relationship with the issuers and have made some investments in PSU/DEF bonds both for our own book and for trading. I expect that the Company will make further progress in the area during the remainder of the year. I would like to mention, however, that at present trading and market making in these bonds involve handling of physical papers leading to high operational risks. It is our intention, therefore, to take in such transactions actively when paperless trading is introduced in the debt market within the depository mode as proposed in the last budget speech of the Finance Minister.

### ACKNOWLEDGEMENT

I would like to convey my sincere thanks to Reserve Bank of India for their constructive dialogue with, and interest in, the community of Primary Dealers. Without Reserve Bank's support and guidance, the institution of Primary Dealers in India would not have developed the way it has within a period of three years. I would also like to thank commercial and co-operative banks, all India financial and investment institutions and our mutual fund and corporate clients for their business and support. I wish to end on a note of warm appreciation for the commitment and teamwork of the officers and staff of the Company during a difficult and challenging year.

# Dalit Assertion and Casteist Retaliation

Edward A Rodrigues

**Broken People: Caste Violence against India's Untouchables** by Human Rights Watch; New York, 1999; pp 291.

THE 50th year of India's independence has seen scores of evaluations concerning various facets of the nation state and its subjects. In keeping with such a trend, it is both timely and relevant that India's untouchables become the subjects of a critical assessment highlighting not only the dark and gruesome face of civil society in India, but also, the biased and controversial functioning of state institutions in their engagements with India's untouchable population. The report, under review, by Human Rights Watch, an international human rights agency, explicitly aims to provide global visibility for India's dalit population, hopefully with a view to bring external and internal pressure on the Indian state to respect and protect the rights of India's most vulnerable social group. To that extent, this publication would be welcomed by supporters of the human rights movement both in India and abroad. Yet, much of this pressure is being exerted at a time when globalisation is not only heralding the retreat of the state, but also is itself equally a violator of human rights. Global capital is often directly or indirectly responsible for exploitation and marginalisation of many indigenous social groupings the world over. The oppressive and inhuman material conditions in which these social groups survive are often not very much different from that faced by the dalits in India. It remains to be seen to what extent modern states would heed to such international pressures.

Notwithstanding this scepticism, the report itself is a painstaking compilation of evidence based on documentation as well as first hand investigation that would be a useful reading for those involved in the dalit struggles going on in the country. Assessing the dalit situation on a nationwide scale is a difficult task, and even more so, is the job of compressing all this information in some 300 pages. Despite these constraints, the report succeeds in putting together the important facets of atrocities committed against dalits. There is a section on dalit atrocities in Bihar where the struggle over land has pitted the landless dalits against upper castes landed militias like the Ranvir Sena. Likewise, there is a section on dalits in Tamil Nadu where backward castes like the thevars, nadars and vanniya engage in massacres of pallar and adi-dravida dalits. There are also separate sections dealing with dalit labour exposing the various ways in which the dalits are exploited and oppressed; and on dalit women, focusing on their victimisation by ways of assault, rape and even massacre by upper caste men. There

is also an exclusive section on the recent police firing on dalits at Ramabai Ambedkar Nagar, Mumbai. Seen as a whole, these sections of the report read as a succession of detailed and often horrifying accounts of atrocities committed on dalits in the past few years. Even if most of these atrocities have already been publicised by the Indian press and Indian human rights groups, the book does occasion a long hard look at the development of state and civil society in India over the last 50 years. It especially raises the pertinent question of the constitutional legitimacy of the Indian state and its institutions given that so many of them are deeply infested with a feudal and casteist sensibility. As the report starkly reveals, violence against the dalits is rampant and widespread in Indian society, perpetrated by both dominant upper castes and backward castes often with the active complicity of state agencies, not to mention the karmic sensibility of mainstream society. It is not surprising then that a majority of these atrocities go unnoticed and unpunished.

The roots of the variety of atrocities committed against the dalits can be located in the changing material conditions and the refusal of the dalits to accept their traditional lowest position in the caste hierarchy. By asserting their rights for land, minimum wages, control of panchayats, a life of dignity and self respect, etc, the dalits have invoked the wrath of the dominant upper castes who largely control the institutions of state like the police and the judiciary, not to mention the upper caste – upper class nexus that manages India's urban and rural economy. The evidence of atrocities against dalits in Bihar is symptomatic of how India's upper castes engage in a violent reinforcement of the traditional caste hierarchy, with utter disregard for the rule of law. In a variety of situations, the report clearly points out, the upper castes, the police, the judiciary and the state administration are locked in a coalition of interests against the dalits.

In this regard, the report takes a critical look at the role of the Indian state in its constitutional role of protecting the rights of the dalits. Clearly, it is not the absence of laws to protect the untouchables that is a problem. The SC/ST prevention of atrocities act, 1989, combined with various constitutional provisions for protection of women and weaker sections offer ample scope for the state to uphold a just society. Rather, it is the absence of effective implementation of these laws that is a glaring deficiency of the state institutions. The role of the police

in most of the cases has been questionable. Whether it is their active collusion with the upper caste militias, their reluctance to file FIRs when approached by dalit victims, their constant resort to torture of arrested dalits, or their unwarranted firing on dalits – all cast suspicion on the reliability and impartiality of the police in India. The report also mentions the play resorted to by political parties with an anti-dalit agenda to use their mandate to bypass laws protecting dalit rights, as was the case with the Shiv Sena-BJP government in Maharashtra in 1995, when it granted amnesty to offenders in 1,100 cases filed under the SC/ST prevention of Atrocities Act.

In a situation where every conceivable force in the state and civil society is pitted against the dalits, it has been the so-called extremist naxalite groups who have often come to their help by engaging in violent and armed counter offensives against the dominant castes and the police as has been the case in Bihar and Andhra Pradesh. While the report discounts the need for such counter violence, it nevertheless acknowledges that the naxalite outfits are equally victims of a hostile state, often actively supported by armed outfits of the dominant castes. In a situation, as in Bihar, where the constitutional legitimacy and authority of the state has rapidly eroded, it is difficult to imagine the dalits succouring justice by appealing to the state.

In this context, the recommendations made by the Human Rights Watch team are trapped in a fait accompli that would only further the regime of an oppressive state. By suggesting a whole range of committees to be set up at district and national levels that would monitor the effective implementation of the laws to protect dalits and weaker sections, the report is following the liberal logic of western democracy on which its own existence is presumably premised. No amount of committees and sub-committees will help restore the constitutional legitimacy and authority of the state amongst the dalits faced with repression. For the dalits, fight against repression is an ongoing struggle whose fruition will only come when both civil society and the state shed their feudal and casteist sensibility. Such a struggle, it must be acknowledged, cannot be restricted only to the guarantee and protection of 'rights', even if this is an important component of the struggle for dalit emancipation. After all, human rights are themselves a product of material conditions prevalent in a society. Changing these material conditions in their favour is as much an agenda for dalit struggles and despite the misgivings of liberal democracy, violence will play a major role in shaping the contours of these struggles. The state is not an objective and unbiased player in this scenario. In such a situation the role of human rights groups will be called into question, depending on which side of the divide they choose to stand.

# From Marrakesh to Seattle

## Indian Agriculture in a Globalising World

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*The Agreement on Agriculture (AOA), one of the major agreements signed in Marrakesh under the Uruguay Round in April 1994, has three basic clauses; market access (tariffication), domestic support and export competition. The authors review India's status with regard to each one of these and also try to compare it with what is happening in the rest of the world, especially how the developed countries are adjusting their agricultural policies to make them compatible with the provisions of the AOA. In the light of this analysis, they delineate the broad contours of an agenda for Indian negotiators in the Seattle round with respect to these three clauses, keeping India's interests in mind.*

*Section II of the paper concentrates on the issue of market access, Section III on domestic support and Section IV on export competition. Section V presents some concluding remarks and also refers to some other important issues that too need to be taken care of in the Seattle round.*

### I Gearing Up

ONE of the major agreements that was concluded in the Uruguay Round of negotiations signed in Marrakesh in April 1994, was the Agreement on Agriculture (AOA). Since agriculture was being brought under the new rules of world trading system for the first time, it was expected that there would be hiccups in the implementation of this AOA. Accordingly, it was provisioned in the agreement itself that it should be taken up for detailed review before the end of this millennium. Hence, the Seattle meeting in November-end, 1999, will surely have something important to discuss on agriculture. From Marrakesh to Seattle, a great deal has been done in restructuring world trade in goods and services. How well is India prepared for the negotiations expected in Seattle? What are India's interests and options with respect to AOA? And what should India put on the negotiating table with a view to maximise her gains and minimise pains?

There is no doubt that this time India is better prepared for the negotiations than was the case while signing the Uruguay Round Agreement (URA). There has been a debate in the country and the ministry of commerce has also interacted with the industry associations, especially CII, FICCI and ASSOCHAM, and some selected academic institutions, academics and bureaucrats. Unfortunately, none of the farmers' organisations were involved in consultations, nor has any special effort been made to rope in agro-processors and exporters in any meaningful way to chalk out an agenda for negotiations on AOA.

Their representation through industry associations has been rather weak. Nevertheless, one can still put forward a credible agenda for negotiations starting with the Seattle meeting, provided the homework is done well, especially in understanding where Indian agriculture stands vis-a-vis the commitments given under AOA, and also have a good analysis of how the rest of world is adjusting its agriculture to the new set of rules.

This paper is broadly concerned with the 'built-in' agenda encompassed in the AOA. As is well known, [the AOA has three basic clauses: market access (tariffication), domestic support and export competition. We review India's status with regard to each one of these, and also try to compare it with what is happening in the rest of the world, especially how the developed countries are adjusting their agricultural policies to make them compatible with provisions of URA. In the light of this analysis, we also delineate the broad contours of an agenda for Indian negotiators in the Seattle round with respect to these three clauses, keeping India's interests in mind. Accordingly, Section II concentrates on the issue of market access, Section III on domestic support and Section IV on export competition. Section V presents some concluding remarks and also refers to some other important issues that too need to be taken care of in the Seattle round.]

### II Tariffication or Market Access

With regard to tariffication (and market access commitment) the AOA entailed conversion of all non-tariff barriers (NTBs)

into equivalent tariff barriers, which was referred to as tariffication. Consequent to tariffication was envisaged a reduction in the base tariff under a time bound programme<sup>1</sup> by 24 per cent over 10 years in the case of developing countries and by 36 per cent over six years for developed countries. The least developed countries were exempt from these reductions. In addition to this, there was also a call to maintain current access opportunities and to establish a minimum access tariff quota, where there was no binding of tariffs. The minimum access tariff quota was to be established at reduced tariff rates for those basic products where minimum access was less than 3 per cent of domestic consumption in the base period 1986-88. Minimum access was to be gradually increased to 5 per cent of base period consumption. Tariff-quotas at reasonable levels were to facilitate access, these tariff quotas would be established on a tariff-line-by-line basis.

In the Uruguay Round, India has agreed to make adjustment in tariff rates for 3373 commodities/commodity groups<sup>1</sup> at 6-digit HS level or commodity sub-groups of 6-digit HS level.<sup>2</sup> The bound rates for all the commodities are *ad valorem*, except for two commodities (HS codes 080211, 080212) whose bound rates are committed in the form of specific amount in Rs/kg. The committed commodities account for around 65 per cent of India's tariff lines (which are defined at 6-digit HS level).

As far as agricultural lines are concerned, India committed for tariffication 673 lines under AOA at 6-digit, or sub-group of 6-digit, by different chapters (1 to 53) of HS classification. A large number of committed lines belong to commodity groups

like edible vegetables, animal or vegetable fats and oils; meat and edible meat, etc. (Annex Table 1).

To understand the present state of the tariff rates of the commodities committed in the Uruguay Round, the UR bound rates should be compared with the present level of India's tariff rates. As is well known, the government of India (GOI) levies two main types of custom duties on imported goods: basic custom duty (BCD) and additional custom duty (ACD). The GOI's budget for 1999-2000 announced a surcharge of 10 per cent on BCD (SCD). In the budget of 1998-99, a special additional duty (SAD) was announced in addition to earlier announced categories of import duties. The objective of SAD was to offset the sales tax on domestic goods, and the rate was 4 per cent. The standard rates of duty defined in the schedules however do not determine the actual duty rates applicable on different products. The BCD, ACD, SCD, SAD and various exemption notifications issued by the government determine the actual applicable duty rates called the effective duty rates. The exemptions may be use-specific, country-specific, commodity-specific, or value-specific. We have taken into consideration those exemptions, which apply to all items under a tariff heading at 6-digit level of HS code.

Table 1 presents the frequency distribution of the number of UR committed products (or lines), based on the level of difference in India's MFN rates (without taking ACD and SAD) for 1999-2000 and the UR final bound rates. The distribution clearly shows that the present levels of India's MFN tariff rates are significantly lower than that of final bound rates for large number of commodities. Out of 673 products<sup>1</sup> belonging to the agriculture sector considered in our analysis, the present level of MFN tariff rate is significantly less than that of corresponding UR final bound rates. The difference was more than 50 per cent and above, for 82.6 per cent of commodities numbering 556. It reveals that India has not only maintained the UR bound rates, but has unilaterally reduced the MFN tariff rates substantially, compared to the level of UR final bound rates.

Table 2 presents the list of the commodities whose present level of MFN tariff rates is higher than the corresponding UR final bound rates. There are only eight tariff lines, most of which belong to the beverages group, where the MFN tariff rates exceed the UR bound rates. In six of these eight tariff lines, the difference is 80 percentage points, in one it is 20

percentage points and in another (HS 210690 – other food preparations not elsewhere specified), 120 percentage points. In this context, it may be mentioned that the UR final bound rates taken in this paper are the ones which have to be committed by March 2004.<sup>4</sup>

**QR Commitments:** In the Uruguay Round, it was decided to remove all types of quantitative restrictions (QRs) or prohibitions (other than tariff), whether maintained through quotas or import-export licences. India had also agreed to phase out QRs on all commodities except for around 632 commodities for reasons related to security, religion, etc. (at 8-digit or 10-digit HS level). However, India maintains QRs on import of some more items (around 1482 tariff lines) under provisions of Article XVIII:B of the URA. This article recognises that members whose economies can only support lower standard of living and are in the earlier stage of development may "apply quantitative restrictions for balance of payments position...(and)...shall be free to deviate temporarily from the provisions of the other articles of this Agreement." The provisions relating to BOP also provide that a member has to announce, publicly, time schedules for the elimination of QRs. India presented time schedule of nine years for elimination of QRs. Although it was acceptable to most of developing countries, a number of developed economies had objection to a phased-out period of even seven years. The US, EU, Canada, Australia, New Zealand and Switzerland (and Japan as third party) started the dispute settlement proceedings against India. India reached mutual agreements with all countries except the US. Under this agreement, India agreed to phase-out its QRs over a time schedule of six years period, i.e., 1997-2003. But the US filed a dispute against India. A panel was constituted in November 1997 to examine the US allegation: that the continued maintenance of QRs on India's imports was inconsistent with India's obligations under the WTO agreement. In a recent report<sup>5</sup> of the Appellate Body it is recommended that "India bring its balance-of-payments restrictions, which the Panel found to be inconsistent with Articles XI:1 and XVIII:11 of the GATT 1994, and with Article 4.2 of the Agreement on Agriculture, into conformity with its obligations under these agreements". Government of India is examining this report. It can go for either arbitration or has to remove all the QRs within 15 months, from the date of decision of appellate body (i.e., by the end of 2001).

Keeping the above factor in view, India has no option but to lift QRs under the decision of DSB of WTO by the year 2001. It is worth noting here that India has already offered, unilaterally, trade concessions to members of the South Asian Association of Regional Co-operation (SAARC) by withdrawing QRs on all commodities. Before lifting QRs for countries beyond the SAARC region, India may like to gauge the likely implications of such a move on its BOP position as well as on the domestic economy. It may therefore be useful to see the existing nature of controls on imports of commodities under QRs.

It may be recalled that before the 1990s, India's import policy was quite complex, with different categories of importers, various types of import licences, and myriad ways of importing. A number of concrete steps have been taken during the 1990s to liberalise the import regime. The existing trade policy presents a negative list of commodities, which cannot be imported under open general licence (or free). This negative list basically comprises of three main categories: (i) prohibited, (ii) restricted and (iii) canalised. The prohibited items are tallow, fat, ore, oil of animal origin, wild animal and ivory, etc. A large number of restricted items are consumer goods and their import is allowed against a licence.

To understand the present state of protection by different types of QRs, the import policy of different lines can be further categorised under following groups:

Restricted: Of which

- (1) Consumer goods: items that are permitted to be imported against licence or in accordance with public notice;
- (2) Actual user: imported commodities used by importers;
- (3) Special import licence (SIL): select

TABLE 1: DIFFERENCE IN MFN TARIFF RATES AND UR FINAL BOUND RATES: NUMBER OF LINES BY DIFFERENT RANGE GROUPS

Range (UR-TR)	No of Lines
UR-TR ≥ 75	401
50 ≤ UR-TR < 75	155
25 ≤ UR-TR < 50	29
10 ≤ UR-TR < 25	39
0 ≤ UR-TR < 10	41
UR-TR < 0	8
Total	673

Notes: TR = MFN Tariff Rate (BCD) as announced in GOI, Budget 1999-2000. UR = Uruguay Round final bound rates. (i) Tariff lines at 6-digit HS or sub-groups of 6-digit HS. (ii) Includes only agricultural products.

Sources: (i) WTO. (ii) GOI, *Custom Tariff of India, 1999-2000*.

traders (exporters) freely trade these licences in the Indian market. This is certainly a soft type of NTB, because it is easily available (in market), and the importer has to pay a certain premium. The rate of premium has varied from 1.5 per cent to around 3 per cent during the last couple of months.

*Canalised, of which the main one is SIL:* Based on the export-import policy for the year 1999-2000, only 2114 tariff lines, i.e., about 20 per cent out of 10261 tariff lines, are now subject to any type of NTBs. Out of these total of 2114 lines under NTBs, only about 29 per cent (606 lines) belong to agriculture (HS1-24). However, as a percentage of total agricultural tariff lines (1398) in HS 1-24, those under NTBs (606) comprise 43 per cent, which is quite a sizeable number. But out of these 606 agricultural tariff lines under NTBs, only 344 (56.8 per cent) are under NTBs due to BOP reasons, while the remaining 262 (43.2 per cent) are under NTBs due to reasons related to security, religion, etc. Thus, with the lifting of BOP cover from QRs, it is 344 tariff lines of agriculture that would be thrown open. Table 3 summarises this import policy of all Indian agriculture products (HS 1-24), at 8-digit or 10-digit ITC-HS level for 1999-2000. Of the total 1398 agricultural tariff lines (at 8 or 10 digit ITC-HS classification), 792 lines are totally free. Of the remaining 606 lines, 51 are prohibited, 518 restricted under consumer goods category or SIL, etc, and 37 are canalised. Out of these 37 canalised items, eight can also be imported by acquiring SIL. The list of canalised agencies, which are authorised to import different agriculture products (HS 1-24) is given in Annex Table 2. Table 4 presents the number of agricultural products by four commodity groups (i.e., HS sections I-IV), which are subject to any type of QR due to BOP reasons.

This analysis of Indian import policy reveals that India, leaving aside some of the restrictive tariff lines, has unilaterally gone ahead to reduce tariff barriers much below the bound rates of duty under URA. The biggest agricultural commodities like rice and milk (skimmed milk powder) are already committed at zero import duty. For wheat the bound rate of duty is 100 per cent, but roller flour mills are allowed to import at zero import duty. Similarly, for pulses the bound rate is 100 per cent, but they are being imported under OGL at zero import duty. Edible oils, most of which are bound at 300 per cent import duty, are open for imports at 15 per cent duty. *Tarification Agenda:* Given the above

analysis of present of tariffs, what sort of an agenda with respect to tariffification and market access would serve India's interests?

India, along with other developing countries, should negotiate for more liberal trade environment in the rest of the world too. This alone could ensure easier access to developed country markets, many of which have been highly protected. Accordingly, it seems logical that India should demand

– Abolition of all quotas and quantitative restrictions on imports and exports around the world, except for those countries that have acute BOP problems (as covered under Article XVIII B). In particular, the tariff-quotas that are widely applied by developed countries must be abolished and replaced by equivalent tariffs at the earliest.

– Replacing all specific rates of import duty by rates on *ad valorem* basis.

– Negotiate for ceiling on tariff bindings for any agricultural product at no higher than 50 per cent for any country.

– Negotiate for reduction of tariffs along each tariff line (at HS 6-digit level. This reduction should apply to each tariff line within the HS 6-digit level and not merely to average tariff levels or for product groups as a whole.

– Negotiate for commodities bound at zero tariff (like rice, skimmed milk powder, sorghum, maize, etc) in earlier rounds of GATT to raise it to 50 per cent tariff bindings, as with other agricultural commodities.

The reason India should have this agenda is that the developed world, most notably countries of the European Union and east Asia, are resisting access to agricultural exports of the developing world. They have not gone for full tariffification of agricultural products. Instead, they have

opted for in-tariff quota system for several commodities, which is restricting the potential gains to the developing world. It is well known that several developed countries, including Japan, the US and the European Union, have in place a system of tariff-quotas. The US tariff schedule, for example, includes as many as 192 tariff lines to administer product-specific tariff quotas. Tariff quotas in the US are used particularly in case of beef, dairy products, sugar and some sugar products, peanuts and tobacco and cotton [WTO 1996]. Most countries have agreed to progressive reductions in the over-quota tariff rates; some have also agreed to lower the in-quota rates or raise the concessionary access level. But one is fully aware that quota system is essentially limiting the potential gains to the developing world,

TABLE 3: DIFFERENT TYPES OF NTBS IMPOSED ON INDIA'S IMPORTS FOR AGRICULTURE SECTOR\*, 1999-2000: NUMBER OF LINES\*\*

Types of NTBs or Free	Number of Lines	
	Total	UR-bound Tariff
Free	792	
NTBs	606	
Prohibited	51	
Restricted	518	435
Consumer goods	224	206
SIL	149	85
Other	145	144
Canalised	37	37
SIL	8	8
Other	29	29
Total	1398	

Notes: \* HS 1-24

\*\* National Lines at 8-digit or 10-digit ITC-HS Classification.

Source: (i) GOI, *Export and Import Policy of India, April 1997-March 2002*, ITC (HS) Classifications of Export and Import Items, Aug.: 1998.

(ii) GOI, Notifications issued on March 31, 1999 for amendments in GOI, *ibid.*

TABLE 2: DIFFERENCE BETWEEN MFN TARIFF RATES (TR) FOR 1999-2000 AND CORRESPONDING UR FINAL BOUND RATES. LIST OF COMMODITIES WITH TR>UR

HS Code	Description	UR Bound Rate	MFN Rate	(UR-TR)
080620	Dried, Grapes	100	120	-20
210690	Other, Food preparation not elsewhere specified	60	180	-120
220710	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 per cent vol or higher	150	230	-80
220820	Spirits obtained by distilling grapes wine or grape marc	150	230	-80
220830	Whiskies	150	230	-80
220840	Rum and Taffia	150	230	-80
220850	Gin and Geneva	150	230	-80
220890	Other, compound alcohols	150	230	-80

Notes: TR = MFN Tariff Rate (BCD) as announced in GOI, Budget 1999-2000.

UR = Uruguay Round final bound rates.

(i) Tariff lines at 6-digit HS or sub-groups of 6-digit HS.

(ii) Includes agricultural products

(iii) Based on final bound rates.

Sources: (i) WTO.

(ii) GOI, *Custom Tariff of India, 1999-2000.*



and therefore, abolition of quota systems should be the first item on India's negotiation agenda.

Next, developing countries like India have to be bold and aggressive and suggest a cap on maximum tariff binding at 50 per cent on any agricultural commodity by any nation. Many negotiators in India may be somewhat surprised at this suggestion. They may feel that asking for 300 per cent tariff is a great success in negotiations, but in reality it may not be so. Look at edible oils, India negotiated for 300 per cent tariff binding but its imports are open at 15 per cent. But when countries like India ask for 300 per cent protection, they really lose all the strength in their negotiations with the developed world. How can then one say that a developed country, say Japan, cannot have 700 per cent protection on their rice? And if that is the level of protection accorded to agriculture in the developed countries, where is the potential to gain for the developing world? And that is what the actual situation is for many commodities in developed countries. An example is the dairy sector. For tariff line 40210 (milk powder, granules, etc, fats  $\leq 1.5$  per cent), in 1998, the peak tariff rate in EU was 99 per cent, in Japan 336 per cent, in Canada 213 per cent, in Korea 211 per cent, as against zero in India. Further, for tariff line 40221 (milk powder, granules, etc, fats  $\geq 1.5$  per cent, no sugar), in 1998, the peak tariff rate in US was 58 per cent, in EU 171 per cent, in Japan 557 per cent, in Canada 313 per cent, in Korea 211 per cent, as against zero in India for the same year. Further, for the tariff line 40229 (other milk powder, granules, etc), the peak tariff in US was 70 per cent, in EU 199 per cent, in Japan 988 per cent, in Canada 313 per cent, in Korea 211 per cent, as against 35 per cent in India. Similar examples can be found in other commodities as well, especially sugar, and even cereals.

That is why it is suggested that the maximum tariff should not be more than 50 per cent on any tariff line (even at HS 10-digit level) relating to agriculture. This will open up potential for some markets, even in developed countries for goods like milk and milk products, grains, etc. There is reasonably good evidence that Indian agriculture has comparative advantage in most of the products, which often gets blurred due to huge subsidisation of agriculture by the developed countries of east Asia, European Union, and also by Canada and the US [Gulati and Kelley 1999; Gulati and Narayanan 1999].<sup>6</sup>

There is another reason for suggesting a cap at 50 per cent maximum tariff. It is

widely known that the base period for tariffication was 1986-88. During this period world prices in agriculture were quite low. This meant that the tariff equivalent – calculated as the gap between the higher supported internal prices and low world prices – was unusually large. The new tariffs that were based on this large tariff equivalent in 1986-88 offer high protection in other years when the world prices are normal. So the process of tariffication on the basis of 1986-88 prices was really "dirty tariffication" [Hathaway and Ingco 1995]. As a result, gradual reduction in these high tariffs, as agreed under AOA, really slows down the process of opening up on the part of the developed world. Replacing this entire process by a maximum cap of 50 per cent would be in the interest of India and other developing countries.

Another problem in the present agreement on tariffication has been that of uneven tariff cuts across products. Tariff cuts can be undertaken in a way that there is substantial reduction in tariffs of less protected products with negligible cuts in tariffs for the highly protected commodities. The result is continued high border protection for several commodities by many countries. In the European Union, for instance, products like meat, edible offal of animal origin, milk and cream, some cheese, rice, wheat flour and bran continue to carry tariffs of over 120 per cent [WTO 1997]. The tendency to concentrate tariff reductions on products with relatively low protection levels, and to minimise reductions on sensitive items, such as dairy and sugar products, applies to basic and processed products alike. Consequently, the potential gains to a country like India remain elusive. India must, therefore, insist that the 50 per cent cap is on each tariff line at HS 6-digit level is also carried through at HS 10-digit level.

On the issue of renegotiating for zero tariff binding, it may be recalled that under the AOA, India has basically bound its agricultural tariffs at 100 per cent for raw

commodities, 150 per cent for processed agro-commodities and 300 per cent for edible oils. But for a number of commodities,<sup>7</sup> the binding rates were very low and in a few cases even zero. These were owing to commitments made by India in the earlier rounds of negotiations [Gulati 1998].<sup>8</sup> Many of these are sensitive products (like skimmed milk powder, rice, two of India's biggest agro-commodities) and it is therefore important that India renegotiates these bound rates to take them to the ceiling of 50 per cent, as suggested for all agricultural products.

To wrap up, India's stand on the issue of tariffication could be twofold. Firstly, India could strive to have the system of tariff quotas and other non-tariff barriers abolished. Such restrictions are inimical to India's export interests and do not do justice to the commitment to increased market access. Secondly, along with complete tariffication, India could argue for rapid reduction in the levels of tariffs (in each tariff line rather than the average tariff levels). It is in India's interest to negotiate for a maximum ceiling on tariff bindings at no more than 50 per cent. This would naturally mean that India would also have to bring down its tariffs to less than 50 per cent on its agricultural imports. This, contrary to popular opinion, should not be any cause for alarm. It is by now a well known fact that Indian agriculture is reasonably efficient and competitive, and would emerge even more so once the domestic support to agriculture in developed countries is reduced/abolished.

### III Domestic Support

Also agreed upon was a reduction in domestic support, being quantified through the aggregate measure of support (AMS). Commitments with respect to domestic support are in terms of annual and final bound rates of current total aggregate measure of support specified in the Member's Schedule. The AMS is calculated on a product-specific basis for each

TABLE 4: DIFFERENT TYPES OF QRs, FOR PRODUCTS, STILL MAINTAINED FOR BOP REASONS BY COMMODITY GROUPS (HS SECTIONS I-IV), 1999-2000: NUMBER OF LINES\*

Section No	Description	Restricted				Canalised		Total No of Items
		Consumer Goods	Actual Users	SIL	Other	SIL	Other	
I	Live animals; animal products	52	0	67	0	0	0	119
II	Vegetable products	66	0	35	8	8	0	117
III	Animal or vegetable fats and oils	0	0	1	0	0	0	1
IV	Prep foodstuff; beverages	64	0	40	3	0	0	107

Sources: (i) GOI, *Export and Import Policy of India, April 1997-March 2002*, ITC (HS), *Classifications of Export and Import Items*, August 1998.

(ii) GOI, Notifications issued, on March 31, 1999 for amendments in GOI, *ibid*.

(iii) WTO.

basic agricultural product receiving market price support, non-exempt direct payments, or any other subsidy that is not exempted from the reduction commitment ('other non-exempt policies'). Market price support is computed as the gap between a fixed external reference price (based on years 1986-88, it is the average fob unit value in a net exporting country and the average cif unit value in a net importing country, adjusted for quality differences) and the applied administered price multiplied by the quantity of production eligible to receive the applied administered price. Budgetary payments made to maintain this gap, such as buying-in or storage costs are not to be included in the AMS. Non-exempt direct payments which are dependent on a price gap are computed using the difference between the fixed reference price and the applied administered price multiplied by the quantity eligible to receive the administered price. Those non-exempt direct payments that are based on factors other than price are to be estimated using budgetary outlays. Other non-exempt measures like input subsidies, marketing cost reduction measures, etc. are measured using budget outlays. Where this does not reflect the full extent of the subsidy, it is calculated as the gap between the price of the subsidised good or service and its representative market price multiplied by the quantity of the good or service. Support which is non-product specific is totalled into one non-product-specific AMS in total monetary terms.

Subsidies include both budgetary outlays and revenue foregone by governments or their agents. Supports at both national and sub-national levels are included. Specific agricultural levies or fees paid by agricultural producers are deducted from the AMS. For each basic agricultural product, a specific AMS is established expressed in total monetary value terms. The AMS is calculated as close as practicable to the point of first sale of the product concerned. Those measures that are directed at agricultural processors are included to the extent that such measures benefit the producers of the basic agricultural products. The AMS for the base period, calculated in the manner above, constitutes the base level for the implementation of the reduction commitment on domestic support.

A country whose product specific and non-product specific AMS does not exceed 10 per cent of the total value of agricultural product in the case of a developing country (5 per cent for developed countries), is not subject to any reduction

commitments. If, on the other hand, the AMS exceeds the de-minimis level, the country is committed to reduce domestic support: by 13.3 per cent in case of a developing country over 10 years and 20 per cent in case of a developed country over six years. It may be noted that the obligation is on total AMS and within that there is flexibility to choose products covered and extent of support measure and quantity of products that benefit from them.

*Ambiguous AMSification:* The procedure for estimating AMS is not foolproof. It has a lot of ambiguity.

Should one take the 1986-88 fixed external reference prices even for the years 1995-99? The legal text of the AOA seems to suggest this, but one does not see any economic logic in that calculation when the world prices have dramatically gone up especially during 1995-97 compared to the 1986-88 period. Since the world prices during 1986-88 were quite low, the estimated AMS for that period turned out to be quite high. Reducing that by 20 per cent by developed countries over six years does not really mean anything when world prices during mid-1990s went up. This process sometimes is referred to as "dirty AMSification" [Pursell 1999]. Obviously, the estimates of AMS would differ depending upon whether one uses a fixed (1986-88) external reference price or a varying reference price.

Developing countries like India have another problem in correctly estimating AMS because of the nature of exchange rate regime. During 1986-88, India followed fixed exchange rate system. The official exchange rate was about 15 to 20 per cent below the 'free exchange rate'. And such a situation existed in most of the developing countries suffering from chronic shortage of foreign exchange. Depending upon which exchange rate one uses, the estimates of AMS would differ.

The legal text states that the fixed external reference price is cif if the country is a net importer and fob if it is net exporting. But what if the country was a net importer during 1986-88 but has become a net exporter during 1995-99? Should one keep using the cif price as the relevant reference price, or should one switch to fob price? If one switches to fob price, should it be of 1986-88 fob price or of 1995-99, when that country emerged as net exporter? Further, how sound is the assumption of taking each country as a price-taker in the world market, especially when the country is large?

The AOA also states that the difference between external reference price and

domestic support price should be multiplied by the 'quantity of production eligible for support' to estimate product-specific support. It is well known that in developing countries, a substantial portion of production is used for home consumption. In that case, should one use total production of the commodity as the relevant quantity or the marketed surplus or the quantity actually purchased by the government agency at the support price? Whichever the quantity one chooses to use in the numerator, it is important to keep in mind that the same quantity is used in the denominator, else the estimates of AMS would go haywire.

In case of non-product-specific support, say for fertilisers, the issue is: should one use the budgetary support under the title 'fertiliser subsidy' or estimate it as the difference between external reference price (fixed or variable?) and domestic price paid by the farmers? This is important in India as almost half the fertiliser subsidy shown in the budget is given to fertiliser companies (on flat rate basis or through retention price scheme) to cover their high costs of production compared to the import parity prices [Gulati 1999]. Is the farmer being subsidised or is it the fertiliser industry? Similar problems arise in the case of estimating non-product specific support through power supplies to agriculture, canal irrigation and rural credit. In case of power, for example, it is well known that consumption figures for agriculture sector are worked out on 'residual basis', and that these government estimates overestimate the real consumption by a wide margin, anywhere from 20 per cent to 80 per cent, depending upon the state. In case of canal irrigation, should one take the difference between only the operating and maintenance costs and recoveries or also include amortised capital costs on the cost side? In case of rural credit, should one take only the concession in the interest rates as the relevant subsidy or also include the likely bad debts? Even if in theory one comes to an agreement on these issues, it is difficult to obtain accurate information on many of these in developing countries. So the estimates of AMS can vary widely depending upon what definition of non-product-specific support one uses. The text of AOA seems to suggest using budgetary figures, but strictly speaking, in terms of economic logic, it may not be very correct.

Finally, the AOA (Article 6, para 2) allows for exemption of support (investment subsidies as well as agricultural input subsidies) that are generally given to 'low

income or resource poor producers' in developing countries to encourage agricultural and rural development as an integral part of the overall development programmes. It clearly states that the "domestic support meeting the criteria of this paragraph shall not be required to be included in a member's calculation of its current total AMS". This exemption clause raises a question: who is a 'low income and resource poor producer'? In a country like India, can one say a farmer cultivating less than 10 hectares or 4 hectares or 2 hectares is a resource poor producer? By global income standards, even a farmer with 10 hectares of land and Indian level of yields is perhaps a resource poor farmer.<sup>9</sup> If this is accepted, 90 per cent of India's non-product specific support should be exempted from AMS calculations. However, even if one takes a very conservative estimate of low income and resource poor farmers in India, all those with 4 hectares or less land would fall in this category. This is the size of the holding in India which can be considered as a minimum break-even size, which is necessary for a farm family to make both ends meet. Even on this conservative basis, almost 60 per cent of the non-product specific support would be exempt from AMS calculations.

The moral of the story is that AMS estimates are quite fragile depending upon the treatment given to the issues raised above. Our efforts to estimate AMS under alternative assumptions reveal that in almost all cases, in most of the years, the product-specific support to Indian agriculture is negative, the range is quite wide from about -10 per cent to -70 per cent. The non-product-specific support is of course positive and varies from about 1 to 10 per cent. If one adds the product-specific and non-product specific supports, as the term 'aggregate' in AMS suggests, then Indian agriculture in most cases is having negative support or 'implicit taxation'. One such estimate worked out on the assumption of import parity basis provides India's AMS in Table 5. Sometimes, this negative product-specific support also raises an issue: should it be treated as negative or zero? New Zealand objected to India's treating negative as negative. New Zealand wanted this to be treated as zero, which in our opinion is not appropriate. The developing countries with large mass of poverty often want to keep prices of agricultural products suppressed with a view to keep food within reach of the masses. But this results in lower incentives to cultivators. This then forces the governments to extend non-product-specific support to farmers. This

is built in the structure of the economy. Therefore there is no logic in counting only the positive and treating the negative as zero, unless the structure undergoes a dramatic change.

**'AMSification' Agenda:** Given that India's domestic support to agriculture is negative, what could be in India's interest to take to the negotiating table?

- The ceiling for total AMS should be 40 per cent. For each product separately, the ceiling should be 30 per cent in case of product-specific support.

- Reduction commitments on the domestic support ought to not only be on the total AMS but also on each product-specific support separately, as well as on non-product-specific support. India should argue for faster reduction in individual product-specific domestic support than for non-product-specific support.

- For estimation of total AMS, both product-specific and non-product-specific support should be added, which the current agreement states. India must ensure that this is done even if the product-specific support is negative. (There are voices being raised that negative product-specific support should be treated as zero. India must oppose this.)

- With respect to direct payments, a clear distinction has to be made between the Green Box and the Blue Box measures. Green Box measures (support to research and extension, environment, and those on equity grounds, etc) alone should be exempt from reduction commitments. The Blue Box measures, on the other hand, ought to be included in the calculation of AMS and subject to reduction commitments.

- Support/join the Cairns Group in includ-

TABLE 5: AGGREGATE MEASURE OF SUPPORT TO INDIAN AGRICULTURE AS PER CENT OF VALUE OF OUTPUT (SELECTED CROPS)

Year	Product Specific	Non-Product Specific	Total AMS
1986	34.29	2.25	-32.04
1987	-32.08	3.20	-28.88
1988	-35.54	3.32	-32.22
1989	-36.97	3.39	-33.58
1990	-31.78	3.36	-28.42
1991	-62.23	3.60	-58.63
1992	-69.31	3.46	-65.85
1993	-54.75	3.14	-51.61
1994	-43.27	3.40	-39.87
1995	-44.09	3.90	-40.19
1996	-45.84	3.62	-42.22
1997	-32.16	4.12	-28.04
1998(P)	-41.89	3.49	-38.40

Notes: (P) means provisional as it uses some projected values of non-product-specific support due to lack of actual data.

- All figures are expressed as percentage of total value of production of selected commodities in Indian agriculture. Selected commodities include rice, wheat, maize, sorghum, bajra, gram, arhar, soyabean, rapeseed and mustard, groundnut, sunflower and cotton, which comprise roughly about 60 per cent of the value of output in the Indian crop sector. The value of production is computed by multiplying quantity of production by applied administered price – procurement prices or minimum support prices as the case may be.
- Product specific support is computed piecewise as the difference between the applied administered price and a fixed external reference price (of the base period 1986-88) multiplied by the quantity of production. This is aggregated over the products to get total product specific support. For estimating product-specific support fixed external reference prices are cif prices of the selected commodities.
- Non-product-specific support comprises subsidies on inputs like power, irrigation, fertiliser and credit  
Power subsidy per unit is the difference between the unit cost of power supplied to the economy and the average tariff for agricultural consumers. Credit subsidy is the amount foregone on account of concessional rate of interest on lending to the agricultural sector. Irrigation subsidy is the difference between operating and maintenance expenses and the total direct receipts of major and medium irrigation works. The fertiliser subsidy is drawn from the budgetary outlays. The non-product-specific support for the selected crops has been assumed to account for 0.45 of the total support of this kind to the agricultural sector (assuming that the crops considered account for 60 per cent of the total value of crop sector output and that the crop sector itself accounts for 75 per cent of the total value of agricultural output – the rest is dairy and livestock). Sixty per cent of this is exempted under the provision of 'low income and resource poor producers'.
- The exchange rate used in the comparison is the official exchange rate until 1992 and the FEDAI rates thereafter.
- Computations are for calendar year. Rabi crop production in a cropping year is included in the following calendar year whereas kharif production for a cropping year is included in the preceding calendar year. The former includes wheat, gram and rapeseed and mustard. All other crops fall in the latter category.

ing the blue box measures in AMS as well as in faster reduction of domestic support and abolition of import restricting quotas. – If there is a question of changing the base period of 1986-88 to some recent period, the period 1996-98 could be taken as the new base for calculations of AMS.

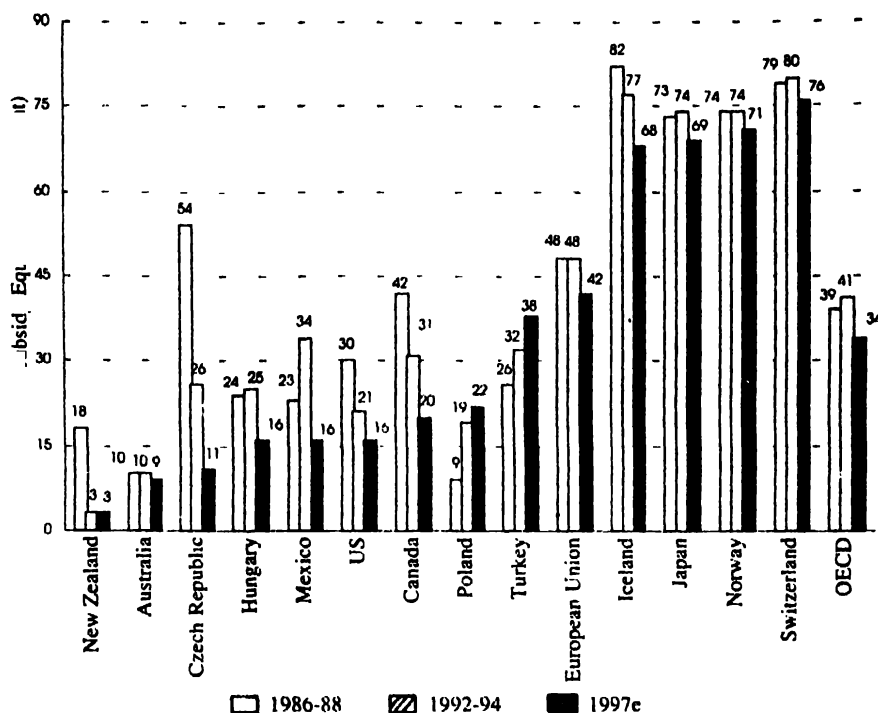
To see the reasons behind the proposed agenda, one should know the level and structure of domestic support in India as well as in other countries. A review of this would automatically reveal why such a bold agenda is being proposed.

As mentioned earlier, and presented in Table 5, despite ambiguity in the estimation of AMS, India's AMS remains negative. The *Trade Policy Review of India* by WTO (1998) also puts its product-specific AMS for 19 commodities in 1995-96 at -38.47 per cent of the value of production [WTO 1998], which is somewhat different than that presented in Table 5 presumably due to differences in commodity coverage. India's non product specific AMS was shown as 7.52 per cent of the total value of agricultural production, which differs from the estimates in Table 5 because the *Trade Policy Review* did not take into account the exemption allowed to 'low income and resource poor producers'. In any case, since the AMS remains less than the 10 per cent *de-minimis* level for developing countries, India has no reduction commitment whatsoever with regard to either total domestic support, product-specific or non-product specific support.

It would therefore be in India's interest to take a stand on the issue of total AMS. Currently, reduction commitments are on total AMS, which implies that a country can offer substantial domestic support to one or more commodities and yet have an overall total AMS that meets the commitment levels. Reduction commitments do not, therefore ensure that domestic support measures are free from trade distorting effects for all commodities. It has been observed for instance, that highly protected commodities like sugar, meat and milk show little or no liberalisation. Oilseeds, fruits and vegetables, which were less protected, were further liberalised [Hathaway and Ingco 1995]. The implication is that for products that have high product-specific AMS, domestic support for that product is still a trade distorting measure. India should therefore press for reduction commitments on product-specific AMS rather total AMS, arguing for a ceiling of 30 per cent on product-specific domestic support.

It is well known that most of the major industrial countries of the OECD pursued

FIGURE 1: DEGREE OF STATE SUPPORT TO AGRICULTURE IN OECD COUNTRIES



costly trade-distorting agricultural support policies right through the decade of the 1980s. The level of support to agriculture increased sharply in 1986 when the Uruguay Round was launched and remained like that until the 1990s [Kelly and McGuirk 1992]. This increasing trend continued until 1995, when the implementation of AOA was to begin. For instance, in 1986-88, the producer subsidy equivalent<sup>10</sup> (PSE) for the OECD countries as a whole was 39 per cent increasing to 41 in 1995. It has been declining ever since. The PSE declined to 34 per cent in 1996, remaining at that level in 1997. When the OECD (excluding Hungary, Poland, Czech Republic, Mexico and Korea) is considered, the PSE level has declined gradually but consistently from 45 per cent in 1986-88 to 35 per cent in 1996 [OECD 1998]. It has remained at 35 per cent in 1997 as well (Figure 1).

Despite declines in protection and support to agriculture, it remains a fact that several developed countries have exceedingly high protection levels. Four broad groups of countries can be identified depending on the extent of protection offered to their agricultural sectors. One group comprises European countries, particularly the countries that belong to the European Union and the European Free Trade Agreement. The European Union has a level of support that is just above the OECD average. The percentage PSE has been significantly below the

1986-88 level only in the last two years. There has been a clear downward trend in market price support, especially since the early 1990s, which can be attributed in roughly equal parts to decreases in producer prices and increases in world prices expressed in ECUs. In 1997, just over half of support was in the form of market price support, as compared to more than three-quarters in 1986-88. Direct payments have increased fourfold and now account for nearly a third of all support. The countries belonging to the European Free Trade Association have among the highest PSEs in the world. The EFTA was established in 1958 with a view to removing tariffs on goods produced in and traded among member states. The current members comprise Iceland, Norway, Switzerland and Liechtenstein. High producer prices in these countries are maintained mainly by import restrictions and deficiency payments related to production.

Another group of countries that heavily protects its agriculture is the east Asian group comprising Japan, South Korea and Taiwan among others. These countries are essentially net importers of agricultural produce. Although there has been liberalisation in some agricultural products in Japan, basic food products continue to be highly protected. In fact agricultural transfers accounted for a greater proportion of GDP than that of agricultural GDP itself. The percentage of agricultural GDP to total GDP was 1.4 per cent

in 1995 (provisional), while, estimated share of transfers in total GDP was higher at 1.8 per cent [WTO 1998]. Protection has merely encouraged inefficient farms. Unlike other major trading countries in Japan there is no discussion of fundamental reforms for the major commodities through steps to integrate Japanese agriculture with the world market. Liberalisation had been restricted by 1990 to beef (which has been tariffed), apple juice, processed dairy products and other minor products. Japan's PSE has fluctuated for most of the period since 1986-88, but has shown declines in 1996 and 1997. The average producer price has developed along a slow downward path and in 1997 was 10 per cent below its 1986-88 level. Around 85 per cent of support is market price support, and this share has been remarkably stable over the years.

Yet another group of countries are those like the US, the Visegrad countries (the Czech Republic, Hungary and Poland) and Canada, that have succeeded in reducing previously high PSEs (Canada, of course does protect certain sectors significantly). In the US, for instance, the PSE has fallen by almost half since 1986-88. Recent developments have been marked by the shift from set-aside and deficiency payments for crops to degressive direct income payments. In 1997, domestic prices were on an average 9 per cent above the world market level. Input subsidies have declined over the last decade, while expenditures on general services and sub-national expenditures have increased. Canada is a net exporter of agricultural produce and is pro-reform. However Canada, which is also a major importer, has a high PSE and has in place an extensive income support system for its heavily protected domestically oriented agricultural sector. Its protection to import competing products is particularly noteworthy. Despite this, Canada has striven to bring down its protection levels. This is reflected in the decline in its PSEs particularly after 1994. The downward trend in Canada's PSE was further accentuated in 1997, as the compensation payments granted for the removal of the grain transportation programme came to an end. Canada's 1997 percentage PSE is less than half that of 1986-88. The share of direct payments in total support has varied between 10 and 30 per cent over the last decade, reflecting a previous practice by the Canadian government to resort to 'ad hoc' payments and temporary payment schemes. Expenditures by provincial governments account for a quarter of the PSE.

The fourth group of countries consists of members of the net food-exporting countries of the Cairns Group.<sup>11</sup> These countries, particularly Australia and New Zealand, have very low protection levels and strongly advocate free trade. New Zealand, with a PSE of 3 per cent, provides the lowest level of support of all the OECD countries. Moreover, support has been at the same low level since 1991. More than half of the support is in the form of budget-financed general services and the remainder is from market price support resulting from sanitary import restrictions for poultry and eggs. There is close alignment between domestic and world prices. In Australia, the PSE is the second lowest in the OECD area in 1997 – it has seen a gradual decline starting in the late 1980s and into the 1990s, particularly after 1995. Australia has liberalised most of its agricultural sector. Controls on wheat marketing and sugar imports have been lifted. The composition of Australia's support to agriculture has changed little in the long run. Less than half of Australia's PSE is from market price support, the remainder being provided in the form of input subsidies and expenditures on infrastructure and general services. More than one-third of support is provided at the sub-national level.

This review clearly shows that it is important for India to seek reduction in high domestic support by the developed countries most notably the European and the east Asian countries.

Another important issue that India must raise in the forthcoming negotiations is that of the 'Blue Box' measures. Part XIII of Annex 2 of the AOA details the basis for exemption of a prescribed list of measures from reduction commitments. The exemptions are of two kinds: those that are referred to as the Green Box measures and those that are called the Blue Box measures.

The Green Box measures essentially involve measures of the nature of funding for research, pest and disease control, training services, extension and advisory services, etc, payments under environmental programmes, payments under regional assistance programmes limited to producers in disadvantaged regions, payments (made either directly or by way of government financial participation in crop insurance schemes) for relief from natural disasters and similar forms of support.

The Blue Box measures refer to direct payments to producers like decoupled income support: payments not linked to production, structural adjustment assistance provided through investment aids to

compensate for the structural disadvantage, through resource retirement programmes, through producer retirement programmes, government financial participation in income insurance and income safety-net programmes. These shall relate solely to income and not to either the level of production or to prices, domestic or international.

Such a wide range of support measures that are exempt from reduction commitments thus offers enormous possibilities for member countries to alter their domestic support structure in a manner where there is apparent reduction in domestic support as measured by the AMS but a corresponding increase in exempt measures like direct payments of the sort mentioned above.

This is evident from the domestic support composition of the OECD countries (Figures 2a-2c). Market price support was the overwhelming form of support in 1997 as it was in 1986-88 followed by direct payments and other forms of support. There has, however been a significant change in magnitudes. For the OECD overall, market price support accounted for 85 per cent of all assistance. By 1997, its share was only 62 per cent. In contrast to the trend in market price support, significantly, direct payments have been growing in importance. This essentially implies that market price support is being increasingly substituted for by direct payments.

Of the four groups of nations discussed above, it is the European Group of countries (the EU and the EFTA) that have marked movements towards direct payments. Declines in share of market price support have been matched by concomitant increase in the share of direct payments. In the practice of carrying out reforms, these countries have reduced support policies in terms of input subsidies and system of administered prices, but maintained support to agricultural producers through increased direct payments in forms that are exempt from reduction commitments. In 1997, nearly half of the OECD countries continued to increase their direct payments in national currency terms (either through larger allocations for existing programmes or by introducing new payment measures). This was in spite of a general tightening of budgets [OECD 1998]. The growing use of direct payments supposedly represents a shift away from production-linked and towards direct income payments in providing support to farmers. While direct payment measures have improved market orientation to the extent that there is a decline in output-related price support,

they have not always reduced the dependency of the agricultural sector on support. What these Blue Box payments do is to cover the fixed costs of the farmer, leaving him to bear only the variable cost. This makes even the most inefficient farmers competitive. Thus, although in terms of resource allocation, these programmes are supposed to achieve dissociation from production and weaken the policy incentive to increase agricultural production at the margin, they end up encouraging the farmers in the industry. Increased production results in these countries exporting more at lower prices harming other competitors who may be more efficient producers of a commodity.

The fact that several European economies, notably the EFTA countries and the European Union, are disguising trade-distorting domestic support under the Blue Box canopy, therefore, is an issue that India must put forth in strong terms.

#### IV Export Competition

In the area of export competition, export subsidies were subject to reduction commitments although several kinds of direct payments were exempted. The export subsidy commitment is either in the form of budgetary outlay reduction commitments or in the form of export quantity reduction commitments. The budgetary outlays and the quantities benefiting from such subsidies at the conclusion of the implementation period are no greater than 64 per cent and 79 per cent of the 1986-90 base period levels respectively. For developing countries, these percentages are 76 per cent and 86 per cent respectively.

Direct export subsidies are to be reduced by 36 per cent below the 1986-88 level in the case of developed countries over the implementation period of six years. The quantity of subsidised exports by the developed countries is to be reduced by 21 per cent in this period. For the developing countries, commitments involve a reduction of direct export subsidies by 24 per cent and quantity of subsidised exports by 14 per cent. This is to take place within the span of 10 years. The least developed countries, as before, are not subject to any reduction commitments.

The implications of export subsidies for India are easy to see. It restricts the ability of India's exports to compete with those originating in developed countries. It would therefore be in India's interest to demand: - complete wiping out of export subsidies by the developed countries, especially the European Union (the dairy sector in par-

FIGURE 2A: COMPOSITION OF SUPPORT IN OECD COUNTRIES, BASE PERIOD 1986-88

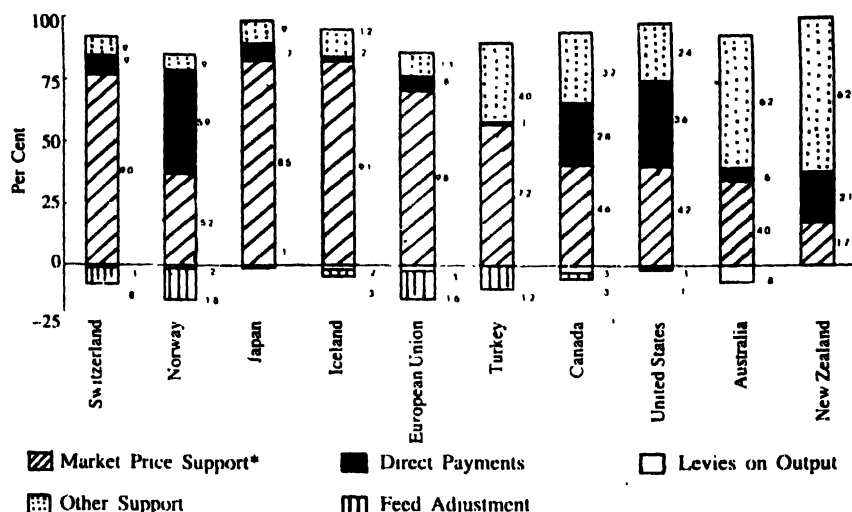


FIGURE 2B: COMPOSITION OF SUPPORT IN OECD COUNTRIES, INTERMEDIATE PERIOD 1992-94

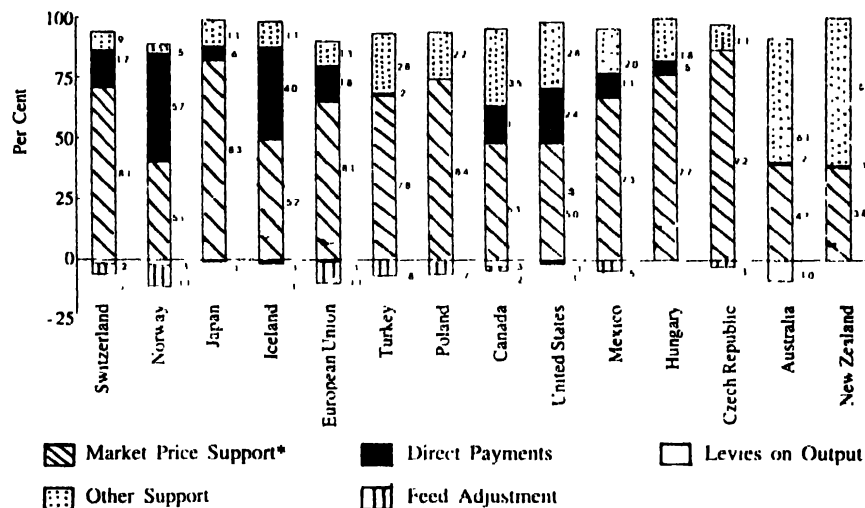
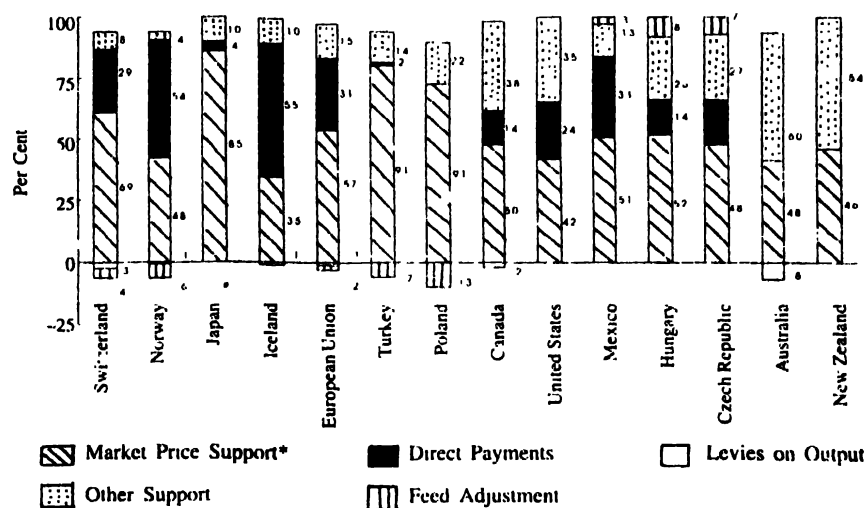


FIGURE 2C: COMPOSITION OF SUPPORT IN OECD COUNTRIES, 1997 (ESTIMATES)



Note: Feed Adjustment is the value of market price support for coarse grains, oilseeds and taxes on processed feedstuffs used in animal feed. To avoid double counting this is subtracted from PSE of livestock products. Hence the negative sign.



ticular) and eastern Europe;

– If India fails in achieving this end, then it should press for line-by-line reduction commitment on export subsidies. At present, the chief drawback of the rules on export subsidy is that commitments are defined over commodity aggregates rather than individual lines.

The export subsidies in the AOA (Part V, Article 9) that are subject to reduction commitments include direct subsidies to agricultural producers contingent on export performance; subsidies on agricultural products contingent on their incorporation in exported products; provision on favourable terms of internal transport and freight charges on export shipments (developing countries are exempt from commitments on this form of subsidy provided that it is not used to circumvent reduction commitments), subsidies to reduce the cost of marketing exports of agricultural products excluding export promotion and advisory services (here again, developing countries are conditionally exempt from reduction commitments); sale or disposal for export of non-commercial stocks of agricultural products by the government or its agencies at a price lower than the comparable price charged for a like product by buyers in the domestic market; and payments on the export of an agricultural product that are financed by virtue of governmental action whether or not a charge on the public account is involved, including payments that are financed from the proceeds of a levy imposed on the agricultural product concerned or on an agricultural product from which the exported product is derived.

Export subsidies not listed above (including export credits, export credit guarantees or insurance programmes) can be used, but not in a manner that results in or threatens to lead to circumvention of reduction commitments nor may non-commercial transactions be used to circumvent such commitments.

As far as India is concerned, agricultural exporters in India do not get any direct export subsidies. India provides income tax exemptions for profits from agricultural exports under Section 110C of the Income Tax Act. Apart from this there are subsidies on costs of freight on export shipments of floriculture exports as also of vegetables and fruits. Since these payments are exempt from reduction commitments for developing countries, India is not required to reduce these subsidies. India has however capped its export subsidies and is required to notify the WTO on its direct export subsidies once in two years.

India's concerns lie elsewhere, namely, the high level of export subsidisation by some of the developed countries. In the period 1986-90, the world's top five users of export subsidies for any given major product account for almost the total of such subsidy in the world and for almost all commitments for reduction. For example, of the total export subsidies on wheat in the world, the share of the top five countries (the US, the European Union, Canada, Turkey and Hungary) was 95 per cent. For rice the figure was 100 per cent and the countries subsidising their rice exports most were Indonesia, the European Union, Uruguay, the US and Colombia. For most of the products, the European Union is the largest user of export subsidies particularly for sugar and dairy [Hathaway and Ingco 1995].

Today, despite reduction commitments on export subsidies, several developed countries continue to make extensive use of export subsidies as in the past. Even though the high world prices during the past few years have made the export subsidy limits less constraining, especially for grains, a number of countries reached their permitted subsidy limits for certain commodities in 1997. In some cases, unused subsidy allowances carried over from previous years were used to allow subsidised exports in excess of the annual limit. Although the agreement does permit carry-over, it could reduce the effect of the discipline over the implementation period.

The European Union reached the volume (but not the budgetary) limits for subsidised exports of cheese, was close to the limit for beef, but remained well under the limits for butter and skimmed milk powder. Between 1996 and 1997 export refunds for were reduced by 23 per cent for processed cheese and by between 14 and 45 per cent for other types of cheese [OECD 1998]. But refunds for butter were increased by 18.8 per cent, 16.7 per cent for skimmed milk powder and 4.6 per cent for the whole-milk powder. Since August 1997 however export refunds for all dairy products were reduced by 5 per cent. Export subsidy allowances for some commodities were carried over from previous years, particularly for beef. As a result of lower world prices, the EU re-instated export subsidies for grains. In the US, no export subsidies were paid for crops, but those for dairy products increased sharply. Export subsidies have been less important for processed than for basic agricultural products in the past. The export subsidy commitments under the URA constrain exports of certain food products containing

subsidised agricultural raw materials, such as those incorporating dairy components, sugar and cereals. Some countries have also resorted to greater use of arrangements allowing duty-free entry of agricultural raw materials for processing if the final products are re-exported [OECD 1998].

## V Concluding Remarks

What does all this review of the three basic clauses of AOA tell us in terms of a possible negotiating strategy for India during the Seattle round?

First, as a negotiating strategy for AOA, India should start from a position of strength as it is not distorting its agriculture to the extent the developed world is.

ANNEX TABLE 1: TARIFF COMMITMENT BY INDIA IN URUGUAY ROUND FOR AGRICULTURE SECTOR, BY DIFFERENT CHAPTERS OF HS CLASSIFICATION; NUMBER OF LINES

Ch No	Description	Number of Lines
1	Live animals	15
2	Meat and edible meat offal	50
4	Dairy produce, birds' eggs; honey;	25
5	Products of animal origin	17
6	Live trees and other plants	13
7	Edible vegetables	57
8	Edible fruit and nuts; peel of citrus	50
9	Coffee, tea, mate and spices	33
10	Cereals	17
11	Products of the milling industries	34
12	Oil seeds and oleaginous fruits	44
13	Lac; gums, resins and other vegetables	12
14	Vegetable plaiting materials;	11
15	Animal or veg fats and oils	51
16	Preparations of meat, fish	16
17	Sugar and sugar confectionery	15
18	Cocoa and cocoa preparation	11
19	Prep of cereals, starch, milk	16
20	Prep of veg, fruit, nut, etc	45
21	Miscellaneous edible prep	15
22	Beverages, spirits and vinegar	21
23	Residues and wastes from food	24
24	Tobacco and manuf substitutes	9
29	Organic chemicals	2
33	Essential oil and resinoids	14
35	Albuminoidal substances	8
38	Miscellaneous chemical products	2
41	Raw hides and skins and leather	12
43	Furskins and artificial fur	9
50	Silk	4
51	Wool, fine or coarse animal hair	10
52	Cotton	5
53	Other veg textile fibres	6
	Total	673

Notes: (i) Tariff lines at 6-digit HS. There were two lines which are defined as sub-groups of 6-digit HS.  
(ii) Includes only agricultural products.  
(iii) Based on final bound rates committed at the UR.

Sources: (i) WTO.  
(ii) *Custom Tariff of India, 1999-2000*. GOI.



Its agriculture is reasonably efficient in the global context, and if it could streamline its domestic policies it has the potential to gain from the emerging world scenario. In terms of negotiating stand, India must demand removal of all distortions in agricultural policies ranging from quotas to domestic support, not at product aggregate levels but at product-specific levels of ITC-HS 10-digit classification. This would expose the extremely high levels of protection on certain commodities accorded by the developed countries. The major thrust of tariffication or AMSific-

ation agenda should be to move from product aggregates to product-specifics.

Second, in terms of India's allies, it appears that India's interests would be closer to the overall interests of the Cairns group, and the ones that are in line with the basic spirit behind the WTO rules. From India's standpoint, therefore, it would pay her to support/join the Cairns group in this regard. It is interesting to see that the Indian sugar industry has seen this as an opportunity. Without the formal backing of the government, it also declared that they would join hands with the members

of the Cairns group in demanding abolition of sugar quotas as well as subsidies being given in the developed countries ('Sugar Industry Joins Free Market Lobby', *Economic Times*, June 9, 1999). It is for the first time that any industry has taken an independent stand in the context of negotiations. The sugar industry hopes that with the Cairns group as a formidable fourth power (after the US and the European Union), it can succeed in securing provisions that would unshackle and open up sugar markets in developed countries (the US and the EU, in particular). Similar views have been expressed by the Indian dairy industry through industry associations. These are steps in the right direction and it is to India's benefit to align with the Cairns group and through greater bargaining power demand genuine liberalisation of agricultural markets.

### Notes

[The views expressed in this paper are the authors' and not of the institutions they belong to.]

- 1 There is a one commodity group where the commitment is offered for a sub-group of HS 4-digit level.
- 2 Tariff rates for India are defined at 6-digit HS level.
- 3 In our analysis we could not consider a few commodities in our analysis as the definition of HS code at 6-digit level has changed from pre-UR round period to post-UR period.
- 4 This analysis is based on India's BCD. If 10 per cent surcharge (SCD) is also included in MFN tariff rates, the frequency distribution of (tariff rate-bound rate) will not change significantly.
- 5 WTO, 'India-Quantitative Restrictions on Imports of Agricultural, Textile, and Industrial Products: Report of the Appellate Body', WT/DS90/AB/R, August 23, 1999.
- 6 If one has any doubts on this, just look at the domestic prices in some of these countries at the beginning of URA. In South Korea, in 1995, the domestic prices for soybeans reigned at 720 per cent higher than the world prices. For barley, the figure was 419 per cent; maize and beef prices within Korea were 343 per cent and 309 per cent of the world prices and for rice the figure was 286 per cent [WTO 1997]. Some countries, notably EU, have started reducing the domestic support prices compared to world prices, but funneling subsidies through the 'blue box'. More on this is taken up in the section on domestic support.
- 7 The products for which tariffs are bound at 0 per cent are milk (in powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5 per cent), milk (not containing added sugar or other sweetening matter), spelt wheat, rice (in the husk, paddy or rough, husked-brown, semi-milled or wholly milled, broken), grain sorghum and millet.
- 8 Zero tariff bindings for some commodities like rice, plums, fresh grapes, and dried skimmed milk were committed in 1947 (Geneva Protocol, 1947); maize, millet, spelt were bound at zero at the Torquay Protocol,

ANNEX TABLE 2: INDIA: LIST OF ITEMS<sup>1</sup> UNDER CANALISED IMPORT: 1999-2000

Sl No	Exim Code	Description	Importing Agency
1	090610 01	Cassia	STCL and NAFED
2	090610 02	Cinnamon bark	STCL and NAFED
3	090610 03	Cinnamon tree flowers	STCL and NAFED
4	090620 00	Crushed or ground, Cinnamon and Cinnamon-tree, flowers	STCL and NAFED
5	090700 03	Cloves stems	STCL and NAFED
6	091040 01	Tejpat (leaves of cassia lignea)	STCL and NAFED
7	100110 00.20	Other than seed quality, wheat and meslin	FCI
8	100190 02	Wheat (not seed) for human consumption	FCI
9	100190 03.90	Other than seed quality, meslin	FCI
10	100200 00.20	Other than seed quality, rye	FCI
11	100300 00.20	Other than seed quality, barley	FCI
12	100400 00.20	Other than seed quality, oats	FCI
13	100590 00.20	Other Maize	FCI
14	100610 00.90	Other rice	FCI
15	100620 00	Husked (brown) rice	FCI
16	100630 01	Rice parboiled	FCI
17	100630 02	Basmati rice	FCI
18	100630 09	Rice except parboiled (excluding basmati rice)	FCI
19	100640 00	Broken rice	FCI
20	100700 00.20	Other than seed quality, grain sorghum	FCI
21	100810 00.90	Other than seed quality, buck wheat	FCI
22	100820 01.90	Other than seed quality, jawar	FCI
23	100820 03.90	Other than seed quality, bajra	FCI
24	100820 09.90	Other than seed quality, ragi (finger millet)	FCI
25	100830 00.90	Other than seed quality, canary seed	FCI
26	100890 00.90	Other than seed quality, other cereals	FCI
27	120300 00	Copra	STC and HVOL
28	151311 00	Crude oil	STC and HVOL
29	151319 00	Other -Palm kernel or babassu oil and fractions thereof:	STC and HVOL
30	310210 00	Urea, whether or not in aqueous solution Ammonium sulphate-Double salts and mixtures of ammonium sulphate and ammonium nitrate	MMTC
31	310221 00	Ammonium sulphate	MMTC
32	310229 01	Ammonium sulphonitrate	MMTC
33	310590 09	Other fertilisers n.e.s.	MMTC
34	382311 00.10	Palm stearin excluding crude palm stearin	STC
35	382311 00.20	RBD Palm stearin	STC
36	382319 00.10	Tallow amines of all types	STC

Notes: 1 There are seven more lines of mineral fuel (HS 27) which are imported under import policy of Canalised.

STCL: Spices Trading Corporation;

NAFED: National Agricultural Co-operative Marketing Federation of India;

FCI: Food Corporation of India;

STC: State Trading Corporation of India;

HVOL: Hindustan Vegetable Oil Corporation;

MMTC: Minerals and Metals Trading Corporation of India;

For SI No 1-6, Cif value of the surrendered SIL shall be five times of the cif value of the imported goods. For SI No 31, import permitted against SIL.

Sources: (i) GOI, Export and Import Policy of India, April 1997-March 2002, ITC(HS) Classifications of Export and Import Items April 1997-March 2002, Aug 1998.

(ii) GOI, Notifications issued, on March 31, 1999, for amendments in ITC(HS) Classifications of Export and Import Items, March 1999.

1951; sorghum at the Geneva Protocol in the Dillon Round, 1962.

- 9 The average yield of foodgrains in India, which dominate the Indian cropping patterns, is less than 2 tonnes per hectare. Assuming the average yield to be 2 tonnes, and an average price of Rs 5,500 per tonne in 1999-2000, and out of pocket expenses at about 50 per cent of the gross revenue, the net income per hectare turns out to be Rs 5,500. Given a crop intensity of 1.3, a 10 hectare plot can get an annual net income of Rs 71,500 (Rs 5,500 × 1.3 × 10 = Rs 71,500). Given an average family size of at least five in rural areas, this translates to a per capita income of Rs 14,300 or just US \$329 at the rate of Rs 43.5 to a US\$.

- 10 Producer subsidy equivalents (PSEs) are aggregate measures of support - they summarise the effects of different forms of governmental programmes and intervention in a single number. This method is superior to other tools like nominal or effective rates of protection since these often account for only a small proportion of the transfers between the government and the producers of agricultural commodities.

Symbolically, PSE can be defined as:

$$\text{percentage PSE} = \frac{\text{Total transfers/ Value to producers}}{(Q * (P_d - P_w * X) + D + I) / (Q * P_d + D)}$$

Q is the quantity produced,

P<sub>d</sub> is the producer price in domestic currency units,

P<sub>w</sub> is the world price in world currency units,

X is an exchange conversion factor,

D is direct government payments, and

I is indirect transfers through policies such as input subsidies, marketing assistance and exchange rate distortions.

- 11 The Cairns group consists of 14 developing and developed countries including Australia, New Zealand, Argentina, Brazil, Chile, Colombia, Uruguay, Malaysia, Indonesia, Thailand, Philippines, Fiji, Hungary and Canada.

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## DEMOCRACY AND SOCIAL CHANGE IN INDIA

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# Is Poverty Now a Permanent Phenomenon in Pakistan?

S Akbar Zaidi

*Around mid-1990s, there was growing awareness and recognition that after two decades of poverty reduction, these positive trends had either slowed down, or worse still, had been reversed. Many studies which analysed and explained these trends, argued that poverty in Pakistan had been reduced due to a combination of factors, including high and sustained growth over a fairly long period of time, by the role and contribution made by remittances from the West Asia, and by a public policy which was not so much focused upon poverty alleviation per se, but dependent more on overall government spending. Since 1988, when the government started following an IMF and World Bank structural adjustment programme, almost every single macro-economic indicator with some poverty reducing impact, began to worsen. Over the last decade, growth has slowed down markedly, development and social sector spending has been slashed, inflation has increased, manufacturing sector growth has been exceptionally low, and remittances have fallen to their lowest levels in 20 years. Hence, all the factors which may have had a positive influence on poverty alleviation, have deteriorated, possibly explaining why poverty returned to Pakistan and why it has continued to persist. With every government committed to such a stabilisation and restructuring programme, and with its own poor record of targeting for poverty alleviation, it is more than likely that poverty in Pakistan is going to grow and persist well into the future.*

TOWARDS the mid and late 1980s, there was ample evidence which confirmed the perception that poverty had been falling in Pakistan continuously, for almost two decades, often at times quite dramatically. However, towards the very beginning of the 1990s, some concerns emerged which suggested that perhaps that the decline had slowed down, or had even been reversed. The question raised by researchers then, in the middle of the mid-1990s was, whether poverty had returned to Pakistan, a question which was answered in the affirmative by wide recognition and consensus, that poverty was on the increase, although data was still lacking to make definite and precise claims.<sup>1</sup> Later, the availability of data and interpretations and analysis of macroeconomic trends substantiated those earlier claims. Based on those trends, at the end of the 1990s, there is a feeling that poverty has continued to persist in Pakistan, and in fact, may have worsened considerably since the mid-1980s. The question which now needs to be asked is whether poverty has become a permanent feature of Pakistan's economic and social reality, and whether it is here to stay, notwithstanding attempts at poverty alleviation.

This paper hopes to answer the question posed as the title of the paper, based on a review of trends regarding poverty incidence over the last three decades. Its emphasis will be on an examination of the reasons why income poverty fell in the 1970s and 1980s, and why it began to rise in the 1990s. If we can explain and

understand the reasons for both trends, it would be helpful in answering our question, which is the main purpose of this investigation. At the outset, it is important to clarify the scope of this paper and, more importantly, to emphasise the areas it does not cover. This paper does not present a review of literature in the conventional sense, identifying previous studies which have looked at some of the many aspects of poverty in Pakistan, simply because there have been a couple of excellent and detailed recent reviews which do precisely this.<sup>2</sup> Nor does the paper make any comment on the nature of methodology employed in estimating poverty lines and trends, and nor does it get into the process of estimating and presenting new numbers about poverty in Pakistan.<sup>3</sup> A rural/urban, provincial/regional distribution is also not considered for the purposes of this study.<sup>4</sup>

This paper looks at the broad trends that have emerged in the incidence of poverty over the last 50 years, attempting an explanation of these trends.<sup>5</sup> In particular, it looks in far greater detail at the three or four years in the mid-1980s when poverty fell very sharply and gives reasons for this fall. This period is contrasted with that of more recent years, when poverty is supposed to have risen almost as dramatically as it fell. This contrast and explanation helps in understanding whether poverty reduction in Pakistan took place under special conditions and whether those conditions are likely to be replicated. In addition, the paper discusses the current nature and causes of poverty in Pakistan,

and a critical evaluation of government policies in redressing these poverty trends is also undertaken. Finally, in light of the causes by which poverty fell and current efforts at poverty alleviation, we attempt an answer to the question raised earlier, viz, is poverty now a permanent phenomenon in Pakistan?

## TRENDS IN POVERTY

Most of the studies which estimate trends in poverty levels and poverty incidence in Pakistan use a headcount measure under an arbitrarily defined poverty line. The poverty line itself is usually based upon the concept of consumption poverty, where a minimum daily recommended calorie allowance determines that poverty line.<sup>6</sup> While comparison between different sets of figures derived by different scholars is quite problematic, this has been the norm for most comparisons.<sup>7</sup> Table 1 presents a number of sets of estimates of the extent of poverty across time estimated by different studies.

The percentages presented in Table 1, and the numbers that they reveal, are in themselves critically important especially when the government of Pakistan does acknowledge the fact that in 1998-99, there are at least 36 million people or 6 million households that fall below the poverty line [GoP 1992:2]. For the moment, however, let us examine the trends in poverty incidence rather than the scale and magnitude of the incidence of poverty in Pakistan.<sup>8</sup> The table confirms the view that poverty first rose in the 1960s, after

which it has seen a continuous decline until around 1987-88, after which, for the most part, there has been another rise in the incidence of poverty in the country. Gazdar, Howes and Zaidi (1994) study which was one of the background papers on which the influential World Bank's *Pakistan Poverty Assessment* report [World Bank 1995] was based, and the recently produced MHCHD/UNDP study, however show that the declining trend in poverty was seen to continue, albeit at a slower pace, into the 1990s. Nevertheless, the problems of data and measurement notwithstanding, almost all of the recent literature on poverty in Pakistan seems to suggest that there is a growing 'consensus' that poverty has increased since the early, and most certainly, since the late, 1990s [Zaidi 1999a for recent literature]. However, there is almost complete agreement that there was a formidable decline in poverty in the period 1969-70 to 1979, a drop of almost 16 percentage points over the decade, and an equally impressive fall of 13 percentage points in the next decade, until 1987-88. Moreover, in the 1980s, the period 1984-85 to 1987-88 shows a drop in poverty by more than 7 percentage points using panel 1A from Table 1, and almost 9 points as seen in panel 1C.

Another noticeable trend from Table 1 is the more or less consistent fall in urban poverty throughout the last 36 years. Although only 23 per cent of the population lived in cities in the early 1960s compared to almost 40 per cent today, this decline in urban poverty has continued even when there was a rise in rural (hence, overall) poverty. However, the dramatic fall in poverty in the 1970s was attributed to the huge reductions in rural poverty which accounted for a much larger proportion of the population and of the poor. The data from panel 1B, in fact, shows that poverty in urban areas in the mid-1990s, had virtually been eliminated.<sup>10</sup>

If we examine trends in income distribution, we observe that during the 1960s when there was high growth and poverty increased, the Gini coefficient fell from 0.355 to 0.33 improving the distribution of income for both urban and rural areas (Table 2). In the 1970s, there was again an inverse relationship between poverty and income distribution, with the latter improving and the former worsening. Both the 1980s and the 1990s saw poverty and income distribution moving in the same direction, with poverty falling in the 1980s and income distribution improving; the decade of the 1990s had the opposite trends. Currently, income distribution based on the Gini coefficient is worse than what it

was in the early 1960s [MHCHD/UNDP 1999:85].

#### EXPLAINING THE TRENDS IN POVERTY, 1960-88

In much of the literature that has examined poverty trends in Pakistan, a key concern has been with the relationship between economic growth and poverty. Although most authors have argued and cautioned that there are no hard and fast rules which reveal an automatic, strong correlation, poverty is seen to be closely linked to, if not determined by, economic growth. In fact, economic growth is considered to be an essential prerequisite for poverty reduction. Almost every study examining the relationship of economic growth on poverty alleviation has argued that 'economic growth is the foundation on which poverty reduction can be achieved' [World Bank 1995:iii] and that 'economic growth plays a dominant role in poverty alleviation and without strong and sustained economic growth poverty alleviation is not possible' [GoP 1998b:4]. A broad trend in the incidence of poverty can be gauged from Table 3, where trends in economic growth and poverty are presented over the last five decades. The table suggests, perhaps, that for the 1960s and 1970s, growth and poverty did not seem to have the 'correct' relationship, and only in the 1980s and 1990s, did both move in the right, inverse direction. This important theme is developed later in this paper, where the focus shifts from merely looking at growth, to emphasising the context, nature and impact of growth.

Although urban poverty declined in the 1960s, it was a considerable rise in rural poverty which resulted in an overall increase in poverty during Pakistan's development decade. In one of the very few papers that explain and analyse (rather than merely document) poverty in the 1960s, Irfan and Amjad (1984), provide an explanation for the rise in rural poverty. The authors' main argument is that the reason for high levels for poverty in the 1960s well into the 1970s is to be found in the significant changes in the agrarian structure, especially the size distribution of holdings which were said to have had important repercussions for the rural occupational distribution of households. New technology was a key factor, which allowed large landowners to resume land previously rented-out for self-cultivation. Tenant farmers were hence evicted, and had either to operate smaller landholdings, or then join the ranks of the landless labourers. Although there was greater agricultural growth on account of

technological innovation, at the same time, the conditions of those evicted did probably deteriorate. Increased mechanisation led to a decrease in demand for labour which may have been one of the key reasons for the increase in poverty despite high growth in output.

TABLE 1: TRENDS IN POVERTY

Year	Total	Rural	Urban
<b>1 A Proportion of poor (headcount per cent)</b>			
1963-64	40.24	38.94	44.53
1966-67	44.50	45.62	40.96
1969-70	46.53	49.11	38.76
1979	30.68	32.51	25.94
1984-85	24.47	25.87	21.17
1987-88	17.32	18.32	14.99
1990-91	22.11	23.59	18.64
1992-93	22.40	23.35	15.50
1998-99	26.0	NA	NA
<b>1B Incidence of poverty (per cent)</b>			
1975	35.5	49.8	19.0
1980	27.7	36.2	11.8
1985	9.4	15.2	7.4
1990	12.4	19.0	4.8
1995	14.7	23.1	2.6
<b>1C Proportion of poor (headcount per cent)</b>			
1984-85	46.0	49.3	38.2
1987-88	37.4	40.2	30.7
1990-91	34.0	36.9	28.0
<b>1D Proportion of poor (headcount per cent)</b>			
1986-87	26.9	29.4	24.5
1987-88	26.4	29.9	22.7
1990-91	23.3	26.2	18.0
1992-93	20.3	22.5	16.8
1993-94	20.8	24.4	15.2

Source: 1A: Amjad and Kemal (1997), except for the year 1998-99, which is an estimate by the Planning Commission, Government of Pakistan (1999), which uses the same table as the original in Amjad and Kemal (1997)<sup>9</sup> 1B: Social Policy and Development Centre (1998), 1C: Gazdar, Howes, and Zaidi (1994); 1D: MHCHD/UNDP (1999).

TABLE 2: TRENDS IN THE GINI COEFFICIENT

Year	Gini Coefficient		
	Total	Rural	Urban
1963-64	0.355	0.348	0.368
1966-67	0.351	0.314	0.388
1968-69	0.328	0.293	0.370
1969-70	0.330	0.295	0.361
1970-71	0.326	0.273	0.359
1971-72	0.344	0.309	0.381
1979	0.375	0.319	0.380
1984-85	0.428	0.345	0.379
1985-86	0.355	0.330	0.354
1986-87	0.346	0.312	0.357
1987-88	0.348	0.307	0.366
1990-91	0.407	0.410	0.390
1992-93	0.390	0.367	0.384

Source: MHCHD/UNDP (1999: 85).

Growth rates for GDP, agriculture, and manufacturing in the 1960s were two or three times those of the 1950s, and substantial structural changes were made in the economy in this decade. A GDP growth rate of almost 7 per cent for a decade and nearly 10 per cent for manufacturing (Table 4) were probably responsible for the fall in urban poverty during the 1960s. The mode of production and relations of production were dramatically transformed in this decade, and although agricultural growth rose substantially, it was the manufacturing sector which was responsible for the high growth rates in the economy and for the lowering of urban poverty.<sup>11</sup>

While growth, particularly in the manufacturing sector, may have been the main cause for the reduction in poverty in urban areas in the 1960s, the reasons for the fall in poverty in the 1970s are less directly related with growth, and hence are far more interesting and instructive, particularly when we later consider the more recent trends in poverty and their explanations. The 1970s, mainly due to political factors, were the only years in the history of Pakistan, when the issues of poverty and economic equality were prominent [Gazdar 1998:8; Burki 1995:3].

The much derided nationalisation programme of the PPP government of 1972-77 may have been a key factor that provided and ensured employment guarantees to a vocal, predominantly urban, population. Public sector employment 'soared' [Gazdar 1998:3] and the share of the social sectors in development plans increased substantially. In fact, when the PPP government was removed in 1977, development expenditure in 1976-77 was an extraordinary 11 per cent of GDP, the highest ever in Pakistan's 52-year history [Tahir 1999:112]. Because of its political orientation, a number of important changes were enforced in the economic and social structure in Pakistan during the 1972-77 period, many having a positive impact on poverty reduction, but perhaps not an immediate impact on economic growth.<sup>12</sup>

A number of policies which may have had an impact on poverty reducing measures included land reforms implemented in 1972; the nationalisation of banks which resulted in a growth of the number of branches by 45 per cent in five years, resulting in an 11-fold expansion in credit to agriculture, with the network reaching even far flung remote rural areas. As Tahir writes, 'for the first time, credit was also directed towards small farmers, businesses and industries and low-cost housing through mandatory targets for

the banks' [Tahir 1999:109]. Self-employment and the small scale sector were also encouraged by directed credit to small businesses and industries by the nationalised commercial banks and by the overall economic and political environment which favoured the small scale industrial and services sector at the expense of the large scale. Urban employment also increased 'significantly' due to the booming construction sector as many ambitious public sector programmes were initiated [Tahir 1999:111];<sup>13</sup> urban wages also rose sharply in the mid-1970s.

While many of these programmes and initiatives may have had employment enhancing and poverty reducing consequences, an additional factor which was to change the face of Pakistan's economic and social structure, particularly in the 1980s, had its origins in the mid-1970s, and was to have a significant impact on poverty reduction from 1975 onwards up to the end of the 1980s. This was the process of migration to the West Asia and the beginning of the remittance economy. During the 1972-77 period alone, as many as 100,000 workers left Pakistan to work overseas, sending in \$ 1.4 billion in this period, a sum greater than the oil import bill for the country (even after the OPEC price rise) in the same period [Tahir 1999:110]. In the period 1977-80, an additional \$ 4.2 billion had been remitted to Pakistan from the West Asia.

This process which began in the 1970s was to become the single biggest factor which resulted in the high growth rates for the economy and, simultaneously, for poverty reduction, in the decade of the 1980s [see Amjad and Kemal 1997; see Table 4]. A great deal has been written on the West Asia phenomenon and its impact [Addleton 1992] and in this section we look mainly at the broader economic growth and poverty-reducing mechanism, with far more detail at the nature of that growth and on poverty on account of remittances from the West Asia, in a later section. Moreover, since there are a large number of studies which look at trends in poverty in the 1980s and offer some explanations for the reasons in its decline [MHCHD/UNDP 1999; Gazdar 1998; Sahibzada 1999; Amjad and Kemal 1997;

Sayeed and Ghaus 1997, World Bank 1995; Burki 1995; Malik 1994; Ercelawn 1992], we present the more important arguments in somewhat summarised form below.

The high growth rates of the 1960s were repeated in the 1980s (Table 4) with the manufacturing sector leading overall economic growth, just as it did in the 1960s. It was primarily these high growth rates in the economy which were responsible for the fall in poverty for much of this decade. Income per capita in the 1980s rose by 3.2 per cent a year, compared to the 3.9 per cent rise recorded in the 1960s. Development expenditure continued to be high for most of the 1980s, as did spending on the social sectors, especially in the period 1984-85 to 1987-88, when poverty fell markedly (Table 1) – this period is dealt with separately below because of the large reduction in poverty. The trend of increasing public sector employment begun in the 1970s continued well into the decade of the eighties; urban and rural wages also showed signs of an increase in this period. Probably the most important contributor to growth and to poverty reduction in this period was the amount of money remitted from the West Asia. In the decade of the 1980s, as much as \$ 23.1 billion were remitted to Pakistan, equivalent to almost 10 per cent of GDP in 1982-83 – see the implications of this in another section below.

Although the discussion above presents some of the more general arguments which help explain the fall in poverty in the 1980s, it would be useful to look at some more detail at the period 1984-85 to 1987-88 when perhaps, poverty fell the fastest in such a short period. There are many specific causes for this reduction which throw light on issues related to poverty reduction at the end of the current decade.

TABLE 4: GROWTH RATES  
(Per cent)

Decades	GDP	Agriculture	Manufacturing
1950s	3.1	1.6	
1960s	6.8	5.1	9.9
1970s	4.8	2.4	5.5
1980s	6.5	5.4	8.2
1990-97	4.6	3.8	5.0

Source: Zaidi (1999b, 1999c)

TABLE 3: TRENDS IN GROWTH, POVERTY AND INCOME DISTRIBUTION

Decade	Growth	Poverty	Income Distribution (Gini)
1950s	Stagnated	Persisted	Unknown
1960s	Rapid increase	Increased	Improved
1970s	Slow, Stagnated	Declined	Worsened
1980s	Rapid Increase	Declined	Rapid deterioration, followed by rapid improvement
1990s	Substantial decline	Increased	Unknown

While remittances from the West Asia continued to play a critical role in terms of economic growth and poverty alleviation between 1984-85 and 1987-88, a number of other important indicators and trends in this short period stand out: public expenditure in this period was above 26 per cent of GDP in three of the four years, and was 26.7 per cent of GDP in 1987-88, 'the highest ever in the country's history' [Tahir 1999:118]; the overall government deficit was on average 8.2 per cent of GDP, higher than the annual average of 7 per cent for the entire 1980s. A key component of the development strategy in this period was the Junejo government's Five Point Programme, launched in 1985-86, which had a high rural component. The programme focused on education, health, roads, electrification, water supply and sanitation, seven *marla* plot schemes for rural housing, all with a primarily rural focus. In addition, there was the special development programme for local development, education and housing, along with the Senators' and member of the National Assembly's (MNAs') programmes, where elected representatives were allotted large amounts of money to spend on development projects in their constituency. Expenditure by government on health (as a percentage of GDP) in this period was higher than the average 0.7 per cent for the 1980s, rising to 1 per cent of GDP in 1987-88, amongst the highest allocations ever; similarly, expenditure on education in this period rose to an average of 2.3 per cent of GDP, higher than the 1.9 per cent average for the 1980s. The overall financial allocations for the Five-Point Programme exceeded the Plan allocations by 18 per cent. There was a significant shift in resources 'towards rural areas as rural development utilised 48 per cent of the actual expenditure compared to the 32 per cent allocated originally in the Plan' [Tahir 1999:118]. Moreover, this accelerated spending on rural infrastructure is said to have promoted employment and income opportunities for the rural poor, while some urban schemes offered opportunities for the urban poor and unemployed [Tahir 1999:118]. Moreover, even growth showed above average trends, with 6.8 per cent growth in GDP in this period, compared to the 6.45 average for the entire decade; with a bumper cotton crop of 8.6 million bales, growth in 1987-88 was led by an impressive 10 per cent growth in the manufacturing sector. Along with impressive rates of growth and poverty reduction, this period also probably saw the largest falls in the Gini coefficient suggesting that reduction in income inequality also

improved; the Gini coefficient fell from 0.428 in 1984-85 (probably the highest ever), to 0.348 in 1987-88. Interestingly, the Five-Point Programme was terminated with the dismissal of the Junejo government towards the end of the fiscal year 1987-88, in May 1988. Perhaps the culmination of this programme helps explain the trends observed in the incidence of poverty after 1988, as shown in Table 1.

#### WHY DID POVERTY RETURN TO PAKISTAN AND WHY DOES IT STILL PERSIST? 1988-99<sup>14</sup>

Perhaps the answer to this question lies in much of the argument made in the previous section, especially regarding the fall in poverty in the 1980s, and more specifically, with reference to the period 1984-85 to 1987-88. The factors which led to poverty reduction in the eighties were, primarily, high growth rates helped by very significant remittances, and an active and spendthrift public sector. Let us examine the trends in these and other key influences on poverty towards the end of the 1980s.

Just as the declining trends in poverty at the end of the 1980s coincide with the end of the Five-Point Programme, they also, equally coincidentally, begin a slowing down or reversal, at the start of a comprehensive IMF-funded structural adjustment programme (SAP) initiated in the fiscal year 1988-89, in December 1988. Although there has been criticism on the rationale for Pakistan undergoing such a programme when it did, it is important to describe the nature and contents of such programmes.<sup>15</sup>

One of the criticisms that has been directed against the IMF and the World Bank sponsored SAPs is that these programmes are usually too uniform in nature and are implemented universally across countries, without taking due cognisance of particular histories, institutions, structures, and these programmes lack any semblance of contextuality. A very general economic restructuring programme designed for any or all countries in need of restructuring has, at best, a few minor specificities which are spelt out in the details of the programme for each country. Usually, a few specific targets or a set of numbers to be achieved at the end of the programme period, differentiate one country's programme from that of another.

Structural adjustment programmes are meant for economies in 'distress', often on the 'brink of disaster', having usually, though not exclusively, balance of payments problems. The aim of the SAP

is to reduce the current account deficit, to lower inflation, increase the growth rate in the economy, and to cut the fiscal deficit. The mechanism to achieve these goals is, by now, fairly well known and standard. Countries are expected to remove non-tariff barriers, replacing them with tariffs, tariffs which are supposed to be lowered substantially across the adjustment period, so that cross-border 'distortions' are removed by getting 'prices right'. On the trade front, in addition to large reductions in tariffs, countries are expected to devalue their currencies so that domestic currencies better reflect the true price of foreign currencies, where their demand and supply, rather than government intervention, determine that price. Greater liberalisation and openness, with more focus on exports, rather than on import substitution, form the key ingredients of what goes for trade sector 'reform' under the SAP.

Often the fiscal deficit is considered to be the mother of all evils, and the most significant and real cause of the distortions and problems that exist in the economy. In fact, all the problems which determine the need for a SAP, such as, high inflation, low growth, a high current account deficit, lower private sector investment, crowding out, and sundry problems are (incorrectly) attributed to a high, 'unsustainable' fiscal deficit. Hence, a cut in the fiscal deficit is probably the most important component of the SAP. The World Bank and the IMF advise countries undergoing adjustment to rationalise their tax structure, to impose a consumption-oriented general sales or value added tax, to impose taxes on sectors of the economy currently exempted, and to remove all special privileges given to sectors of the economy in order to encourage certain industries or sectors. On the expenditure side, a cut in government expenditure is critical in order to reduce the fiscal deficit, where privatisation is promoted so that loss-making government departments and institutions can be handed over to the private sector. While the emphasis in cutting government expenditure is usually on consumption expenditure, frequently countries are asked to cut overall spending which includes capital and development expenditure. By hoping to raise revenue by imposing more taxes, and by cutting 'wasteful' government expenditure, countries are expected to reduce their fiscal deficit to more 'sustainable' levels. The removal of subsidies which, in most underdeveloped countries are on food items, essential inputs like fertiliser, or on utilities, is also an important plank of the policy directed to reduce the fiscal deficit.



Regardless of the causes for inflation, monetary 'discipline', in the form of limiting monetary expansion to some preconceived quantum, is supposed to be part of the adjustment programme. The interest rate, at the same time, is supposed to be determined by the supply and demand for credit and money, i.e., by the market. Government intervention to determine the interest rate or to provide directed credit to key sectors and industries at subsidised rates, is actively discouraged. Financial liberalisation, with less government control over the banking sector, with far more competition, is expected by countries following agreements over the adjustment programme. Also, the preferential financial treatment to state-owned enterprises is to be eliminated, so that these enterprises become more responsive to market signals.

In essence then, the SAP is supposed to be more market friendly, it is expected to promote private sector initiatives and interests, remove distortions in the economy by getting domestic and cross-border prices right, and to open up the economy to foreign goods and competition from abroad as the process of globalisation proceeds. In addition, privatisation should form an important component of the programme, and the role and involvement of the government in the economy and other sectors, should be minimised. The government's role should become one of an 'enabler', rather than an implementor, so says this philosophy.

Having followed at least three SAPs (of the Extended Structural Adjustment Facility – ESAF – variety) and numerous smaller programmes since 1988, it would be important to examine some of the measures taken by the numerous governments in power in Pakistan since 1988, and determine the consequences on key variables affecting poverty.

Although it is difficult to prove causality, some interesting observations on the economy after 1988 help show how the economy has performed after the initiation of the SAP. Firstly, the overall growth rate of GDP has fallen well below trend levels, and appreciably below the average of the 1980s (see Table 3). In the nine years since the implementation of the programme, in only one of those nine years was growth in GDP more than the average 6 per cent observed since 1977; in two of those nine years, in 1992-93 and in 1996-97, the growth in GDP was 2.27 per cent and 1.3 per cent, respectively, the lowest in more than three decades. In the nine years since 1988, inflation was in double digits in seven of those nine years, while previously

in the 40 years between 1947-87, inflation was in double digits on only seven occasions. Even the State Bank of Pakistan's Annual Report for 1996-97 admitted that 'almost all macro-economic indicators showed that 1996-97 was one of the most difficult and disappointing years in the economic history of the country' [cited in Tahir 1999: 126]. Another government report accepts the fact that since the growth rate of real per capita income has been about 1.3 per cent in the period 1991-98, it 'has been very low to make any dent on poverty' [GoP 1998b: 3].

At one stage manufacturing had been the leading sector in the economy, with growth rates averaging 9.1 per cent between 1980-88; this rate fell to an average of 4.9 per cent for the period 1988-97, falling to a mere 1.19 per cent in 1996-97, the lowest in the last 30 years. As an obsession to cut the fiscal deficit, public expenditure has been cut, and development expenditure in particular has borne this brunt. From a high of 9.3 per cent of GDP in 1980-81, development expenditure has been falling since, and in 1997-98, only a little over 3 per cent of GDP had been allocated under this head. Additionally, remittances, which had played such an important role in the 1970s and 1980s in alleviating poverty, declined by about 41.8 per cent (in constant prices) between 1982-83 and 1995-96 [Amjad and Kemal 1997: 56] and in 1996-97, were the lowest since 1978-79.

Public sector employment, historically an important anti-poverty measure, has fallen, while wages have decreased in real terms: real wages, which increased by 0.7 per cent between 1980-91, fell by 2 per cent between 1991-95 [Sayeed and Ghaus 1996]; public sector employment is estimated to have fallen by 10 per cent during 1990-93, and 43.2 per cent of workers previously employed in public enterprises were laid off by their new employees [Kemal 1994]. Moreover, it has been seen that 'overall unemployment in occupations with a high incidence of the poor has dramatically increased and real wages of skilled and unskilled labour sharply declined. In addition, subsidies that were critical to the consumption pattern of the poor have been cut while the burden of indirect taxes on the poorest income group has increased. Not surprisingly, there has been an increase in poverty and inequality, particularly in the rural areas' [Khan 1997: 203-04]. Providing statistical evidence for these figures, Kemal (1994) has shown that the share of wages in national income fell from 32.3 per cent

in 1987-88 to 30 per cent in 1990-91, and personal income distribution which improved between 1979-88, worsened considerably between 1987-91, with the overall Gini coefficient increasing from 0.35 in 1987 to 0.41 in 1991; in rural areas, the Gini coefficient increased from 0.307 to 0.41 in the same period [Kemal 1994]. In addition, not only was there a cut in food subsidies of 22.4 per cent between 1991-95 [Sayeed and Ghaus 1996], there has been a cut in subsidies from 2 per cent of GDP in 1988-89, down to only 0.5 per cent in 1996-97 [Jahir 1999: 125]. Moreover, the 'rationalised' tax structure has resulted in more indirect taxes, with a decline of 4.3 per cent of the tax burden on the rich, with an increase of the tax burden by 10.3 per cent on the poor [Kemal 1994]. The rate of unemployment which was 3.1 per cent in 1987-88, has increased to around 5.4 per cent in 1997-98, with more than two million currently unemployed. The government of Pakistan estimates that the extent of underemployment is currently around 20 per cent of the labour force, and that as many as 1.3 million persons will enter the job market each year adding to the pool of the unemployed, as at least half of these 'cannot expect to find work at the present rate of labour absorption' [GoP 1998: 5]. It fears that 'the problem of unemployment may intensify further' [GoP 1999: 14].

It is important to emphasise that while these numbers show a very obvious downward trend since 1988 when the SAP was introduced, we cannot prove that this is on account of the programme alone, since there are numerous other factors which have also affected the economy since 1988. Nevertheless, given the dramatic changes that have taken place as a consequence of the programme, common sense suggests that it is more than likely that the adjustment programme had a large contribution to play in this downtrend. The result of these dramatic trends is, clearly, likely to be seriously deleterious.<sup>16</sup>

Every single indicator which has some poverty reducing impact, such as economic growth, manufacturing sector growth, employment, public expenditure, development expenditure, remittances, and subsidies, has worsened over the last decade. The impact on poverty should be equally clear. It is no surprise then, that poverty has increased in Pakistan over the last decade, and given current macro-economic trends, is likely to persist and possibly increase over the next few years.



What emerges from the discussion above is that poverty alleviation has taken place via the mechanism of economic growth, high remittances and active public policy, rather than specific policy designed to alleviate poverty as such. There have been some special development programmes, like the Junejo government's Five-Point Programme, which had a focus on employment generation and on infrastructure development, but again, not specifically with a poverty alleviation focus. It seems that poverty has been reduced in the past through other linkage mechanisms, rather than through a direct 'assault' on poverty itself. This has been the case even when poverty was at its greatest heights in the 1960s, when explicit poverty reducing policies did not really exist. There does not seem to have been a conscious effort to alleviate poverty in the past, and most of the reduction may have taken place primarily as a result of positive externalities. It is only of late, after around the mid-1990s, when there has been a scare regarding poverty and direct attempts to reduce it have been devised.<sup>17</sup> However, before we examine the new strategy for poverty reduction for the next few years, it might be worthwhile to consider in some detail, what may have been the best and most effective poverty alleviation mechanism in Pakistan, that of remittances.

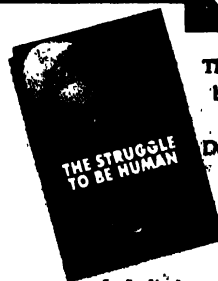
References to the role of West Asia remittances from 1975 to the end of the 1980s in the sections above have accentuated the significance they had on growth and on poverty alleviation. However, what is often overlooked, is the mechanism through which remittances acted as a poverty alleviating device.<sup>18</sup> It has been argued that 'large scale migration to the West Asia became the single most important economic event in Pakistan during the 1970s and 1980s. No other occurrence had such a pervasive impact on so many areas of Pakistan's economy and society' [Addleton 1992: 4]. Most of the migrants from Pakistan came from rural areas and many 'thousands of rural Pakistani families participated in the employment and remittances boom in the West Asia' [Addleton 1992: 88]. More than two million people were sent abroad, out of which at least 1.2 million were from rural areas. There was widespread participation from the *barani* districts of the Punjab and NWFP, which represent some of the poorest districts of the country: 'in this sense, the West Asia migration had a certain redistributive aspect in that it

provided at least temporarily exaggerated income streams to some areas where opportunities for productive employment were extremely limited' [Addleton 1992: 95-96]. Household incomes for a few years were seen to have been increased by anything between two to four times. The sectors whose growth of output was affected most by the increased demand generated by remittances, included the small scale sector, construction, transport and communications, and wholesale and retail trade, especially in rural and peri-urban areas. Increases in incomes, especially for poorer families, resulted in increased expenditure on food, clothing and shelter [Addleton 1992: 137]. Because of the individual nature of decisions about consumption, savings and investment, the developmental impact of remittances resulted in 'diffused, decentralised modes of development' [Addleton 1992: 125]. In comparison, 'official development expenditures reaching individual villages in the less developed *barani* areas paled in comparison with income generated by migrants themselves' [Addleton 1992: 147-8]. It was not only the large number of migrants and their families who benefited, but local economies were also transformed in many ways, with local produce (milk, fruits, vegetables, etc) being in greater demand as incomes rose, which 'enhanced the impact of remittance spending locally, increasing incomes and employment opportunities for villagers not directly involved in migration' [Addleton

1992: 153]. Many returning migrants opened shops and hotels, started taxi services, opened small workshops, all of which had similar results. There were visible aspects of change, such as 'increased transportation, improved housing, high rural incomes, more diversified village economies, decentralised decision making, expanding availability of consumer goods, and so forth' [Addleton 1992: 155]. As Burki writing in 1988 argued, 'the reason why Pakistan seems to be relatively free of absolute poverty has less to do with deliberate government policy; it is more the result of remittances from the West Asia' [quoted in Addleton 1992: 163 fn].

It is only very recently that the government has actually accepted the existence of poverty and has acknowledged that not only does it exist, but that it has increased over the last decade. With task forces and working groups set up to provide insight into the persistence of poverty, a programme for the alleviation of poverty has been announced, and has even been included as a 'strategy' in the Ninth Five-Year Plan. Unlike the previous non-strategy, where the government was mainly involved in running the economy and in providing developmental expenditure and services, the current strategy sees a far more active and involved role for government in poverty alleviation [GoP 1999, 1998, 1997]. Government now enters as an active agent in the process of poverty alleviation.

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The main components of the human development and poverty reduction strategy include the following [GoP 1999, 1998, 1997]:

- substantial economic growth, at a fast pace, resulting in an increase in per capita income; sustainable economic growth is to take place through infrastructure development, taxation reform, financial sector development, a restructuring of the manufacturing sector, and an overhauling of the agrarian system; growth is to be labour intensive and 'people friendly';
- to provide employment opportunities to counter the recessionary trends and to provide employment for poverty reduction;
- expand and improve the quality of social services;
- mobilisation of support organisations, NGOs, and partnerships with the private sector;
- community based participatory development programmes;
- a system of social safety nets;
- micro-credit programmes for the poor;
- development of human resources and basic skills;
- information needs for poverty policy;
- empowerment of women; and
- the issue of governance.

Earlier, the Working Group on Poverty Alleviation and the Task Force on Poverty Alleviation, included:

- setting up small scale industrial sectors;
- a national reconstruction corps;
- setting up various training institutes;
- schemes for the eradication of child labour; and
- setting up of rural support organisations.

On paper, at least, it seems that the objectives, intentions and approaches of the poverty reduction strategy and of the task force and the working group, seem well meaning. However, examined at closer quarters, most, if not all, attempts are likely to fail or to fall far short of any meaningful targets.

There are three main criticisms which make this strategy somewhat less meaningful, dealing with issues related to, firstly, macro-economic objectives having an impact on employment, growth and public expenditure; secondly, issues of targeting; and finally, issues related to the non-governmental organisation sector and community participation.

The economic strategy of the government which announced these ambitious goals, continues to be that of structural adjustment. Almost every study that has critically examined the impact of such economic programmes has emphasised the negative impacts on growth, employment, public expenditure and on poverty. Even the

World Bank (1995) which is a strong proponent of the SAP acknowledges that there are significant transitional costs – however, how long this transition is to continue and when, if ever, these trends improve, is never made clear. Even the government of Pakistan accepts that there are very serious consequences of following this policy:

Pakistan's economic reform agenda calls for major structural changes, the burden of which has and is likely to fall largely on the weaker segments of the population. In the past, rising unemployment, inflationary tendencies and high cost of essential imports, all have had adverse impact on the poor. Fiscal expediencies increasing reliance on the indirect and regressive measures in taxation, continued decline in the ratio of PSDP (Public Sector Development Programme) to GDP, privatisation, have also placed a significant proportion of the transitional burden on the poor with increases in unemployment .. One major area of concern is to prevent poverty increases in the transition period, particularly in view of declining public sector expenditures and its negative impact on employment generation (*sic*) [GoP 1999: 6]

This analysis continues with an extensive list of the negative consequences of following the SAP, and the realisation that these policies have given rise to the 'current recessionary situation'. It argues that as a consequence, there has been an 'adverse impact on employment, increase in poverty, and more importantly vulnerability of those above the poverty line to the poverty trap, caused by a massive reduction of employment opportunities, reduction in construction activity across the country, and an overall depression in economic activities' [GoP 1999: 8]. Having realised what has happened in the past, nevertheless, the government is 'committed to reduction of budget deficits and other stability measures – [L]imitations on the size of the development programme and limitations on its pro-poor nature may adversely impact the unemployment problem' (*sic*) [GoP 1999: 8]. In light of these trends, a senior government official concludes, that 'in this environment, poverty as a concern cannot figure prominently' [Tahir 1999: 126].

Other writers have found that, although the slowdown in economic growth in the 1990s had serious consequences for poverty reduction, the current economic agenda of the government continues to be that of the earlier years, with the opening up of the economy, reduction of subsidies, and more privatisation. These so-called reforms, 'have not yielded tangible benefits

in terms of growth or poverty reduction' [Gazdar 1998: 13], and the context for poverty alleviation or elimination is not as promising now as it was in the 1980s. In order to address the problem of poverty, Burki argues that the economy needs growth at 'twice the increase in population growth to make a serious difference in the incidence of poverty' [Burki 1995: 10]. A growth rate of between 5.6 and 6 per cent each year seems unlikely given recent trends in economic growth of 1.3 per cent (1996-97), 5.4 per cent (1997-98), and the expected 3.5 per cent for the current fiscal year 1998-99. Given the experience since 1988, it seems that few of the major macro-economic indicators affecting growth and poverty will improve, making many of the government's initiatives for its poverty reduction strategy redundant. It seems that the transitional period is likely to continue for some time yet.

Some of the new initiatives proposed by the government require effective targeting if any worthwhile results are to be accomplished. Also part of the strategy are social safety nets which are currently in place in the form of *zakat*, *ushr* and the *baitul maal*, all of which require effective targeting. Moreover, the increased, direct, involvement of government in the lives of the poor would also require efficient delivery. The evidence available about the government's current targeted schemes does not confer much confidence in existing or future schemes. Findings have shown that the system of *ushr* is 'moribund', and the system of *zakat* 'is not working effectively' [Beall et al 1994: ix]. These social safety nets are said to have low benefits and the 'coverage is generally low and amounts disbursed do not constitute a significant contribution to household budgets, and do not provide a springboard to lift the poor out of poverty' [Beall et al 1994: 4]. As Burki argues, despite these schemes, 'government support for the poor remains insignificant', and, 'the state in Pakistan has failed to erect a strong safety net that can catch those people who fall into the trap of poverty as a result of economic and social changes' [Burki 1995: 2]. Numerous cases have been cited which suggest that the mechanism for social safety nets is seen as 'being both inefficient and corrupt', and corruption, patronage, political influence and pilferage appear to be widespread problems. Hence, 'in the current administrative climate and in the context of high levels of popular scepticism and mistrust, developing strategies for sustainable social assistance programmes cannot be separated from the issue of governance' [Burki 1995:

xii]. The high profile, much publicised, donor-funded social action programme may have just helped in keeping the level in government expenditure in a few social sectors at their previous levels despite overall fiscal cuts, but evaluations of the three year first phase, have been far from flattering [Zaidi 1999c, 1999b, SPDC 1998]. Institutional failure and issues of 'governance' have been a key feature resulting in the poor quality of focused government intervention. Given existing governance structures whether the new strategy, with government as an active agent, will be able to overcome these structural constraints to better targeting, is highly questionable. In fact, perhaps the now discontinued, general subsidy scheme – on wheat, fertiliser and on other inputs – despite numerous problems, may have been a better mechanism to address issues of poverty, rather than the current and proposed targeted schemes.<sup>19</sup>

Although there is growing lip service paid to the role of 'community' participation and the role of NGOs, there is also wide recognition that in the context of Pakistan, with the exception of a very few NGOs, most are not particularly effective. Moreover, it is felt that even the few participatory development NGOs which reach out to poor communities, 'do not necessarily reach the poorest within them' [Beall et al 1994: xiii]. Even the government, which has begun promoting the role of NGOs, recognises that 'very few NGOs are working on poverty alleviation, participatory development, gender equity and capacity building at the grass roots level. Very few of them have well-defined governance, transparent and accountable structures. Large number of NGOs relies [sic] entirely on financial support from government and international donors. Their survival as a sound financial entity is questionable in the absence of sound financial support' [GoP 1998: 15]. Extensive evidence from the rural water supply and sanitation sector, which is one of the main components of the social action programme, shows that NGOs are not yet capable of taking over government built water schemes, and the expectations that 'communities' and NGOs will be able to do development, are highly exaggerated [see chps 5 and 6 in Zaidi 1999c]. Yet another pillar in the plank of the poverty reduction strategy comes unstuck.

Microcredit schemes and the rural support organisations proposed under the strategy have also been criticised by Gazdar (1998). He argues that the proper perspective on microcredit has not been recognised by government in its strategy,

where the poor need credit not so much for asset creation as the strategy sees it, but for consumption smoothening and as insurance against adverse shocks. He also questions the concept and governance structures of the proposed rural support organisations, and argues that these proposals 'fail to spell out adequately the governance structures in these organisations, their responsiveness, and accountability to central and provincial governments, their relationship with existing "community mobilisation" initiatives, and their relationship with elected government' [Gazdar 1998: vii].

This critical evaluation of the proposed poverty reduction strategy seems to suggest that perhaps the poverty alleviation mechanisms of the 1970s and 1980s were far more productive than the current ideas generated by government. If this is indeed true, we must then ask the question posed as the title of this paper.

#### IS POVERTY NOW A PERMANENT PHENOMENON IN PAKISTAN?

All signs suggest that the answer to this question is an unequivocal 'yes'. In a recessionary situation which has continued for the last few years, growth rates are well below previous trend rates, and are likely to continue to be below par for a few more years into the future. Public expenditure on development and the social sectors, which has made a non-trivial contribution to poverty reduction, has continued to decline and is less than one-third of what it was in the early and mid-1980s. Remittances which have been a key poverty alleviating instrument, having a wide decentralised distributional impact, are down to their lowest levels in 20 years. Experience at targeting and at micro level, focused, poverty alleviating initiatives, does not restore much confidence in government's ability to address these issues

efficiently and effectively, a fact which government itself concedes, if somewhat reluctantly. With far greater donor dependence and reliance on funding for structural adjustment and stabilisation from the IMF and World Bank, all indications suggest that the trends which resulted in an increase in poverty and in the worsening of income inequality, are likely to continue and probably be aggravated.<sup>20</sup>

Even if in an unlikely event, growth rates do somehow, miraculously, rise to the perceived poverty reducing level of around 6 per cent per annum at some time in the future, and manage to be sustained at that level, what cannot be overlooked is that in this rather long so-called transitional period, the given stock of the poor is going to continue to be added to, making it quite impossible to deal with the huge pool of the poor that emerges. The estimated proportion of the poor is currently 26 per cent of the population at around 36 million individuals and 6 million families. All observers feel that things are going to get far worse before they begin to show any signs of improvement, which will result in a rising pool of the poor, both in proportional and absolute terms.

Moreover, as a central theme of this paper argues, it is not simply economic growth, even high economic growth, that determines poverty alleviation, but the nature and distributional impact of that growth (pace, remittances), which has specific poverty alleviating outcomes. It is also important to emphasise that while a number of researchers feel that the decade-long, near 7 per cent growth rates of the 1960s will be sufficient to bring about the conditions for poverty alleviation, the structural nature of the economy at the end of the 1990s is radically different from that of three decades ago and hence, there are likely to be different outcomes. For example, the role of

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government in the provision of basic services has diminished considerably since the 1960s and now most services and utilities will have to be bought from the market requiring, perhaps, larger incomes. Also, at a macro level, with a far more closed economy than now, increases in growth may have been consumed/re-invested in the country; now with a far greater import component in the economy, some gains in incomes may be lost to the domestic economy. It seems then that not even in the most optimistic scenario, are we likely to observe any sizeable reduction in the number and proportion of the poor for some years to come. Clearly, all sober assessments of Pakistan's economic and poverty trends suggest that not only has poverty returned to Pakistan, it is likely to be a permanent fixture.

### Notes

[This paper was prepared for the Institute of Development Studies, University of Sussex, as part of the study 'Meeting the International Development Targets: What Are the Prospects and Key Challenges? Pakistan Country Study', to form a part of the World Bank's *World Development Report 2001*. This paper has benefited from comments made on an earlier draft by Aly Ercelawn, Susan Joekes, Lucia Hanmer and Asad Sayeed.]

- Two papers with similar titles: 'Has Poverty Returned to Pakistan?', and 'Poverty Returns to Pakistan?', appeared around that time; see, Sayeed and Ghaus (1996), and Burki (1995).
- See, for example, Mahbubul Haq Centre for Human Development/UNDP (henceforth MHCHD/UNDP), (1999), and Gazdar (1998). See also, Zaidi (1999a) for a complete list and a bibliography of all research on poverty in Pakistan.
- See the study by Gazdar (1998) for details on methodology and estimation; Zaidi (1999a), also presents comments and summaries of all papers published on poverty in Pakistan, and some comment on methodology is to be found there.
- There is even greater confusion over estimating such distributions, and disputes exist over the extent of poverty even in a relatively simple distributional format such as rural/urban. See Gazdar (1998: 15).
- Of the nearly four-score papers and reports on poverty in Pakistan, only a small handful have actually explained trends in poverty; the very vast majority have simply estimated poverty lines and the percentage of the population below these lines. See Zaidi (1999a).
- In this paper we look at primarily income poverty.
- See Gazdar (1998) for a note on methodology and Zaidi (1999a), for the different approaches used to estimate poverty in Pakistan.
- However, it is necessary to add a word of caution in any such comparisons, as does the MHCHD/UNDP (1999): 'Due to different units of measurement, disparate counting units, divergent cut off points, and the selection of

arbitrary and different poverty lines, these studies provide conflicting measures of poverty' (p 7).

- Gazdar (1998): criticises this methodology used by Amjad and Kemal (1997) to establish this series.
- The reason for this is that the SPDC (1998) study uses the World Bank's method of using the headcount approach assessing the proportion of the population with incomes of less than one dollar per day on a purchasing parity basis. Hence, these estimates differ considerably from other, consumption-based, approaches.
- For an extensive debate about the nature and extent of the structural changes and relations that took place in the 1960s, see, Zaidi (1999b).
- For the reasons why economic growth during this period was not of 'historical proportions', see Zaidi (1999b), where it has been shown that rather than simply blaming the Bhutto government for its poor economic policies, it is perhaps more important to critically reassess this period, where numerous 'bad luck' factors – such as the OPEC price rise, floods, pest attacks, etc – may have had a bigger impact.
- See Tahir (1999) for greater details of the Bhutto government's social and economic policies.
- Parts of this section of this paper are drawn from Chapter 9 of Zaidi (1999c).
- For more extensive details on the structural adjustment programme, see the references cited in Chapter 9 of Zaidi (1999c).
- The other factors which have affected Pakistan's economy since 1988 include lower remittances, political instability as reflected by frequent changes of government although the economic restructuring policies have remained more or less unchanged since 1988, and the sharply deteriorating law and order situation.
- This is also evident from a bibliographical review, where earlier attempts were made at measuring poverty and only recently has there been any analysis on its causes and cures; see Zaidi (1999a).
- This part of the paper is based on the work by Addleton (1992).
- Throughout this paper we have used the concept of income poverty rather than human or basic needs poverty. This is done as a matter of convenience, since income poverty comparisons run further backwards into time than any other estimates. Moreover, it has also been shown that, the pace of human development 'precisely mirrors the pace of economic growth and the pattern of income poverty incidence', [MHCHD/UNDP, 1999: 53]. Also, in times of extended economic crises and recessions, perhaps income and the lack of it, better reflect the situation of the poor, as has recently been observed in east Asia.

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# State, Market and the Crisis in Raniganj Coal Belt

Kuntala Lahiri-Dutt

*The recent decision to close down 64 'uneconomic' collieries in ECL's jurisdiction would render 72,000 people unemployed, besides hurting the economy of the Raniganj coal belt. The decision was apparently triggered by an ICICI report which has found that ECL's losses are concentrated in its underground mines. This article takes issue with the report and suggests that the proposed closure could be the first step towards privatisation of coal mining.*

UNTIL the 1960s a resource management decision addressed such questions as whether a project was technically feasible, financially viable and legally permissible. Since then a paradigm shift has occurred. Instead of pure cost-benefit analysis in economic or technical terms, resource planners all over the world now include 'impacts' – both environmental and social – in their analyses. Therefore, when one comes across an old-fashioned economic cost-benefit analysis these days, one raises one's eyebrows.

However, the matter assumes serious proportions when a public-sector company uses such a 'report' as justification for laying off as many as 72,000 employees. It then becomes imperative to take a closer look at the report and the circumstances that produced it. Most of all, it requires an understanding of how the report is intended to be used – as a weapon against the popular will – and of the alternatives that were feasible for the interest groups involved. However, let us first take a brief look at developments in the coal mining sector all over the world and the response of the state-owned coal mining industry of India to these developments.

Competition, declining mineral grades, higher treatment costs, privatisation and restructuring are issues that have been putting pressure on mining companies to reduce costs and improve productivity. Employment is falling in many mining areas – as a direct result of better productivity, radical restructuring and privatisation. Not only are these changes displacing mine workers from employment, those remaining in the industry are having to work in a very different way, a way which calls for more skills and greater flexibility. Therefore, finding the right balance between the desire of mining companies to cut costs and that of workers to safeguard their jobs has become a major issue throughout the world of mining.

Since 1988 the coal mining industries in most of the world's coal-producing countries have undergone considerable change. The driving forces have been different and the results varied, but the

central objective has been to make the industry more competitive, more self-sustaining and more viable as policy changes in the areas of technology, the environment and energy impose considerable burdens on the production and use of coal.

The essential objectives of restructuring, according to the International Labour Organisation (ILO) are to ensure energy security and the meeting of demand for coal – rather than attaining a predetermined, inflexible production target – while achieving increased productivity, lower costs, higher quality and greater worker safety and lessening the impact of mining on the environment. The ILO recognises that rationalisation will necessitate closure of mines, freeing of coal imports, a review of subsidies, diversion of investment from non coal-mining operations and, in some cases, moves towards privatisation. It has outlined two complementary lines of action: ensuring that an adequate safety net is in place and promoting non-coal-related activities in the regions concerned.

The Indian coal industry is now caught between the welfare approach of the state and the effects of the market post-liberalisation. It has begun to use recent changes in a way that is quite in contrast to what the ILO recommends. Coal India (CIL), which controls all major management decisions, including coal pricing, transport and allocation, decided quite some time ago to impart greater thrust to open-cast mining to lower the cost of production and increase output quickly. It has initiated a technology change which has helped increase production from about 90 million tonnes in 1977 over 250 million tonnes per year at present.

This paper looks at the existing situation in Eastern Coalfields (ECL) and discusses the nature and purpose of a restructuring plan prepared by the Industrial Credit and Investment Corporation of India (ICICI) which apparently falls in line with developments at the international level. It questions the viability of applying such gross generalisations in any context. It also argues that if environmental protection

were given its due, open-cast collieries too, may not seem terribly attractive from an economic point of view. The paper tries to establish that the losses of ECL are concentrated elsewhere – not in the underground mines – and that instead of downsizing its operations, the company should clean up its act and look into the manner in which it has conducted its business over the years if it is to regain profitability.

One of the 11 subsidiaries of CIL, ECL had been making huge losses ever since its inception and was becoming a burden on the parent body. In 1997 it was referred to the Board of Industrial and Financial Reconstruction (BIFR) under the Sick Industrial Companies Act (SICA), but through financial restructuring it was able to avert a crisis by a whisker. Unable to solve its chronic ailments, however, ECL has been handing over collieries on a platter to private contractors over the last couple of years. Several collieries in the Raniganj region of West Bengal have already been given over to private contractors to operate. In an attempt to formalise the process the company has now undertaken a complex and convoluted exercise the dubious intentions behind which are not apparent to the casual observer. It is only after a closer look at the region, the coal mining industry and the manner of implementation and the cost of restructuring plans that one can see the intentions for what they are.

In July 1997, CIL approached the ICICI for the development of a restructuring and revival plan for ECL. This plan (popularly called the ICICI report) was presented to CIL in August 1998. At a meeting in Calcutta in the last week of October, it was recommended to ECL. It was then sent to the coal and labour ministries for final approval. On the basis of this report ECL plans to close down 64 mines, most of them located in the Raniganj region of West Bengal, and retrench nearly 72,000 employees working in these mines. In 1997-98 ECL's cumulative loss from the 64 mines, which produced 7 million tonnes of coal, was Rs 4,200 million. But before we look at the contents of the ICICI report

let us discuss the special characteristics of the Raniganj coal belt, where most of these collieries are located.

#### MINING IN RANIGANJ BELT

ECL operates 121 coal mines, located in Burdwan, Bankura, Birbhum and Purulia districts of West Bengal and Dhanbad and Godda districts of Bihar. As many as 117 of these are located in the Raniganj belt of Burdwan district. In 1997-98 these mines collectively produced 27.44 million tonnes of good-quality thermal coal at 75.32 per cent capacity utilisation. Raniganj coal is unique in that it is of 'long-flame high-volatile-matter' with quick heat-release capability. It has specific applications in the glass and ceramics industry, for example.

Nearly half of this production comes from underground collieries – whereas the share of underground coal production nationwide is only 29 per cent – though in recent years ECL has begun to place greater emphasis on open-cast mining. Underground mining is usually done by the 'board and pillar' method: a mesh of tunnels or galleries are first driven into the coal seam, leaving coal pillars for roof support. Twenty to 30 per cent of the coal reserve is extracted in this 'development phase'. In the final, 'depillaring' phase, the pillars are also extracted. If the surface area is free from human settlements, it is allowed to subside in this phase. If the mine is under a town or a village, then the holes are filled up with sand mixed with water. This process is called sand stowing.

Not all coal deposited underground can be extracted through this labour-intensive process. Therefore, ECL has launched open-cast projects with a high degree of mechanisation in recent years. Open-cast mines are located where coal occurs close to the surface. Heavy machines remove the soil and rock material, collectively called 'overburden', to deposit it in a nearby area in the form of huge dumps.

If sand is stowed properly, underground mines have a less pronounced impact on the environment. Open-cast projects (OCPs), as they are operated in eastern India, leave permanent scars on the land, disrupt the natural processes of rivers and soil formation, cause air and noise pollution, displace indigenous and peasant communities and destroy valuable farmland in adjacent areas. That is why it is that nowhere in the world is open-cast mining recommended for densely-populated areas. However, worked as they are in India without any attention being devoted to such considerations, OCPs yield better returns though their life span is shorter. In ECL, production from OCPs

has gone up more than twelvefold between 1975-76 and 1997-98 – from 1.23 million to 14.78 million tonnes.

In terms of capacity utilisation, however, the underground mines are really much better than the open-cast ones. ECL has some of the oldest underground mines currently in operation in the country. The deepest coal mine in Asia is at Chinakuri, 3,000 feet under the Damodar river. As many as 80 of the company's 121 mines were inherited at the time of nationalisation of the coal industry. The main problem with underground mines is that they get deeper and deeper as coal is extracted from the shallower faces, which increases the distance with coal, men and materials have to traverse with the increasing age of a mine. This of course has an adverse impact on the productivity and the capacity of the mine.

The older a mine, therefore, the more the resources required to sustain production at the rated capacity – which in turn affects the economic viability of the mine. This is significant because most of the underground mines of the Raniganj belt are quite old.

ECL has been a labour-intensive unit since its very beginning. It is now the single largest employer among the public undertakings in the Raniganj belt – and the largest landowner, occupying an area of 1,260 sq km. Since underground mines employ about 89.15 per cent of the company's manpower, the per capita output of its mines is significantly low at 137.62 tonnes per man year. The productivity in some of these mines varies from a low of 0.3 tonne to a high of 0.5 tonne per man shift. If a purely economic cost-benefit approach is adopted, therefore ECL's losses are seen to be concentrated in underground operations.

A loss-making concern since the time of nationalisation, ECL has been a typical case of the public sector failing to deliver the goods and sustain itself economically. There has been no thorough enquiry into its capital spending during the 25 years since nationalisation. The company inherited, along with the mines of private companies, a whole range of problems – environmental, social and economic – some of which are unique and specific to the region. The long history of coal mining – the Raniganj region pioneered coal mining in India – has left its imprint on the region's economy, physical environment, the attitudes, values, beliefs and perceptions of its mining-linked population and its socio-political scene.

The region has a land-dereliction problem, problems of an underground void,

land subsidence and mine fires, a problem of dying agriculture and decaying commons, and various manifestations of conflicts over resource use. These facts are hard to ignore while preparing a plan for restructuring and revival. Unfortunately, it appears that the ICICI report looked purely at the economics of mining, as if mining existed in an abstract, theoretical world. The environmental costs of mechanised open-cast mining were not included in its purview. Nor were the social costs, involving displacement of local communities and distress to them.

#### ENVIRONMENTAL CONCERNS

The entire range of precautions taken and procedures adopted to make mining the least harmful to human beings and the environment is described as 'best practice mining'. In ECL's plans for the environment, there is not even a mention of these practices and no clear direction is given by the administration to those involved in mining on how to go about protecting the environment. The best that has been done by the company so far consists of tree plantings here and there – sometimes on old overburden dumps, sometimes on leasehold land lying vacant and sometimes near the residential quarters of its important executives. Many of these saplings obviously die since they cannot survive on the rocky overburden material. Those which survive are of little use to local communities by way of food, fuel or fodder. The valuable topsoil, which best practice mining stores and returns to local communities after mining operations are over, is lost wherever open-cast mines are operated.

The level of urbanisation in the Raniganj belt is as much as 67.27 per cent – much higher than the Burdwan district (35.09 per cent) and state (27.48 per cent) levels. The long history of mining has attracted a large number of people to this region. Next to Calcutta city it is the most urbanised region of West Bengal. Such a high density of population poses a serious threat of subsidence in the case of underground mines and limits the scope of open-pit mines.

The 19 open-cast mines in the Raniganj belt are environmentally hazardous. Moreover, the average residual life of each such mine is as low as 2.1 years. These mines together employ about 12,207 people. The reason for the short life spans of open-cast mines in the belt is the fact that these mines are on outcrops and patches of the topmost seams in the area. Since heavy earth moving machinery has to be shifted frequently and since neither staff



nor equipment can be deployed on a permanent or a cost-efficient basis, these mines are bound to be of an ephemeral nature. The ICICI report says: "In order to fully exploit the economic benefits within the leasehold area, exploitation of these patches may be important. However, such operations can be undertaken more economically on a contractual basis." ECL seems to have taken its cue from this point.

The costs of operating a mine fall under several heads: wages, power, timber, petroleum, oil and lubricants (POL), explosives and stowing. In the Raniganj belt there is a heavy burden of wage cost, as is evident from Table 1.

#### IMPROVING PRODUCTIVITY

Let us now see what measures ECL has adopted so far to initiate a turnaround:

(1) The adoption of an exercise in which the manpower requirement of each mine has been assessed and 12,580 workers have been identified as 'surplus'.

(2) The introduction of a voluntary retirement scheme (VRS) under which an employee who has completed 10 years of service or 40 years of age is given a 'golden handshake'.

The VRS has not been every successful. This is mainly because alternative avenues of employment in the region have been more or less destroyed. Traditional agriculture and forest-based activities have decayed to an alarming extent. Moreover, a sizeable number of ECL employees are migrant workers who have no attachment to agriculture. The indigenous labourer has lost his connection with the local ecosystem due to the degradation of environmental resources.

The large manufacturing sector of the region – steel plants, locomotive works, etc – is oversaturated and throws up few employment opportunities. Several medium-sized units, such as the paper mill in Raniganj and the Sen-Raleigh factory, have closed down in the last couple of decades, further restricting the job market in the modern sector.

Why are so many workers considered 'surplus'? Unskilled labourers are employed in eastern India collieries, and by the time they develop some level of occupational skill (ordinarily in 10 to 12 years), their health deteriorates to such an extent that they become redundant labour. Rapid deterioration of workers' health is also related to poor conditions in the working environment, and ECL has so far not initiated any organised enquiry into this matter. Besides being considered 'surplus' on health grounds, a worker may come under that category when the spe-

cific skills acquired by him become redundant due to the introduction of new technology.

Finally, ECL considers a large number of women workers 'surplus'. It has increasingly shown a gender bias. Many of the women workers were originally employed on their own merit. But such cases of direct employment of women are becoming rare, and ECL now actively discourages employment of women even on compassionate grounds – as when a male member of the family dies while working for the company.

Mechanisation has been initiated particularly in the OCPs. A high degree of mechanisation is not possible in older underground mines as the cost of production would far exceed the sales realisation. Much of the mechanisation technology that ECL employs was imported from coal-producing developed countries. Total dependence on imported technology has not been quite successful in ECL, where the strata conditions are different from those existing in the advanced countries.

Kottadih, for example, was a flagship project of ECL assisted by French technology of underground longwall powered-support operation. In this kind of operation, six to eight huge steel pillars hold the roof while giant shearers raze the coal seams, and the entire process is controlled from the surface by computers. Three factors are of great importance while considering the selection of such technology: the nature (thickness and weight) of the overburden, the nature of the surface land use – as the land is allowed to subside after mining, displacement of communities and loss of cultivable land is inevitable – and the number of steel pillars which support the roof. On April 4, 1997, the roof of the mine collapsed over a stretch of about 5,600 feet, killing three people and injuring six others, and destroying machinery worth millions of rupees. The project is dead for the time being.

Another factor to reckon with is that the use of cutting and loading machines in underground mines using longwall technology generates enormous amounts of dust and noise, which pollutes the mine environment and poses safety and health hazards.

Lastly, some technologies are indivisible and hence may create other problems in turn. For example, in an open-cast mine there may be an 8-foot-thick layer of coal on top and a 20-foot-thick layer at a lower level. In Sangramgarh (Samdi), this 8-foot layer has been left out, and mechanised operations have begun to exploit the lower

layer, which is better suited for heavy machines. The exposed layer near the ground surface has attracted the local people, who have excavated coal illegally and left honeycomb-like holes. Both operations go on simultaneously.

Moreover, unauthorised mining goes on under the nose of the company in several other places of the region, and little has been done to solve the problem so far besides some exchanges of letters between ECL and district administrators. As for pilferage of coal from ECL collieries, it has gone so far that exports to nearby countries like Bangladesh and Nepal have been severely affected.

From Durgapur to the Barakar township there is no retail coal outlet for the domestic consumers in the region. The company expects the district administration to protect its property, and itself does little to control unlawful activities in spite of maintaining a large retinue of security guards. Stricter policing by the company could have solved many much problems. Also, a combination of indigenously available technologies rather than imported technology could have been the answer in a case like Sangramgarh.

#### SOME NEGLECTED REALITIES

Having considered the nature of the problems of ECL and their background, more specifically in relation to the 64 collieries proposed to be closed down, let us now go back to the ICICI report. The corporation has divided the 15 mining areas under ECL into four groups based on their 1997-98 economic performance. Group I:- profit-making, high-capacity open-cast mines: Raj Mahal, Sonapur Bazar and Santhal Pargana areas. Group II:- areas with profit-earning potential: Kajora, Bankola, Kenda and Kunustoria areas. Group III:- high-capacity, longwall mines: Jhanjra and Kottadih areas. Group IV:- mines with difficult working conditions (64): Satgram, Sripur, Salanpur, Sodepur, Mugma, and Pandaveswar areas.

TABLE 1: COSTS OF MINES UNDER ECL  
(Per cent of sale value)

	Underground	Open-Cast
Wages	102.51	17.17
Power	17.22	3.51
Stores	7.93	14.44
Transport	2.64	1.80
Administrative exp	7.07	4.81
Miscellaneous exp	9.17	5.64
Interest exp	5.22	7.82
Depreciation	10.20	16.27
Total	161.96	71.27



This classification was done on the basis of two indices: a 'competitive index' (profit margins before interest and depreciation divided by profit margins after interest and depreciation), and 'attractiveness index' (assessed capacity per employee per year divided by production value per employee). The report does not explain why these indices were preferred.

The cost structures of the loss-making mines vary. The highest losses are made by the Sripur mine followed by Ningah, Nutandanga, Temehani, New Kenda, Kalipahara, Konardihi, Ratibati-R, and Chinakuri 1. To produce 9,16,920 tonnes of coal, the percentage shares of costs in these mines is as follows: wages 66.08 per cent, explosives 1.2 per cent, timber 0.84 per cent, POL 0.4 per cent, others 3.5 per cent and sand stowing 27.93 per cent.

The stowing of sand in the underground mines is apparently the second largest head of expenditure. There is, however, no way to check whether or not the amount of sand claimed to have been stowed in underground collieries has actually been stowed. Some incidents of subsidence in and around recent workings have allegedly been due to negligence in filling up underground cavities. Table 2 extracted from ECL and JK Ropeways data sources clearly shows the discrepancy between the amounts of coal raised and the amounts of sand stowed.

Apparently, more sand has been stowed than coal raised; the data reveals that the entire business of sand stowing in underground trenches is a farce, an eyewash of the grossest nature, and reveals the hypocritical attitude of ECL to environmental concerns. The sand stowing business benefits neither the region nor the underground collieries. But it makes the 'contractor raj' powerful. However, what happens is that the underground mines 'apparently' lose economic viability in terms of purely financial cost-benefit analysis because of this added cost of sand stowing in underground mines. The ICICI report completely ignores this aspect.

ECL's claims of adequately stowing the underground voids have to be taken with a pinch of salt in view also of the fact that whereas a 'pre-nationalisation report identified 22 areas as 'unsafe', a 1997 report of the Director General of Mines Safety (DGMS) has marked 171 areas as unstable and unsafe for human habitation. A physical survey of these areas would help establish how many of them are post-nationalisation workings.

Taking the logic a little further, if even a semblance of the environmental care and the protective measures of land reclama-

tion and rehabilitation that are followed in other coal-producing countries were taken up in eastern Indian open-cast mines, instead of leaving gaping holes and huge overburden dumps, the profitability of OCPs is bound to be lower. Since there is no effective environmental planning and supervision in the true sense of the terms, the OCPs can get away with the holes and dumps just as the underground mines are sealed without being properly filled. This author's contention here is that the relative profitability of OCPs is only 'apparent'. Once the long-term environmental and social costs – Sonepur Bazari and Kottadih have caused large-scale displacements of local populations – are taken into consideration, the open-cast mines too would not come across as terribly 'attractive'.

Finally, any decision to close down underground mines will also have to be placed in a futuristic perspective. Mining operations would compulsorily turn to deeper horizons because of the exhaustion within two decades of deposits that are shallow and comparatively easy to mine. Underground mining, therefore, is the inevitable future of the coal industry. Handing over these mines to private operators on the ground that they are 'uneconomic' would be an extremely hasty decision.

#### STATE GOVERNMENT CESS

The reasons for the chronic sickness of ECL are several, the most important of them being the coal cess imposed by the West Bengal government. Whereas in other states only a royalty is imposed on coal, and that amounts to an average of Rs 135 per tonne, the West Bengal government imposed a cess of 47.5 per cent *ad valorem* on coal produced in the state. According to entry 49 in the state list in the Consti-

tution, a state can charge cess on the land being used for mining. Moreover, according to the Mines and Minerals Regulation Act, a state that owns a coal belt is entitled to royalty. Coal cess, almost like direct tax, is calculated as part of the annual value of the land where a mine is located.

The revenue thus earned from cess, according to the West Bengal government, is spent on employment generation and welfare, and also on paying for the coal purchased. The burden is in fact passed on to the consumers. The state earned Rs 610.05 crore in 1997-98. However, the state government is yet to receive over Rs 1,000 crore on account of cess from the central government. Even the provident fund dues of the employees have not been paid.

After the hue and cry over the CIL's decision to close down mines, the state government, however, reduced the coal cess to 25 per cent, acknowledging a loss of Rs 250 crore to the state exchequer. Yet the amount remains higher than the average royalty of 17 per cent levied by other states, and hence ECL coal remains the costliest in the country. So far, even the state government has not thought of ploughing the incomes from cess into the region through innovative planning measures.

The grossest flaw in the ICICI report is that it is cast on purely economic terms with the hidden assumption that better technological inputs will result in improved economic performance. At one point of the report, the ICICI does say that from the 'socio-economic perspective', it is 'not advisable to close down the mines under group IV category'. But there is nothing more on this topic as if the fate of nearly 72,000 people does not matter. Contrast this with the scene in Germany. That

TABLE 2: DIFFERENCE BETWEEN SAND STOWED AND COAL EXTRACTED

DIFFERENCE BETWEEN SAND STOWED AND COAL RAISED (Tonnes)						
Area	April 1995-November 1995		Difference Sand Over Coal	April 1996-November 1996		Difference Sand Over Coal
	Sand	Coal		Sand	Coal	
	Stowed	Raised		Stowed	Raised	
<b>East Division</b>						
Kunustoria	15,30,173.7	3,48,821	11,81,352.7	15,46,749.6	3,53,507	11,93,242.6
Kajora	7,98,342.6	2,00,523	5,97,819.6	9,70,899.6	2,09,084	7,61,815.6
Kenda	3,00,105.3	44,667	2,55,438.3	3,17,219.1	49,370	2,67,849.1
Bankola	9,22,102.5	1,93,080	7,29,022.5	1,109,559	2,31,311	8,78,248
Pandaveswar	8,41,051.2	1,94,014	6,47,037.2	11,51,244.6	2,39,769	9,11,475.6
Total (ED)	43,91,775.3	9,81,105	34,10,670.3	50,95,671.9	10,83,041	40,12,630.9
<b>West Division</b>						
Sodepur	5,00,379	1,38,253	3,62,126	6,18,380.4	1,47,216	4,71,164.4
Sripur	4,98,319.8	87,966	4,10,353.8	4,60,623.9	92,863	3,67,760.9
Satgram	13,10,238.6	2,67,004	10,43,234.6	10,91,887.5	2,60,233	8,31,654.5
Total (WD)	23,08,937.4	4,93,223	18,15,714.4	21,70,891.8	5,00,312	16,70,579.8
Total (ECL)	67,00,712.7	14,74,328	52,26,384.7	72,66,563.7	15,83,353	56,83,210.7

Source: J K Ropeways and ECL

country's coal production meets only 20 per cent of its total demand. Still, coal mining gets a state subsidy of more than 6 billion marks in the face of popular demand.

The ICICI report is full of such sweeping statements as: "The predominance of labour-intensive underground mining operations, coupled with the resultant low productivity, is clearly reflected in the low profitability of the operations at ECL". The report shows incomplete comprehension of both the problems it has set out to solve and the snow-balling effects that would be triggered by adopting the strategies suggested by it.

As an afterthought, the report mentions that the "option of phasing out these mines would not be practical from the implementation point of view". What does this signify?

It would seem that ECL is fascinated with machines and entirely impatient with human beings. Its apparent approach is to do away with people whether by displacing them in mining expansion, or by sacking them *en masse*, in an attempt to attain economic efficiency. This attitude does not sit comfortably with a public sector company. It makes even a layman suspect that ECL intends to dismantle itself.

In the wake of liberalisation, there have been subtle and not-so-subtle attempts from various quarters to attract private capital from within India and abroad to the coal mining sector. The ICICI report, instead of honestly delineating a plan of restructuring and revival, has acted as an instrument for the justification of mine closures. The coal industry itself is undergoing a restructuring and that CIL's priorities lie elsewhere is borne out by the fact that it is importing 25 million tonnes of non-coking coal from various countries like Australia, Indonesia and South Africa – another hasty and unnecessary measure.

#### TODAY AND TOMORROW

Recent developments are quite intriguing. For one thing, ECL shelved its intentions of mine closure and retrenchment for a while to work on a revival plan to prescribe a turnaround package for the company. Retrenchment was ruled out for the time being. However, since over Rs 4,000 million has been already invested in ECL since nationalisation in 1972-73, the question of any further capital infusion does not seem a possibility. All major trade unions in ECL and the Coal Mines Officers' Association, India (CMOA) have hailed the decision, but

the closure of some nonviable mines, most of them in West Bengal, is inevitable. Even with a popularised VRS, the impact on the economy of the Raniganj belt will be hard.

Over a recent span of a few months, moreover, the productivity of ECL increased to the tune of 19 per cent – an unprecedented event for this company. This has been made possible through improved motivation at all levels – from the general 'majdoor' to the general manager – and the trade unions as well as the officers' union have played a significant role in this turnaround. This alone is evidence enough that what has been lacking so far is proper motivation and human resource development, areas that have never been taken seriously by the ECL and CIL bosses.

The entire chapter has shaken the very core of the existence of the Raniganj belt – one of the better-off areas of West Bengal. It has brought into focus the old problem of non performance of the state sector and highlights several facets – some specific to the Indian coal mining industry and some specific to the region. In recent years, liberalisation of the economy has been viewed as a panacea, sometimes even at the cost of the national interest. It seems that the coal sector is all set to open up to foreign private capital since ECL is unable to find a solution to its problems – created largely by itself.

The ICICI report, looking only at the economics of coal mining, has intentionally or unintentionally fallen in line with the scheme of things at quite the right time. An example: nowhere has the report mentioned the cumulative loss to ECL from the underground void-subsidence-compensation cycle, leave alone measure it, thus creating the impression that closing the underground mines would be the final solution.

In its 25 years or so of existence, ECL has never thought of setting up its own research and development (R and D) establishment. It has at all times been lured by the hi-tech sophistication of coal mining in other countries. The results have often been disastrous. Machinery has been left unused, rusted machines have failed to perform, millions of rupees have gone down the drain. Unauthorised, informal coal mining is rampant in the region, and often goes on right under the nose of the mining authority. Sealed and abandoned collieries are broken open and coal from pillars and sidewalls is extracted without resort to sand filling. In open-cast mines too theft has become a fact of life.

The basic problem is that ECL has never tried to set its priorities right and never looked beyond immediate economic concerns. The environmental problems of the region, as a result, have reached crisis levels. On winter evenings, hundreds of thousands of knee-high stacks of stolen coal go up in flames along the streets and in residential yards. The smoke floats at eye level – as it is unable to rise against the heavy air – making a visitor to the area wonder how a human being can breathe such air. The dispossessed peasants take to 'illegal' mining. The mafia is more involved in illegal coal trade.

Thus, there are intricate environmental and human dimensions of the problems of the region, and a simple cost-benefit analysis is not adequate at all. Another grey area that ECL has overlooked is that human productivity is low because of lack of skills and poor health. Building up human resource potential has never been one of the company's strong points. The stress on open-cast mines at the cost of underground ones also needs closer examination. How far is the viability of open-cast projects real and how far only apparent because adequate measures of environmental protection are side-tracked? Finally, this whole chapter has once again brought out of the closet some old issues: the question of a state's right to earn revenue on its natural resources, coal pricing policy, etc.

Given a scenario of foreign private companies operating in the region, one can only try to visualise the shape of things to come in a limited way. There is no doubt that state policing to protect the environment and the rights of disadvantaged groups would have to be at a very high level. Given the state of Indian corruption any hope for such a state of affairs would be illusory. And given India's dismal track record in managing environmental matters through state initiative, one shudders to think what these private/foreign companies would do once they enter the coal mining regions. Many old inhabitants of the region have not forgotten the days of 'company raj', when the main objective of the small entrepreneurs was 'more hole, more coal'.

ECL has proved no different from its predecessors with regard to environmental matters. Instead of trying to clean up its act, it now wishes to liquidate itself and hand the region over to a new breed of profit-seekers. While transnational mining companies, forced by governments, follow very strict environmental guidelines on their home turfs, there is no guarantee that they would do so in India too. Remember Bhopal?

# Community and Identities

## Interrogating Contemporary Discourses on India

Surinder S Jodhka

*The notion of community is being invoked not only by social scientists engaged in understanding Indian social and political processes, but also by parties on the right and the left in their mobilisation and in the official discourses on development law and common civil code. But in most of these discourses, the internal structure of the supposed communities invariably gets elided in favour of a notion of moral bonds and cultural authenticity.*

THE decade of the 1980s in India will be remembered for many things. Apart from other changes and shifts, it was in the 1980s that the new social movements emerged in India. The 'new' mobilisations by women, farmers, dalits, tribals and ethnicities raised issues and demands that could not be easily understood or dealt with in the then dominant theoretical and political paradigm, the paradigm of development. They questioned the basic premises of the state-directed developmental programmes, being pursued with much enthusiasm in the name of welfare and progress. Coupled with other changes, the 1980s saw the erosion of the 'Nehruvian agenda'. This 'paradigmatic crisis' also provided a context for new debates on subjects like secularism, development and modernity, eventually leading to important theoretical shifts in social scientific enterprise and its research agenda.

Prominent among these was an increasing preoccupation with the study of social identities, such as nation, ethnicity, gender and caste. Questions of identity and culture had perhaps never been so important for the social science disciplines of sociology, anthropology, history or even geography as they are today. This new interest in identity is not confined to India alone. At the global level also the study of culture and identity have become major themes for research, particularly after the emergence of various kinds of separatist movements and ethnic conflicts in different parts of the world.

While these 'new' trends have definitely helped in opening-up fresh questions for research and politics and offer useful frameworks for social analysis, in certain instances they have also led to the revival of some 'old' concepts. 'Community' is one such concept that has been invoked rather frequently and often uncritically in a variety of contexts. Together with 'civil society', the categories of 'community' and 'identity' have come to dominate the social scientific discourses on India. The contemporary revival of 'community' is

perhaps best exemplified by the manner in which questions of environment, displacement, ethnicity, diaspora, human rights, and caste politics or even health are being articulated today.

The notion of community has also been invoked by an increasing number of social scientists who are critical of understanding Indian social and political processes through the western categories, particularly the categories that give centrality to the so-called 'rational individual'. Many of these scholars, sometimes also called 'nativists' or 'post-modernists'/'post-colonialists', have argued that there was a need to give some kind of political recognition to the fact that in the Indian society, community linkages and loyalties continued to be important in the everyday lives of the common people. For some recognition and revival of community was important because it could become a medium through which one could counter the growing violence and alienation in our society and protect the native cultural traditions. For others, recognition of community differences was important for a genuine democratisation of the Indian society. It was only through such recognition, they argued, that the process of homogenisation that was first initiated by the colonial rulers but was being continued by the post-colonial state as well, could be countered.<sup>1</sup> Sarah Joseph has recently argued that despite variations in their positions, the 'communitarian' thinkers in India, more or less, agree on: the advocacy of the politics of difference; accepting communities as legitimate actors in the democratic politics; and a project of giving voice to the subalterns [Joseph 1997:2517].

The new discourse of community is not confined to academics alone. It has permeated the ideologies of political parties on the right and the left, and is freely used to consolidate support for struggles against a variety of enemies, be it the multinational corporations, globalised media, consumer culture or in communalist mobilisations. The category is being extensively used in

the articulations of contemporary identitarian politics. Even in the 'official' discourses on contemporary India like those of development, law, or the common civil code, the notion of community is invoked rather frequently. 'Communities' are being viewed as 'some of the most active agents of political practice' [Chatterjee 1998:282]. In most of these discourses, the internal structure of the supposed communities invariably gets elided in favour of a notion of moral bonds and cultural authenticity.

In order to examine and interrogate the contemporary discourses on Indian society, the department of sociology at the University of Hyderabad organised a national level workshop on March 19 and 20, 1998, where scholars from different parts of the country presented their working papers by taking up different contexts of the uses of the concept of community in identitarian politics as well as in other contexts. The papers presented could be broadly divided into two categories. In the first category were the papers that dealt with conceptual issues relating to the two concepts, community and identities. In the second category were the papers that took up specific contexts or case studies of various identitarian movements where the notion 'community' has been invoked as a central category.

### COMMUNITY AND IDENTITIES: CONCEPTUAL ISSUES

In the opening paper on 'Conceptualising the Concept of Community in Indian Social Science: An Anthropological Perspective', Carol Upadhyia contended that community had played a central role in the development of sociological discourses on India. There had been a long tradition of 'imagining' India through the categories that constructed it as the oppositional other of the west. India was often seen as an example of *Gemeinschaft* (or the community) type of social organisation, composed of primordial bonds of blood, territory and culture. The Indian social institutions –

jati, village, religious sects – were often seen as examples of traditional communities. At the other end, the modern western society was defined as being characterised by individualism and associational institutions, the *Gesellschaft*. While much had been written about community/individual, east/west and other such dichotomies, Upadhyaya pointed out that there was yet another dichotomous pair embodied in this discourse which had rarely been talked about and which might actually be even more fundamental: the opposition between the realm of culture and that of economy. One of the forms in which this opposition between culture and economy appeared in the Indian context was in the 'caste vs class' debate of the 1970s where for both sides caste was defined as some kind of socio-cultural unit or an ideological system based on the religious system of hierarchy, and class was seen as an economic phenomena. Another problem with this conceptualisation of caste was that in this framework, castes or jatis were defined not only externally in terms of their position within a hierarchical structure but also internally in terms of relations of kinship and marriage, a kind of 'primordial' unit that came to be equated with community, which in turn was identified as the locus of cultural tradition and identity.

The outcome of this theoretical trajectory was the identification of 'culturally' defined groups (ethnic, religious, caste) as the authentic units of social organisation in India. The recent assertions by communitarian writers that the 'real' submerged community had supposedly been repressed by a non-authentic and all powerful state, itself a product of imposed and alien 'modernity', had given a new lease of life to a notion of community that had its roots in the older sociological tradition. This one called the substantivist approach to community in Indian sociology.

There was also another approach to 'community' in India, as Upadhyaya pointed out, a constructivist approach. According to this position, most of the communities that we see today and the identities on which they were based, were not survivals from the pre-colonial times but were the creations of colonialism. Following Foucault, many of the constructivists had argued that through its disciplining and authorising practices, it was the colonial state that created a civil society in line with the demands of governing and controlling large populations. One example of this tradition was Dirk's thesis on caste. According to him, Upadhyaya stated, the

colonial regime robbed the caste system of its former political base and reconstructed it as a primarily religious or cultural institution that came to be seen as the authentic basis of Indian society.

Much of the recent works on ethnicity and nationalism in other parts of the world had also moved towards a constructionist approach. Operating in a very different notion of culture, the recent anthropological works on identity had pointed out that it was no longer possible to presume that a social identity or tradition linked to a particular 'community' had an autonomous or authentic existence, and that it had been simply appropriated for political ends by an identitarian movement. Rather, traditions and identities were seen to be constructed in complex ways in an ongoing process of cultural production, which included politically motivated objectifications of culture, embodied in emblems of identity which represented the distinctiveness of the community or ethnic group. Thus, constructivists would argue, to understand the formation of any particular identitarian movement or social collectivity, one must look at its cultural specificities and the political and historical context in which it had arisen, and at the ways in which particular symbols or practices had been invoked and reworked by people in their strategies aimed at producing active political collectivities.

However, the constructivist position was also not free from problems. Taking on from some of the recent debates in American anthropology, Upadhyaya pointed to objections raised against the constructionist position. The constructionist position like the substantivist or the 'primordialist' notions of community, claimed to be located outside the identity politics and spoke from an objectivist/modernist stance. This raised questions about the politics of the constructivist position itself. There was no free market in the interpretations of the past. While on their part, the constructivists might be trying to argue against the tendency to reify communities and identities, the other side saw their theories simply as reassertion of the representational authority of scholars vis-a-vis indigenous groups. Further, by insisting on the fact that all identities were constructed, such a position tended to disempower those who were working within the identitarian politics.

Commenting on the Indian context, Upadhyaya contended that while the constructionist position was put forward for colonial discourses and practices as sources of modern identities, it had not yet been extended up to the present to examine

the ways in which such identities continued to be politically constructed. Also, she underlined the need for understanding the relationship between academic knowledge and the knowledge practices of the state or the social movements. Further, much of the recent literature produced by the communitarian scholars continued to work with the 'culture-economy' dichotomy assumption. There was a tendency to valorise community as an authentic social unit and a political actor because it was seen to belong to the realm of culture and was often counterposed to the supposedly non-community formations – state, market, class – that were by definition viewed as non-cultural and therefore non-Indian.

Another paper, 'The Eclipse or the Renaissance of "Community"' by Ravinder Kaur, also focused on conceptual issues. Travelling through a history of the concept of community, Kaur explored the relationship between 'community', civil society and identity. In much of the western classical evolutionist social science, 'Community', Kaur argued, was often viewed in positive terms, though simultaneously imagined as something that belonged to the past. However, within the western sociology, there was also a tradition that viewed community negatively. The Chicago school, for example, conceptualised city as a space devoid of community. Community, for them could be found only in the neighbourhoods inhabited by the new migrants from rural settings, in the ghetto and the slum. These communities were viewed as the survival of primordial values that could be potential sources of tension and violence in cities.

In the next part of her paper, Kaur pointed to the critical place that the nation state had come to acquire in the contemporary political discourses. Following Partha Chatterjee, she argued that capitalist society was able to ideologically reunite capital and labour at the level of the political community of the nation. The nation state defined itself in terms of an oppositional other of the natural and primordial community. This European idea of nationhood that privileged the nation as the only legitimate form of community over most of the other forms of communities and identities, Kaur argued, had been duly propagated in the post-colonial third world societies as well.

Further she pointed out that in much of the contemporary discourse on 'state and civil society', state was represented as despotic, overbearing and a site of control, while the civil society was viewed as the victim to be saved and protected. However, such an uncritical and romantic view of

the civil society and community, Kaur argued, could have its own problems. Civil society could also be a site of contention and competition. Communities, she argued, were not homogeneous entities; they consisted of a variety of groups differently and unequally placed within society. They constituted themselves through symbolic processes in order to claim space for themselves, in order to protect their privileges, structures of prestige or to prevent their annihilation. Also communities had two different faces. One, as it appeared to its members from inside; and two, what it looked from outside to others.

Through an exposition of some of the recent writing of Partha Chatterjee, Sasheej Hegde in his paper on 'Identities?' initiated a discussion on the question of modernity as a contextual/contested terrain. He quoted from Chatterjee that "one ought to question commonsensical notions about the existence of certain universally held values of modernity" and suggested that "modernity was a contextually located and enormously contested idea". "True modernity consisted in determining the particular forms of modernity that were suitable in particular circumstances". Chatterjee had underlined that "by teaching us to employ the methods of reason, universal modernity enabled us to identify the forms of our own particular modernity".

Production of a distinctly national modernity that was different and suitable to our circumstances was the cultural project of nationalism. Today in the age of globalisation, the tendency seemed to be more towards homogenisation and there seemed to be an emerging conflict between 'modernity' and 'democracy'. Thus, there was again a need to 'mobilise the courage' that marked the nationalist phase. One possible way of doing this, as Hegde cited from Chatterjee, was to "take a fresh look at some of the conceptual components that claimed to tie together local structures of community with territorial nation-states". One needed to "understand the structure and dynamics of mass political formations in twentieth century nation states". Further, it would be useful to think of a 'domain of mediating institutions between civil society and the state', a distinct sphere of what Chatterjee called, 'political society', a concept that could help us go beyond the traditional/modern dichotomy. Although community had a very tenuous place in the western liberal theory of civil society and state, "in the new political society of the east, communities were some of the most active agents of political practice". For Chatterjee the solution to

this problem was possible through the use of his concept of 'political society' which could enable us to understand our own specific form of modernity. This was an answer that emerged from within the project of modernity.

In his concluding remarks Hegde contended that Chatterjee's theoretical solution seemed to give much significance to the question of location (their vs ours). The problem however, was not "in determining historical inheritances, plainly not only a question of location, about whether there can, or need be, only one historical heir; but this is as much true about them as about us".

In yet another paper on conceptual issues, E Haribabu argued that the popular representations of the 'scientific community' as "an exotic group insulated from the wider society" had serious limitations for understanding the cognitive and social organisation of science. Following this he also made a general comment on the notion of community itself. In plural societies like India, he argued, representations of communities as distinct and unique world-views tended to fragment the society. It also undermined the possibilities of trans-community alliances. He pleaded that the social scientists needed to look at the internal differentiation among groups and 'communities' that could open up possibilities of alliances among those sharing similar material conditions for creative political action.

#### SPATIALITY AND COMMUNITIES

In his paper on 'Thinking Spatially about Communities', Satish Deshpande argued that despite its enthusiasm for the blurring of boundaries and the seamless implosion of locality into globality, the burgeoning literature on globalisation told us very little about the concrete spatial re-articulations effected by globalisation. An apparatus attuned to change, movement and incongruity could not help being relatively insensitive to the counter-pressure exerted by the resilient but unspectacular continuities present in every specific context. Moreover, the sharp focus on the local and global extremes of the spatial spectrum left blurred the intermediate levels of micro-region, region or nation state.

Thus, Deshpande suggested that there was a need to work against the grain of the globalisation literature in order to highlight the sub-global spatial processes involved in the formation of communities and the political harnessing of socio-cultural identities. The intermediate levels being the key to a grounded understanding

of contemporary spatial re-articulations, not all of which were well served by the omnibus label of 'globalisation'. Basing on the work he is currently doing on the 'Bombay Karnatak' region of northern Karnataka, and the city of Hubli, he offered two illustrations in support of his argument: the first emphasised on the raw materials and the social mechanisms involved in the fashioning of a cultural (in this case, regional) community; the second looked at the more active aspect of community identity and its recruitment for particular political agendas in the case of the flag hoisting controversy at the Idgah Maidan in Hubli. He also pointed to the significance of addressing methodological questions, such as, what could/should count as evidence for arguments in this area? How could such evidence be collected?

Commenting on the political harnessing of identity in the region and the Hubli town, he attempted a comparison of the spatial aspects of two Hindu communal campaigns, the Ayodhya (Babri Masjid/Ram Janmabhoomi) campaign; and the flag hoisting campaign at Idgah Maidan, Hubli. He argued that due to the specific spatial geography of the city, and the location of the Maidan, the underlying justification for the campaign in case of Hubli was less abstract (and hence more dependent on the concrete experience of the Maidan site) than in the Ayodhya case. He concluded his paper by reiterating the importance of intra-national, i.e. regional and sub-regional, levels in understanding the significance of globalisation. For it was only when we were able to compare how identities were formed/harnessed 'before' and 'after' globalisation that we could evaluate the difference made by this process.

#### 'COMMUNITY' AND ITS MOBILISATIONS

As mentioned above, the focus of the workshop was on the ways in which the category of 'community' was being mobilised and invoked in order to articulate various forms of politics ranging from 'jantitarian mobilisations to environmentalist movements. Much of discussions in the workshop were mostly centred around, what Upadhyaya called, a constructivist notion of community.

A R Vasavi, in her paper on 'Narratives in the Re-Constitution of Communities', argued that in the contemporary political discourses on India, much attention was being paid to the increasing presence or emergence of 'communities' as 'political actors' in the public domain of the nation, and to the resulting community-state interfaces. The literature on the emergence

of communities as 'political actors' tended to assume their ability to contest and challenge dominance especially when their cultural and economic rights were threatened. However, the terms by which the communities were being reconstituted were not so simple in nature.

Narratives from the nation state, capital and culture combined in various ways and degrees to re-constitute communities. Vasavi argued that invariably the ability of different communities to challenge state dominance and capital narratives or to emerge as effective 'political actors' was dependent on the class and caste position they occupied in the national stage. While the communities located closer to the political and economic centres of the nation and those who enjoyed a high social and ritual position were able to galvanise and pit themselves against others in the public domain and influence the state or the capital to suit their interests, others who lacked political, economic and social bases remained marginal and silent despite significant re-constitution of their community structures and identities.

Vasavi also pointed to the variations in which communities experienced and engaged with the 'private' and 'public' domains. While the poor and marginalised had experienced an erosion of their private domains, marked especially by the intrusion of the state into their reproductive capabilities, productive activities and their cultural representation, the rich were witnessing a retrieval and expansion of their private domains. The public domain was also experienced differently by the poor and the rich. While the public domain was more accessible to the rich, its access was limited to the poor. The variations in the re-constitution of communities and their position *vis-a-vis* the public domain was also the undergrid of the constitution of the larger civic community.

She elaborated her arguments by taking up three case studies. First, the lingayats of Karnataka, who, in order to reconstitute themselves into a community were engaged in turning cultural images into sectarian icons; second, the nadars of Tamil Nadu, who had successfully reconstituted their community through 'a narrative of capital'; and third the spate of suicides by farmers in north Karnataka and Andhra Pradesh.

By privileging norms of productivity over ecological sustenance, independent success over collective growth, income generation over equitable distribution of resources, the agencies of nation state and capital had altered the logic of agrarian life. But unlike the nadars who could exploit these opportunities offered by the

expansion of markets to reconstitute their community, the marginal farmers became victims of the new narratives of the nation state and capital. Participation in commercial agriculture also meant a disengagement of these farmers from their previous social and cultural ties with the village. The loss of crop or indebtedness thus become individually and singularly-borne burdens. It was this form of construction and experience of crop loss that accounted for the spate of suicides by farmers in a region that had a history of frequent and prolonged periods of crop loss, from either drought or pest, but there were no records of suicides in the past. In the pre-capitalist agrarian settlements members of the 'community' came together at crisis times despite the glaring disparities prevalent in the agrarian structures. The increased integration of agriculture into the market economy had not only separated the economic sphere of life from the social and cultural spheres but had also made the latter subordinate to the former.

#### COMMUNITIES AND POPULAR CULTURE

Speaking from a feminist standpoint and placing herself on the side of those who had critiqued the 'nativists' and the 'communitarians', Sharmila Rege in her paper- entitled 'Some Issues in the Conceptualisation of Popular Culture of Communities: The Case of 'Lavani' and 'Powada' in Maharashtra' contended that timeless and undifferentiated conceptions of the indigenous, recoveries of Indian self and communities had little for those pursuing a feminist and anti-caste political agenda. A boom in cultural studies in the north American academia had also led to a boom in studies of third world histories and cultures, characterised by a back-to-community approach. Invoking Sarkar, she pointed to how the class and material critiques of capitalism had been replaced by a critique of colonial discourse. The politics of recognition had come to replace concern for economic justice.

Empirically, her paper focused on a mapping of the shift in use of the concept of popular culture of communities, worked out through a historical account of the changing forms and representations of Lavani and Powada art forms of Maharashtra. The Lavani (an erotic folk form of dance) and the Powada (ballad) had persisted as popular forms of culture even as their content and form had undergone several transformations. These forms had been 'produced' for different sections in society at different times. Her paper traced these processes of production of the popular, of appropriation of the form for

social mobilisation by political groups and for identitarian politics across shifting sites of religion, castes, regions and lately diasporas. Through a teasing out of the internal hierarchies within the 'supposed community forms', her paper tried to underline the impossibility of a sharp demarcation between the alien and the culturally authentic and indigenous.

#### COMMUNITY AND CONSERVATION

In her paper on 'Cultural Conflict over Conservation: Eco-development in the Great Himalayan National Park, India', Amita Baviskar provided an account of the interface between 'community', state and the market. Covering an area of 765 sq km in Kulu district, the Great Himalayan National Park (GHNP) came into existence in the 1980s under the Wildlife Protection Act. A conflict had been going on in the area between the forest development bureaucracy and the local population over the villagers' rights to the resources within the park. Baviskar argued that the state discourse on conservation of bio-diversity and eco-development often pitted the local communities against wildlife. The local communities were invariably represented as the main agents of degradation and, in such a discourse, a transformation in their way of life was seen to be crucial for the transformation of the landscape they inhabited. The basic thrust of eco-development was to divert biotic pressure from the protected area. Though it was

### THE THIRD SEX AND HUMAN RIGHTS

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quite like other programmes of rural development, it began with the assumption that wildlife conservation was a priority that overrode people's rights to resources within the protected area. Thus, the underlying philosophy of eco-development of the post-independence state was not very different from the colonial rulers with regards to the rights of the local people over the forest resources. The local people invariably suspected the instrumental concern the state agencies showed towards harnessing indigenous culture by removing human pressure on natural resources and by creating alternative economic opportunities for them.

From the very inception, the GHNP project provoked a fierce controversy between the forest department and local villagers over the meanings and motives of eco-development. Claims about culture, resource use practices, worldviews and knowledge were central to this debate. Through the help of a non-governmental organisation (NGO), the villagers contested the assumption that local resource use was inimical to the objectives of wildlife management. The NGO argued that the traditional resource use by the local villagers was based on sound ecological principles that had always promoted, or at least maintained the interests of wildlife. By posing local management practices as superior to the scientific claims of the park authorities, the NGO could shift the terms of the debate away from a 'park versus people' confrontation to a scenario in which village and wildlife came to be projected as having common interests which stood threatened by a forest department bent upon disrupting the fine ecological balance between the two.

However, the notion of 'indigenous culture' that naturalised and legitimised claims of villagers to graze livestock or to collect medicinal plants inside the park also had other implications. In re-inventing themselves, villagers froze their culture in time and space what was fluid and varied on the ground. Villager's actual practices did not necessarily conform to the idealised notion of 'culture' that the NGO/villagers projected. While reasserting the role of indigenous knowledge and challenging the scientific hegemony of the forest department, people had been compelled to construct a new myth, glorifying the traditional culture and representing it as timeless and unchanging.

Further, all villagers were not equally enthused by such a representation of the village culture and community. The extent to which different villagers supported the political use of such a representation was

closely related to how they were responding to the opportunities opened up by changing institutional structure, particularly the market. With the expansion of road network and improved transport and communication, the economy in the region had undergone drastic changes. Horticulture had emerged as a lucrative alternative to subsistence agriculture. Enhanced link with cities had also fostered the collection of medicinal plants. Commercialisation of 'traditional medicines' had created a new market for the locally grown medicinal plants. Different species of plants began to be collected in bulk and were sold to the traders. While the local traders made profits, the increased demand for medicinal plants also fed the poorer families. The economic differentiation in the village community also influenced the political responses of different categories of villagers to eco-development. It was the poorer and middle income sections who provided the groundswell of opposition to eco-development. Even among these sections, the younger generation was more inclined to learning skills that got them jobs in the town and the servicing sector. However, even though the trend among the better off sections and the younger generation was towards the market, they appreciated the importance of 'indigenous knowledge and local culture' as a purely political symbol of strategic value in mobilising their community against the state.

#### CASTE AND COMMUNITY

As mentioned earlier, community is not merely a category that is being used in the social sciences, it has permeated even the popular political discourses and it is being used and deployed by various social movements to articulate their own self-identity. The discourse of community has recently become quite popular in the caste politics. The workshop had two presentations on the subject.

In his talk on 'Dalits in Search of Community', Gopal Guru offered some critical observations on the ways in which the discourse of community was being increasingly invoked in different articulations of the contemporary dalit politics in India. He emphasised the need of contextualising this increasing use of the concept of community. There was a need to ask questions like where such a debate was being carried out? Who was involved in such debates? And why was one involved in such a discourse?

Guru argued that at a time when there was a widespread process of the decomposition of communities, there seemed to be

an attempt at constituting dalits into a community from many different quarters. It was not only the colonial state that had vested interest in reconstituting dalits into a community. Even the modern Indian state had stakes in such a process. The Indian state was trying to constitute dalits into a 'dole receiving community'. This project of constituting dalits into a 'dole receiving community' also had support from some of those who claim to represent the dalit interests.

The community logic seemed to have become so overpowering that even if an individual dalit wished to escape it, he/she was not allowed to escape. The reservation policy, for example, was being seen as a community resource rather than an individual right. If a dalit had taken up a job under the reservation quota, the 'community' raised objections if he/she wished to change the job for the fear of it being de-reserved. The community logic had become so widespread that when a dalit male wanted to marry an upper caste girl, the 'community' opposed it and he was accused of distorting the communitarian resources.

D Parthasarthy in his paper on 'The Ambiguities of Categories: Community and Identity in the Kapunadu Movement' provided an account of the manner in which the discourse of community was used in the caste mobilisations in Andhra Pradesh. His main focus was on a movement that brought various 'backward' castes in state together. Though the immediate issue was an instrumental one: inclusion of these caste groups into the official list of backward classes for the reservations, the mobilisations also led to the formation of a new identity.

The movement took off in 1985 with the formation of Kapunadu Mahasabha bringing under its umbrella several cultivating caste groups with a similar position in the caste hierarchy, below the dominant castes and above the dalits. Attempts were made to imitate the mobility patterns of the kammass, by forging marriage alliances across regions and sub-castes and by setting up educational institutions. Though their success was limited, the rhetoric was primarily used to popularise the notion of community. Further, the movement was also directed against the overall dominance of the kammass in the coastal region. However, kammass being referred to as a community in the popular usage, Parthasarthy argued, kappus, by a dialectical process began to see themselves as an exploited and dominated 'community' rather than simply as a backward 'class'. The objective class



situation of the majority of the kappus, largely poor peasants and urban lower middle classes, alienated and insecure by nature, made them adopt the intermediate category of community rather than class or caste for self-identification.

The social movements and identities in the region reflected the absence of a developed industrialised capitalist economy and the consequent lack of a fully developed class structure. The ambiguity of community in Kapunadu epitomised the class location of kappus within an economic structure characterised by rural-urban capital flows, and the presence of the same dominant class in both rural and urban areas with similar patterns of social, political and economic behaviour.

#### RELIGIOUS COMMUNITIES

More than anywhere else, it is with reference to the religious groups, particularly the minority religions, in India that the term 'community' was deployed most commonly. This frequent use of the term to refer to the minorities has created a general impression that followers of the minority religions constituted homogeneous groups. Such an impression obviously has political implications. There were several papers focusing on various aspects of the 'religious communities' in India.

Rowena Robinson in her paper 'Fluid Boundaries: Christian Communities in India' contended that when viewed as groups at the level of sustained social action and interaction, lifestyle, custom and mores, the so-called religious communities, showed themselves as fractured if not, indeed sequestered entities, each having a different history and social trajectory. Thus, she argued, when we talked about the Indian Christians, we need to look at them as different communities, belonging to various denominations, each arising out of a particular social milieu and drawing on it in construction of its own identity rather than one single 'community'. Though there was a sense of association between separate groups due to their formation into larger bodies, distinctiveness marked the everyday life.

Drawing on regional traditions, different groups constituted their identity in unique and complex ways. There had been a variety of diverse ways in which the Christian communities had negotiated their relationships with the regional Hinduism and the local cultures in the drawing of group boundaries. The relationships of missionaries or converts to their own culture and to the state authorities; the relationship

of the converts with the missions, their own expectations of it – both social and material; their location within the particular regional socio-cultural order; and the character of their association with other social groups within that order were some of the elements that played important roles in these negotiations.

The constitution of community identity for different regional groups in relation to the cultural patterns within which they were embodied included idioms of caste, ritual and symbolic codes, ideas of kinship, patrimony and marriage. She elaborated in her paper on how the converts carried their caste identities with them even as they shed their religious affiliations. This was particularly the case when conversions took place on group basis. Further, those from the upper castes invariably refused to give up their caste entitlements and carried them across the 'religious' divide. She also pointed to the fact that the Christian missionaries had not always and everywhere unequivocally opposed caste, or all its implicated distinctions.

Pointing to some of the recent trends within the Indian Christianity, she emphasised that identities do not remain immutable and unchanging. Identities of Christian groups were being reconstituted today in radically new ways in the complex social and political environment. One such example was that of the coming together of the church as a whole in support of the political mobilisations by the dalit Christians demanding the reservation benefits as given to the scheduled caste Hindus.

There were two papers dealing with aspects of the Muslim community. As a part of his broader project on 'how people negotiated between large- and small-scale identities, and how they actively engaged in the construction/destruction of different identities', Syed Ali in his paper on 'Marriage, Caste and Muslims in Hyderabad' examined the different 'strategies regarding caste considerations in marriage' among the different groups of Muslims in the city. On the basis of his ongoing fieldwork in the city, he argued that in deciding who married whom, the importance of caste varied between different categories and groups of Muslims in Hyderabad. There were three major strategies regarding caste in marriage: first, to downplay caste and ethnicity in favour of other factors such as wealth and education; second, to allow caste to play some role in matchmaking process; and third, to treat caste as a predominant concern. These three were not always exclusive strategies. They, at times were also mixed

up. By examining the patterns of marriage, and the factors that went into deciding who married whom, he tried to show how the importance of caste varied between different categories and groups of Muslims.

He argued that caste among the Muslims in Hyderabad was something like a 'symbolic ethnicity', a kind of leisure time identity that had no socio-economic or political repercussions. The symbolic caste lacked any kind of semblance of community, of marriage circle, of boundaries.

In another paper titled 'Of Rushdie Affair and Community Descriptions', Rekha Pappu provided a map of the way media recorded the controversies around *The Satanic Verses*. Through a discussion of the newspaper debates, she examined some of the conceptual certainties that directed the debate primarily in relation to issues such as 'sovereignty', secularism and modernity. She tried to explore different moves by which the identity of the 'Muslim community' was fixed in the media debates.

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The framework within which the question of human rights was raised in the debate tended to equate human rights exclusively with individual rights. Such an equation was premised on configuring it as the obverse of modernity. By the very logic that had constituted the modern notions of freedom, faith became a matter of personal resolution and its public expression was thereby rendered absurd. Empirically her paper was focused on the debates that were carried out in the Indian context and on how the anxieties and aspirations were articulated and endorsed in the process of the Rushdie debate here.

#### COMMUNITY, IDENTITIES, POLITICS

As mentioned above, the issues of community and identities have acquired compelling significance today not merely because of the academic interests in these questions, but mainly because since early 1980s, the discourse of community had come to be used in the different types of identitarian movements. Most important of these being the communalist mobilisations that acquired a new dimension during the 1980s. Sujata Patel in her paper, 'Shiv Sena, Culture and Community', argued that it was no more possible to explain phenomena like the Shiv Sena through conventional methodological tools that looked at the way such a formation articulated its ideology. Such an exercise did not help much specially in case of the Sena because one often found contradictory versions being articulated.

She argued that in order to explain the consolidation of its social base in Mumbai, particularly during the 1980s, one needed to understand the connection between the restructuring of the urban economy of Mumbai and the rise of Sena. She asked for an ethnographic approach to understand the manner in which Sena carried out its political mobilisations. The arrival of Sena politics had shifted the locale of political mobilisations from trade unions to residential units. Therefore, one needed to look at the 'site of social organisation of the new economy'. These sites were those areas where the production of food, leisure and space took place. The 'vada pav' stalls, the video parlours, the club and bars, the paan shops, the retail trade outlets, the film industry, the cultural festivals all became sites for social organisation as well as for the construction and transmission of the meanings. Locality was often valorised in such mobilisations and was used for violent interventions. The politics of space reinforced the fetishism of locality and

one found a spurt of violent activities. Through this wave of political presence an incremental presence was posited rather than an expansion of a democratic space through redefining of the state-society relationship as it generally happened in identity movements.

In the concluding paper G Haragopal spoke on the 'The Rise of Hindu Fundamentalism: Brahmanism vs Bahujanism'. He dwelt on ideological and institutional aspects of the brahmanical Hinduism and the manner in which it had developed over a long period of time. While at the level of ideology, Hinduism appeared flexible and catholicist, at the level of practice, it tended to be rigid and obscurantist. The obvious proof of this was the caste system, which had 'an authoritarian hierarchical order and rigidly laid down boundaries and barriers for social interaction'. It was because of these oppressive practices that a large number of dalits had converted to Islam and Christianity in the past. In more recent times with the introduction of judicial reforms and some developmental programmes, dalits had begun to assert themselves in a different mode. The rise of bahujanism was a direct consequence of these changes.

Reflecting on the rise of the dalit identity movement in form of bahujanism, Haragopal argued that though this movement has had many positive effects, it still was to mature into an effective intervention for social transformation. On the positive side, bahujanism had been able to create new consciousness among the poor and had been able to mobilise them into effective electoral alliances. In the process, it had worked as a 'speed-breaker' against the Hindu fundamentalist politics. However, the excessive emphasis on identitarian politics had also created some knotty problems for the bahujan movement. It tended to overemphasise the caste question and tended to target the brahmins alone in its cultural struggle. There was a need for the bahujan movement to enter into broader alliances with other democratic movements for a viable transformative movement against brahminism.

As suggested in the title itself, the main thrust of the workshop was on critical interrogations of the contemporary discourses on India by focusing on the twin concepts of community and identities. While the participants were critical of the different ways in which the notion of community was being invoked by different identitarian movements as well as in some other contexts and most speakers used the term community in double inverted

commas, the mood was not one of dismissiveness.

#### Notes

[I gratefully acknowledge the help received from Sanjay Palshikar, Muthuraman, C Suvarna, G Rajesh, Ramesh Bairy, Hema Malini and Sneha Sudha in the preparation of this note. Errors and omissions, if any, are obviously mine.]

- 1 In its most simple form, such a view could be found in the writings of Vandana Shiva and Ashis Nandy. Attributing the crisis in Punjab during the 1980s to the success of green revolution technology, Vandana Shiva, for example, argued that the violence in the state was a direct consequence of the developmental process experienced during the earlier two decades. According to her, the extensive use of 'external inputs' not only changed the ecological process of agriculture but also transformed the structure of social and political relationships. It weakened the earlier relationships based on mutual obligations among cultivators within the village and made them more and more dependent on the market. Thus for her, it was the breakdown of the village community that explained the violence in Punjab [Shiva 1991]. Similarly, Ashis Nandy has been arguing that much of the religious and ethnic violence in the contemporary south Asian societies could be attributed to the forced breakdown of the 'traditional community' by the dominant westernised ruling elite in these societies. In his defence of the 'traditional community', Nandy has argued that the project of development and secularism brought with it the callous impersonality and massification of market-driven societies that destroyed age-old institutions of sociability and community-living without putting anything else in their place. The traditional structures, as he would argue, were not simple and inflexible. Left to themselves, these community structures had more effective civilisational resources than the institutions of the modern state to resolve disputes, tolerate differences and allow for the development of a better-adjusted and more accommodative personality. The crucial institutions here were those that belonged to the 'little traditions' of local community life which were the product of many centuries of coping with social change [as summarised in Chatterjee 1998]. In a different way, scholars like Chatterjee and Kaviraj have argued for the need to recognise the significance of 'community' for understanding the political process in contemporary India [Chatterjee 1994; Kaviraj 1992; for a brief summary see Joseph 1997].
- 2 Sharmila Rege could not come for the workshop but had sent her paper which was read by Aparna Payaprol.

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## Non-Brahmin Renderings of Feminism in Maharashtra

### Is It a More Emancipatory Force?

Chhaya Datar

THIS is in response to Sharmila Rege's paper, 'Dalit Women Talk Differently: A Critique of 'Difference' and Towards a Dalit Feminist Standpoint Position' (*EPW*, October 31, 1998).

I appreciate the author's efforts to chart in a comprehensive manner the recent history of dalit women's movement and its theorisation in Maharashtra. She has tried to locate this phenomenon and the theorisation in the context of the debate between post-modernist feminists from among black women and women from the third world and the standpoint theorists who believe that for a political action one needs to have a standpoint which is worked out in such a manner that it mediates the complex reality of hierarchies of colonial domination, race, class, caste and gender.

In critiquing the need for dalit women to talk differently Rege evolves a more forceful position and declares that the dalit theorisation and dalit movement should in fact lead the women's liberation movement which has remained constrained by brahminical framework in its attempt to unite all women regardless of their class and caste backgrounds. The present brahminical leadership of the women's movement universalises the experience of women by treating 'woman' as a category and promotes personal politics. Hence despite its claim of being more emancipatory than the working class movement led by the Marxist political parties it has ignored the experiences of dalit women and their special struggles around the oppression suffered under the different layers of hierarchies such as patriarchy within their own castes and the patriarchy of the dominant castes and caste domination which is represented often in class terms.

According to Rege, the major lacuna in the present feminist theorisation in India is that it has totally ignored a vital contribution by Babasaheb Ambedkar who highlighted the intrinsic relationship between gender, sexuality and caste "the absence of intermarriage or endogamy is the one characteristic that can be called the essence of caste". According to emerging dalit theorisation, all practices such as sati, treatment of widowhood, etc, were used for regulating any transgression

of caste boundaries. Babasaheb Ambedkar has located the specificities and varying intensities of women's subordination by caste and thereby draws our attention to the specificities of dalit women's subordination, both as 'dalit' and as 'women'.

Rege claims that by attributing dalit theory to Phule and Ambedkar it gives them more emancipatory force to intercept many layers of hierarchies at a time. Hence she argues that the dalit women's movement is not a narrow agenda of identity politics but on the contrary is interrogating current feminist standpoint which is brahminical and is also biased by middle class values and visions. Rege says for non-dalit feminists to adopt a dalit feminist standpoint position means sometimes losing, sometimes revisioning the 'voice' that we as feminists had gained in the 1980s. This process, she insists, can transform individual feminists into oppositional and collective subjects.

My first contention is that Rege has placed the current feminist debate within a narrow framework of feminist versus post-modernist streams. She did not present another vibrant stream, ecofeminism, which is attempting to revision the society where women are placed at the centre of natural and social regeneration. This stream consists of many overarching concerns such as ecological destruction, natural and social alike, apart from the usual concerns of colonial, class, caste and racial domination. Ecofeminists focus on caste- and gender-based oppression of dalit women, particularly the women who are losing their livelihoods in the rural areas because of displacement and environmental destruction. They are also questioning the unjust distribution of natural resources, which is one of main causes for mismanagement of natural resources.

Not only does Rege ignore ecofeminism, she criticises the autonomous women's groups and the left party-based feminists for ignoring the caste-based oppression of dalit women. She also takes issue with the post-modernists who talk of 'difference' but do not feel the need to convert multiple voices into social relations that can explain oppression. She tries to put forward her own dalit woman's standpoint in relation

to these two above positions. However, she ignores the fact that both these positions, one from the structuralist perspective and the other from the post-structuralist perspective are part of the same mainstream perspective which does not interrogate industrial, technological paradigm which encourages urbanisation and centralisation. These processes on the one hand create conditions for abolition of old hierarchies but on the other hand recast them into different categories in the changing context of globalisation and its response - fundamentalisation of politics. Although the dalit women's movement may not be part of narrow identity politics, insofar as it does not talk of the materiality of the majority of dalit, marginalised women who lose their livelihoods because of environmental degradation but focuses its struggle mainly against brahminical symbols, it cannot aspire to revisioning of society. It cannot become more emancipatory than the present women's movement.

Also, it is unfortunate that Rege targets what are really stray tendencies within feminism that are preoccupied with sexuality and sexual politics as though they define the second wave of the women's movement. She contends that issues of sexuality are intrinsically linked to caste and sexual politics without challenging brahminism results in 'lifestyle' feminism.

Rege alleges that feminists of left inclination have collapsed class and caste categories and rendered all women 'savarna',<sup>1</sup> and autonomous feminists who agree that dalit women need to take up leadership of the women's movement, do not feel the need to change their own subjectivity, i.e., to reinvent themselves as dalit feminists, leaving dalit women to fight their own cause. This is true by this assertion but the dalit feminist position does not become a superior standpoint. Those who regenerate both natural and societal resources can claim a standpoint and their knowledge becomes liberatory and forms a vantage point for this alternative standpoint. But dalit feminism as it stands cannot become a standpoint. It merely helps inform the liberatory knowledge of other movements, particularly the ecofeminist movement to expand its scope and richness.

The process of capital accumulation uses all kinds of cultural and material hierarchies to get cheap labour and recruit the marginalised population as a part of a reserve army of labour to push wages lower. Cultural revolt becomes useful for pushing the wages up. The demand for redistribution

of natural resources, and capacity building for managing these resources to produce livelihoods, questions the move to privatisation as the only option to the state control of natural resources. Community control and strengthening of local markets can create a sound base for negotiations with global markets if required. Rising fundamentalism at present is a response to the feeling of emasculation in the face of the global forces. A cultural revolt is necessary to counter these forces, but the revolt should get channelised in search of an alternative paradigm.

#### CURRENT WOMEN'S MOVEMENT IN MAHARASHTRA

I would like to present two arguments in the ongoing debate about women's movement being brahminical in the Indian context and particularly in the context of Maharashtra, where women's movement has been quite visible for some time. My first argument is that it is essential to understand the emergence of the second phase of the women's movement in its specific historical context to understand why the need was felt to assert anti-patriarchal struggle at that point of time. Besides, it is crucial to take note of different trends which emerged as the movement got developed, some of which have the capacity to be more holistic and can accommodate rich theoretical explanations offered by many other movements, such as dalit women's movement, nature-based cultural revival movements, and environmental movements.

In brief, the emergence of the second wave women's movement can be traced to 1975, when two events happened. The Committee for Status of Women submitted its report, 'Towards Equality' to the central government in 1974. It was part of the mandate by UN to all the member nations to prepare such a report for the first International Conference on Women's Issues to be organised in 1975 at Mexico. The revelation from this report was alarming – it highlighted through statistics collected through the government machinery that women's status was declining in every sphere. The International Women's Year celebrations also gave space to women in different form despite the declaration of emergency by the then Indira Congress government. Women in and around the left parties including those active in the Naxalite<sup>2</sup> movements and the unions were inspired to talk on women's issues. Academic women who had succeeded as individuals in their own fields, were startled by these facts pointing to the declining status of women.

A second significant event was the discussion of the Mathura rape case in 1980. This stimulated an analysis of patriarchy as structural violence embedded in the present relationship between men and women. There followed the issue of domestic violence in dowry deaths reported by the women in the media. Women's groups all over the country mounted strong protests. The movement gathered momentum during 1980s. It is important to understand these dates because some of the interrogatory questions raised in the paper by the author are factually incorrect. She has asked why the women's movement did not take up the issue of rape of dalit women in 1979 which occurred at the time of the renaming of Marathwada university in Maharashtra as Babasaheb Ambedkar university.

The author has blamed both the Dalit Panther Movement along with the women's movement for ignoring the specific oppression of dalit women. According to her both the movements started around the same period and followed a one-point agenda; Dalit Panthers pursuing the cause of dalit men and the mainstream women's movement fighting against patriarchy, assuming all women to be savarna. The Dalit Panther Movement started in the 1970s. 'One village, one water point'<sup>3</sup> movement was also going parallel under the leadership of Baba Adhav, a non-dalit social reformer. Both these movements converged in 1979, for the demand of renaming of Marathwada university after Babasaheb Ambedkar. The reported rape of dalit women mentioned by the author took place around the issue of renaming of the university, i.e., in 1979. It needs to be noted that many women activists, feminists also joined the renaming struggle at that time. The women's movement had not at that point begun any analysis of violence yet. During 1975 and 1980 the focus was mainly the issue of discrimination in the wage rates and the legal rights at the work place, as many women activists had a left party background.

It was only at the time of the Mathura rape case in 1980 that feminists perceived women as controlled by men in all their life activities such as labour, reproduction and sexuality and that rape was used as an instrument of control by men. The left party women dubbed these feminists as radical feminists who stand 'against' men and want to divide the working class along sexual lines. It also needs to be put down on paper that Mathura was an adivasi woman in Chandrapur in Maharashtra. Another famous case taken up by women's organisations was the case of Ramezabee,

a Muslim woman, in Hyderabad. Hence it is not true that the women's movement never took up cases of rape or marginalised women seriously. In Chandrapur later in 1990 when savarna women attacked dalit women, the 'sampark samiti' (co-ordinating body) of women's organisations sent an investigating committee and publicised the issue in a big way.

The point is that the Dalit Panthers had been already arguing that their women's oppression was not only class-based but it was also caste-based. They reiterated the position long noted by Babasaheb Ambedkar, that dalit women are being sexually used and abused by the savarna men. Dalit Panthers felt it necessary to highlight this aspect because the left parties used to refer only to the class aspect of their situation. It was the natural mandate of the women's movement to bring out the patriarchal aspect in rape incidents against dalit women (particularly mass rape) carried out to humiliate and provoke dalit men. One has to remember that caste-based oppression has been more publicised in Maharashtra because of the Satyashodhak<sup>4</sup> and Ambedkarite movements. It was imperative for the women's movement to inspire the high caste women, the brahmin women and force them to perceive their 'deprived' and hence 'dalit' status and to demystify their insulated, high ritual status.

It has to be remembered that in India, many women activists got radicalised on the campuses during 1970s but their feminism emerged after they started working with the labouring classes, either in unions or among adivasis, unlike in the west. Alongside their personal experiences of being dominated by their own colleagues and menfolk in the family, their inspiration for revolt against patriarchy also came from the powerful voices of the women of labouring classes. Rege has borrowed the analytic of the women's movement from Grant (1993). Grant's work is too narrowly designed to accommodate the concerns of the women's movement in India. Rege notes that feminism of the 1970s had developed in opposition to the left and borrowing from Grant cites three categories, viz, woman, experience and personal politics as central to feminist theorisation. Rege excludes many other trends in feminism in the north and in the world, which are more inclusive of many other issues and have departed from the conventional left analysis in a substantial manner. Feminism may be used narrowly by a few, to justify their personal lifestyle but the agenda of the women's movement is much wider and is based on collective identity.

It is one thing to say [Velaskar 1998] that for understanding dalit women's issues we need a more sensitive and fine grained understanding of patriarchal structures which takes into account the influence of variant social structures and notes the diversities rather than be content with the analysis of the secondary status of women as if it were a pancultural phenomenon; and it is another thing to claim that the dalit feminist standpoint which has emerged so far, from the work of dalit feminist intellectuals and the practices and struggles of dalit women, can be an alternative torch-bearing force for the women's movement. Here the argument is trying to collapse the levels of theoretical analysis, i.e., it copies the same act of collapsing the categories of class and caste, which the author accuses the left of doing.

Padma Velaskar has emphasised the difference between women of different caste groups in a strong manner. She writes, "In another very fundamental social sense also, the status of women of the lowest caste groups has nothing in common with and is in diametric opposition to women of the higher groups especially the twice born and higher groups. Thus to speak of common subordination of all women being 'dalit' is to mystify this crucial difference. In fact, women of higher castes are infinitely superior ritually and in social power to even men of lowly castes. Women are mute actors in the cultural construction and material operation of caste but are very dynamic actors giving substance and meaning to caste interaction." Thus in a status quoist situation her analysis stands valid, but not in the current dynamic situation where women's movement has already taken some steps to transform the subjectivity of individual self as well as to intervene in situations of violence and injustice against dalit women.

It appears that non-dalit women in need of cleansing their feeling of guilt of being born in the savarna castes are trying to put new 'goddesses' on the altar who can bless the women's movement in future. However, Rege warns us that non-dalit women should not leave dalit women alone to fight their own cause but 'should own their cause as our cause' and she assures us that the 'transformation of subjectivities is possible'. She asserts that only the dalit women can speak for themselves, a typical post-modernist stand which she herself has described as 'limiting'. However, at the same time she talks of the possibility of non-dalit women 'reinventing themselves as dalit feminists'. It is one thing to say that the dalit women should emerge as leaders and spokespersons to bring forth

forcefully the specific oppression of dalit women on the agenda of the women's movement. But it is another to say that to be able to claim to oneself the label of a real feminist, one has to forget the wider perspective of feminism which is a result of the confluence of many other movements such as environmental and Gandhian movements, and embrace solely the so-called dalit women's standpoint.

#### DALIT FEMINIST POLITICS

The second point one needs to discuss is what kind of politics is proposed by this standpoint. The claim of a separate standpoint made by the dalit women's movement fits into the present mainstream political scenario of bargaining within the given political framework. This new additional dimension to the traditional structure of caste-class relations has arisen because of the trend towards brahminisation/sanskritisation<sup>5</sup> among dalit and OBC castes on the one hand and the unstable political atmosphere which encourages the bargaining for seats in the democratic processes of elections and power-sharing on the other. It brings pressure for consolidation of groups on the basis of caste identity for opportunistic purposes. In practice it means that men of the dalit and OBC castes strive for space and compete with savarna men within the present political and economic system.

I am afraid that the dalit feminist standpoint does not take into account the contemporary dynamic situation which encourages assertion of intra-caste patriarchy by the dalit men. In the present atmosphere, women's issues and women too are used as pawns to further political interests of parties and men who are in control of these parties. Issues like uniform civil code and women's quota in the parliament are taken up and treated in a manner not empowering to women but encouraging their dependence on men. Women are divided, not only by their class status but more fundamentally by their caste status, where women of the high castes are used by their men to symbolise the purity and the higher ritual status of their castes. Caste politics gets predominant and these divisions among women get underscored and the process of empowerment which should get heightened as a part of women's participation in the decision-making processes in public life, yields distortions of all sorts, recasting the patriarchal tendencies in a new mode.

A demand by some dalit feminists for separate quota for dalit and OBC women within overall women's quota of 33 per cent seats in the parliament has to be

analysed against this backdrop. Dalit men have never encouraged dalit women to represent them in the few reserved constituencies which exist. The parties representing dalit votes such as the Republican Party of India have never offered seats to dalit women while bargaining for seats with the other political parties. Dalit Panthers never took up women's issues in their revolt against brahminical culture during the 1970s. On the issue of women's quota in the parliament, dalit women are posed in a competitive situation against savarna women, encouraged by dalit and OBC men who want to divert the prospective competition aimed at them by their own women to savarna women.

#### AMBEDKAR'S ANALYSIS OF SEXUAL CONTROL

It is interesting to note that the relatively egalitarian culture of adivasis is getting more patriarchal as adivasi life is coming under the influence of the market institutions. Babasaheb Ambedkar's contribution explains the institution of control over women's sexuality, particularly that of high caste women who had some right over property in the pre-Vedic period and fear of this property getting transferred to the lower castes through marriage ties was responsible for these women being denied this right. This phenomenon is being repeated at present in the regions where adivasi population predominates. Adivasi women are denied property rights by the men of their own community, due to the fear that outside men are marrying adivasi women and will claim the land of these women which is supposed to be inalienable under the fifth schedule.<sup>6</sup> Thus control over female sexuality as a means of retaining control over property is a typical patriarchal mechanism and is reported at present from areas undergoing transition from tribal communal life to the commercial economy. I regret that dalit women are not using this analysis to explain the phenomenon of growing internal patriarchy among dalit castes which are getting more and more stratified and those who have acquired mobility are emulating brahmin customs and practices. The growing incidence of dowry among dalit castes instead of traditional bride price illustrates this tendency.

At this point we need to take note of the point raised by Padma Velaskar: ...it is maintained that lower caste women were not secluded, since their labour was needed in the fields and survival. Many lower caste communities allowed divorce; and polygamy though permitted, could not be practised by those who could not afford

to support a large family. All these facts are left fragmented and disparate, and decontextualised from caste organisation and its operation; they do not provide an account of the actual structural position and status of dalit women and 'falsely convey a positive picture'."

I think this argument is in a way double-edged. The author argues and rightly so that all women have been lumped by the feminist analysis under the panculture of subordination by the patriarchal forces suppressing women in various sub-structures, but she also criticises the women's movement interpreting the differential norms governing dalit women as conferring autonomy on dalit women as compared to the brahmin women. I think what the women's movement is saying has to be understood as a subtext of the pancultural patriarchy, to exhort brahmin women to get awakened from their consciousness of superior position in a caste system. To demystify the strong myth of superiority, in the popular version of the movement, it is pardonable to assert that the women considered inferior in the traditional ideology have more strength and space than brahmin women. Ambedkar has shown the link between sexual control of women and property and material wealth in the case of brahmin women. A few dalit women like Baby Kamble are pointing out the danger of the elite dalit women initiating the brahminical mode and adopting brahminical customs and symbols (Speech by Baby Kamble at Mahad, on December 25, 1998, for the celebration of Bharatiya Stree Mukti Din).

#### DEAD END TO MAINSTREAMISATION

Another area where dalit men's movement is very strong and has not used its power to benefit its own women is in the unions of the public sector enterprises where dalit men have formed separate unions for the agenda of recruiting all the reserved posts. There too, not much effort of recruitment for women is noticed. These are all agendas mainly to mainstream the dalit population in the economy and polity.

However, one realises that there is a dead end to this road and now that dalit women have awakened and started demanding their right to the reserved posts, they are hardly likely to succeed. The recessionary processes at the global level, increasing competition among the nations for exporting goods produced by cheap labour, disinvestment in the public sector, promotion of economy based on markets and shrinking jobs in the organised sector and in the urban areas combine to produce

a discouraging scenario for the one point agenda of reserved posts. Ambedkar had exhorted the dalit people to migrate to cities and educate themselves. He wanted them to prepare for the modern society based on the processes of industrialisation and urbanisation, leaving their menial jobs with the stigma of impurity and untouchability. However, that vision is no longer valid. And at least a few dalit groups have realised this. Migration in the present context means living in the slums of the big cities and allowing the children to get criminalised in the absence of good schools and due to growing unemployment.

To create livelihood opportunities for millions of marginalised people it is imperative to think of an alternative development paradigm and assert the dalit voice in that forum. The fear of decentralised society scattered in the village communities is understandable because of the centuries of experience of social and spiritual marginalisation. However, in the historical context of the struggles and new ethos of democracy, equity, justice and sustainability, it is not possible for anybody to go back to feudal practices. Violence still plays a significant role in rural life but it is due to the assertion of oppressed groups for increased wages or demand for water and other natural resources.

#### LIMITS OF DALIT FEMINISM

I would like to question the validity of this dalit feminist standpoint as the only standpoint representing dalit women's voices. It is interesting to analyse the socio-economic profile of the dalit women leaders who have formed dalit women's organisations, since 1990s. They are the educated dalit women working in universities and in white collared jobs. Many of them are neo-Buddhist and the author has mentioned 'pardeshi' cautioning against the middle class neo-Buddhist leadership which could have politically limited consequences for the movement. It has to be also pointed out that these are all urban women, and it is not known from their writings and concerns how much knowledge they have about the issues of rural development apart from the issues of cultural oppression of the marginalised women.

Another criticism levelled against the brahmin women who form part of the women's movement is that they act as spokespersons of dalit women. Brahmin women always utilise opportunities of presenting data on dalit women, or research findings related to their specific oppression, which they could do because of their superior access to education and language

skills. But the same women do not make efforts to teach dalit women how to do research, how to represent the situation of dalit women in such a manner that they can come forward and occupy the dais themselves. Kunda Pramila Neelkanth, in her recent article in *Maharashtra Times* (December 23, 1998) alleges that the leaders in the women's movement want dalit women to behave as the masses who will sit on the floor and listen to their own plight articulated by the brahmin women under the plea that the illiterate dalit women cannot be effective on the stage by narrating their stories in such robust words. She argues that dalit women are no more going to tolerate this and would like to become their own spokespersons and leaders. Unfortunately, when the dalit women's organisations also organise their public meetings one finds that the educated dalit women are on the stage and use their illiterate women as audience (meeting co-ordinated by Vikas Vanchit Dalit Mahila Rashtriya Parishad on December 25, 1998, at Mahad which I attended<sup>7</sup> and in fact act much less democratically than the women leaders in the movement who have become much more sensitive to participatory democracy and are alert against any imposition of ideas from any co-worker.

Another important aspect observed is that at present the phenomenon of dalit feminism is prevalent only among mahar women who have the background of the Ambedkarite movement and have migrated to the cities since the first world war when many dalit men got recruited in the British army. Also the peculiarity of mahar caste is that members of this caste had never developed any particular skill in the village 'baluiedari' ('jajmani' system) and acted mainly as village messengers. A few went into entertainment business of 'tamasha', i.e. dancing and singing. Hence it was easier for them to escape from the village obligations. They could migrate easily to the cities. Education is more prevalent among mahar women than among women of lower dalit caste groups. One notices that the liberated dalit-mahar women too are not trying to educate the unliberated women from other dalit caste groups. The cultural ethos which include ritual prayers on the dais are all Buddhist<sup>8</sup> and may alienate other dalit women who do not believe in Buddhism. If the theory of difference is stretched further one can notice that there are different caste sub-groups and their oppression can be described in specific terms, but cannot be woven into separate analysis. The women belonging to nomadic or denoti-



fied tribes will fall into another sub-group which have nothing in common with dalit women.

#### ECONOMICS OF DALIT FEMINISM

The National Alliance of the People's Movement represents many movements of labouring people mainly working in the informal sector including fisherfolk working with traditional gears and crafts. They have shown concerns for the artisans and the people belonging to the occupation-based castes and recently had brainstorming consultations for what kind of livelihood arrangements they would have in the developing scenario of globalisation and dismantling of the organised sector and with unemployment.

One is not surprised at the total lack of reference to Gandhism and his vision which is being reinvented by several environmental groups and also ecofeminists. Although it is a well known fact that no dalit movements would like to explore Gandhian thought under any circumstances because of the well known differences between the strategies of the two leaders, it is imperative for anybody working in the area of rural development and building up of rural economy to understand what Gandhi had visualised 80 years ago and understand his concerns and postulates about following a path of development adopted by the industrialised countries. Dalit women need to erase their biases if they want to develop their theories of liberation.

The ecofeminist trend according to me can be called an alternative standpoint. It offers a fundamentally radical counter standpoint to any existing radical standpoint, including that of any variant of marxist standpoint. It positions reproduction at the centre of the human activity in all its three dimensions – daily reproductive activities to service human labour, physical reproduction which includes production, and social relations for which socialisation of children in moulding their cultural identities becomes an essential activity. The present capital accumulation processes are either commercialising the reproductive activities wherever they can afford, or externalising the same where cheap labour forms an important ingredient. These processes also encourage discounting of the future of mankind by unsustainable use of natural resources.

Any standpoint which predicts emancipation based on processes of industrialisation which requires non-renewable energy resources on a large scale, and fast-track development based on high-tech does

undermine the value of reproduction and regeneration. Unless reproduction becomes a central concern of society and a lifestyle is geared around that we cannot say that paradigmatic change has been envisioned. It means that the economy and polity both get decentralised. It also implies restructuring of office and factory hours, rescheduling of school timings and developing appropriate curriculum to appreciate historical struggles against caste- and class-based oppressions and exploitation. It also means that we need to identify technology which is more suitable for an ecologically balanced society based on equity, and sustainability in future.

It is desirable that dalit feminists are exposed to many other movements which would enrich them. They should not base their arguments with reference to feminism which encourages lifestyles or feminism which stresses only class exploitation of women and highlights wage discrimination. Cultural revolt is essential but it needs to be invoked in every aspect of daily life, as well as in the issues such as access to natural resources; water and land. Caste oppression started by denying access to these resources and hence there is a need to claim these resources instead of leaving them to the savarnas. This will help regenerate the ecosystem as well.

#### Notes

[An edited version of the paper presented at the Eighth International Conference on Maharashtra Culture and Society, University of Sydney, January 6-10, 1999]

- 1 Savarna is the term based on the vedic categorisation of the people in four 'varnas': brahmin, kshatriya, vaishya and shudra. The first three varnas are considered savarna, i.e., superior varnas. They do not observe pollution among each other as far as food is concerned. Shudras are the untouchables. The term 'dalit' was invented by modern untouchable writers to define their identity as oppressed and exploited. All the castes which are a part of the three varnas mentioned above are considered superior, though ideological leadership is given by the brahmins.
- 2 Naxalite movement had been spearheaded by young party workers and students frustrated with the established communist parties. They were influenced by Maoist ideology and wanted to bring about revolution by organising peasants in the countryside. The movement first started at Naxalbari in north Bengal and is called the naxalite movement.
- 3 'One village, one water point' was a slogan coined by Baba Adhav, a maratha who has been influenced by the ideology of Phule. One of the visible symbols of untouchability in rural Maharashtra was either a separate well for the dalit people or they had to wait to obtain water from women of the savarna castes who would

lift the water from the well and serve them in their pots. The dalit women were not supposed to touch the well. During the 1970s Baba Adhav took up this issue and waged a campaign to eliminate this concept of pollution of water. The slogan stood for the idea that for the villagers there had to be single water source for drinking.

- 4 Satyashodhak movement had its origin in the thoughts of Phule who was the founder of this movement. He raised his voice against the ideological and cultural domination of brahmins, which according to him got authority from the fact that they acted as mediators between god and the common men and women. They interpreted god's words for the common people. He asked the people, the peasants, the labouring castes to revolt against brahminical domination and also against the trading communities who exploited peasants by offering loans at exorbitant interest rates. He wanted the people to search for god, for truth on their own.
- 5 Sanskritisation concept has been developed by the sociologist M N Srinivasan. Social and economic mobility becomes possible for the lower castes and class people and they start emulating the cultural traditions of the higher castes. In the Indian ethos, this emulation is also towards brahminisation, i.e., accepting the brahminical norms including those of domination over women.
- 6 The fifth schedule of the Indian Constitution states that adivasi (aboriginal) land cannot be purchased by non-adivasi citizens. It aimed to provide security to the adivasis against any forceful alienation of land through moneylending and usurpation.
- 7 This was the second year when the December 25 was celebrated as the Bharatiya Stree Mukti Din (Women's Liberation Day), because of its connection with the event of burning of *Manusmriti* by Babasaheb Ambedkar at Mahad in 1930. Dalit feminists had given a call to the women's movement that March 8 remains the International Women's Day for which they had no objection but for Indian women burning of *Manusmriti* is a more meaningful event towards liberation and also it meant accepting Ambedkarite thought by the women's movement.
- 8 Buddhism was accepted by Babasaheb Ambedkar at a very late stage in his life. Conversion to Buddhism was a mass movement, and has provided a new identity to lakhs of dalit men and women since then. However, very few dalits other than those who belonged to the mahar caste embraced Buddhism as their identity. Thus at present it has remained restricted to the people in the Ambedkarite movement alone, who observe Buddhist rituals and prayers even in public meetings.

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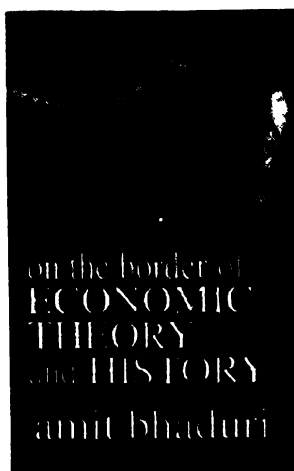
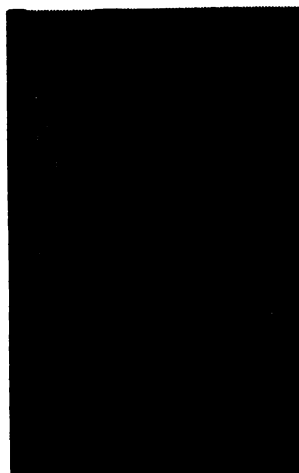
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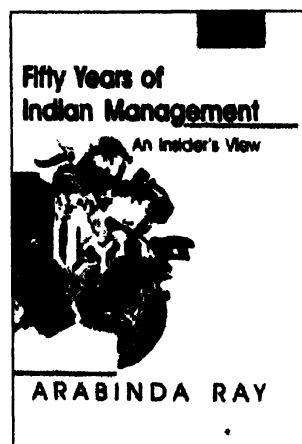
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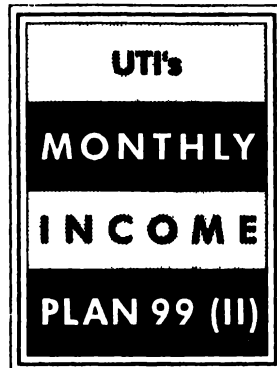
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The National Family Health Survey (NFHS), 1992-93 has generated not only reliable demographic data but information on family health characteristics at the regional level which had been unavailable so far. **3002** The NFHS has been a massive undertaking successfully covering all states and obtaining comparable data because of the uniformity of methods of collection and verification. **3081** A unique post-survey check has ensured the consistency of data generated by the NFHS. **3084** State-level demographic models so far in use take little account of interregional disparities within the state or similarities across states. NFHS data allow spatial analysis of demographic and health data which is necessary for understanding demographic transition. **3008** An estimate of the values of the proximate determinants of fertility for major states is useful for instituting policy level and programmatic changes nuanced for regional differences necessary for bringing about decline in fertility. **3033** The relationship between gender preference and contraceptive prevalence is not uniform across states and is far more complex than it has been thought to be. **3058** That economic factors alone do not determine the mechanism of fertility change is demonstrated by statewise analysis of NFHS data which indicates that only in Punjab is there the expected negative association between living standard and fertility change. **3041** NFHS data show that there are wide differentials in the economic conditions of the socially backward which prompt a re-examination of the policy of caste-based privileges. **3052** While the relationship between religion and fertility behaviour has prompted much inquiry, it is clear that socio-economic factors play a vital role, making for a dynamic and complex picture. **3047** Demographic data for Maharashtra present a complex and even ironic picture: While contraceptive prevalence is high and the state has one of the most efficient health and family welfare services, the birth rate has declined only marginally. **3063** The NFHS, while updating the demographic data, has not covered some crucial gaps in reproductive health status including maternal health status, morbidity and its correlates and the quality of care. **3075**

### Voting for Vision

Even as the Congress vision of the nation is incomplete, under-determinate and inconsistent in theory, the BJP's model of the nation has potentially tremendous appeal to the caste-conscious, sanskritising Hindu masses. **2979**

### State and Market

What is called for is a dynamic and bi-directional movement between the state and the market. The emerging new balances need to be better understood. **2990**

### Goan Rout

The Congress rout in Goa is almost entirely due the party's lack of preparation and its unwillingness to recognise ground realities. **2983**

### Precipitate Solution

While democracy in Pakistan may have been of the most corrupt kind under Nawaz Shariff, the unconstitutional dismissal of a duly-elected government by the military only postpones the process of democratisation. **2988**

### People and Government

The response of people to local government verges on contempt of both performance and of processes of governance. How effective are our municipalities and panchayat institutions as instruments of local self-government which give an opportunity to people to govern themselves? **2984**

## LETTERS TO EDITOR

### Tribals and Missionaries

ON the subject of tribals and Christian missionaries Satyakam Joshi's article (*EPW*, September 11, 1999) is quite informative and objective. However, his conclusions do not address many questions that arise from his account. For example, the question of the impact of conversions on the tribal culture. On the one hand conservationists and protagonists of tribal ways of life seek preserving tribal solidarity and cultural practices, on the other conversions have, from his account, led to undermining tribal solidarity and tribal culture (pp 2669-70). How can this problem be solved? That the Constitution seems to confer the right to protect their culture on minority groups rather than individuals complicates the matter.

Secondly, secularism, in the Indian context, is interpreted as respect for all religions rather than mere toleration. Some Christian missionary activities in the Dand area, from Joshi's account, seems to teach people that their problems can no longer be solved by their own deities and that they should turn to Jesus Christ. According to him, "some denominations rely mainly on miracles to attract converts". This has led the converts to believe that "Jesus Christ is the ultimate and only god

for us...Non-Christian gods are mere stones and we have no respect for any of that" (p 2670). Though quite rational, this seems to run against the grain of secularism and would obviously hurt Hindu sensibilities.

Thirdly, Joshi seems to draw a distinction between tribal religion and Hinduism, a legacy of colonialism (pp 2669-70). This is debatable. Hindu religious practice (not *Dharmashastra*) has been broad enough to accept tribal worship of nature and the so-called non-sanskritic gods as quite compatible with Hinduism. In fact, in many instances these tribal goddesses and their worship have been adopted by non-tribal Hindus too. Therefore, is such a distinction valid? That all this does not in any way exonerate those who indulged in violence either in Dang or in Orissa goes without saying.

R S MORKHANDIKAR

Aurangabad

### Islam and Russia

SOBHA GAEKWAD's report on the Russian crime scene (*EPW*, September 18-24) is quite distressing. As a person who had been enthusiastic about 'glasnost' and 'perestroika', the news from Russia is not what one was expecting

after the reading of the vision of Mikhael Gorbachev in the late 80s. It appears too much hope was built on the potential benefits of the atheistic capitalist and western model of lifestyle and consumption pattern. There is a lot of unhappiness there. Muslims are not happy and they want to have a separate political system in the Caucasus. It is a sort of clash between the Islamic and un-Islamic forces that is going on in Russia.

Muslims along with others suffered a lot at the hands of the communists. One hopes that Islamic influence for the collective well-being of Russia will be realised as the degenerate and atheistic 'western' models will not be any good for either Russians or anyone else in the world as they are based on too much celebration/abuse of the body and the soul and faith in dead and mortal entities. It is extremely important that there is enhanced receptivity to the messages of Islam and the commands of the Almighty Allah that are respected as per the instructions in the holy Qur'an. This is the only way to have a more civilised and compassionate society and just world order. Militant Islam appears to be just a reaction against such a backdrop of crime, immorality and hedonism in non-Muslim societies.

Also Islam provides the best framework for rationalising the consumption of exhaustible resources as more and more Muslims and new Muslims establish prayers/salat five times a day all through the year. We can imagine the impact on consumption levels. Observance of Islamic laws and practice will be good for the collective well-being of all of us. Following Islam is the only and the best way for ensuring good living conditions on the planet and then after death in the hereafter. There is no need to reject the existence of God. Marxism was a reaction to the excesses of the church. An atheistic outlook is not needed for doing science. Science is about knowing the creation of the Creator. It can be used with faith in Islam in the best way. We need to promote more vigorously the culture of prayer and thanksgiving for the Almighty rather than the atheistic Darwinian doctrine of the survival of the fittest as the latter reinforces the visions of nuclear and ecological disasters.

MUHAMMAD MUKHTAR ALAM

New Delhi

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## Nation States: Beyond and Within

**E**AST TIMOR's secession from Indonesia, formalised by Indonesia's parliament last week, shows the effect that globalisation has on national and international politics. Composites of a number of collective identities whose harmonious coexistence cannot be taken for granted, must draw the right lessons or pay the price. East Timor is a relatively small place, populated by one million. The human resource capabilities of the new island would not compare with those of a medium-sized city in the West. Yet that small place has now become an independent country. Is such autonomy viable? If it is, why should not large site states break up into more homogeneous smaller units? If autonomy is not viable for each sovereign and small populations is not viable for such small regions and political demands for such autonomy cannot be met, how can we find support from the international community?

There is not much dispute about recent phenomena, that evolution along with the development of capitalism. What will happen as nation states as capitalism evolves further along the path of globalisation? This is uncharted territory. East Timor perhaps marks the blurred beginnings of the needed cartography, although with the different degrees of voluntary pooling of sovereignty by nations such as in the European Union and in supranational organisations like the World Trade Organisation.

There is reason to believe that globalisation itself promotes localisation, taking away the monopoly of the nation state and distributing it not only to supranational organisations but also to sub-national entities. They feature of this kind of globalisation is the penetration of capitalism into the domestic organisation of production of countries that get integrated into interdependency. The instant interlinkages, naturally, would be different from those obtained from the interaction of capitalist metropolises and pre-capitalist colonies in the past.

When all nations act according to the same set of rules whose normative authority stems from supra-national organisations and agreements, the enforcement of national rules across its regions becomes proportionately redundant. This weakening of national authority, in combination with the strengthening of local resources, produces strong regions and cities. These regions and cities compete with other regions and cities not only in their country but also outside to attract investment and talent. We see this when Gujarat, Maharashtra and Tamil Nadu woo, with competing incentives, the same prospective foreign investor who finally succumbs to the charms of Hong Kong.

The loosening of national ties and the strengthening of local resource bases, along with the availability of supra-national rule-keepers, gives new energy to regional aspirations for autonomy.

Should such moves to autonomy be viewed with suspicion or disfavour? A possible objection could be from the standpoint of the desirable goal to which humankind should move: humanity making collective, optimal use of its habitat, the entire planet, transcending divisions of race, religion or nation. Creating fresh divisions of a national kind would appear to be a step away from rather than towards this goal. But this objection does not really hold in the cause of localisation stemming from globalisation precisely because globalisation is the route to unsegmented humanity. And the fact is that in some cases, regional autonomy even to the point of secession does little to lower the welfare of either those who secede or those seceded from. When the Czechs and the Slovaks decided to call it quits in Czechoslovakia, neither emerged the loser. If, hypothetically, Scotland were to become independent, it is unlikely to lower the welfare of either the Scots or of the English.

But this does not mean that little East Timor necessarily enhance welfare. What enables a community of people to live together productively and in harmony is a set of social institutions, apart from physical infrastructure. Developing the needed social institutions – of law and order, health care, education, markets, civic structures and civic sense, unions, civilised forms of negotiation and grievance redressal, governance, literature, etc – calls for a great deal of effort and resources, available only from the pooled contributions of large collectives. Where such institutions are well developed, autonomy might well be viable. But where such institutions are as yet only emerging, autonomy might disrupt rather than enhance development. In other words, the desirability of regional autonomy is a contingent affair.

But the fact remains that there is support, local as well as external, for unviable or costly autonomy in many parts of the developing world. We need to ask why. Local support for unviable autonomy derives from repression. If a community is denied the space it needs to articulate itself with dignity, it will prefer secession and disrupted development to continued denial of rights. External support comes from the quest of the established world powers to retain their hegemony by weakening potential challengers in the developing world as well as from the related but distinct tendency for human rights to displace national sovereignty as the guiding principle of international relations. Countries like China that are powerful



enough, militarily and economically, to ward off intervention might resist such tendencies with some success, but the rest would not.

The strongest armour against disruptive demands for autonomy for a country like India is unalloyed democracy. A democratic polity that allows communities to evolve as they choose and resolves conflicts without the use of force will give no space for popular demands for unviable autonomy. The Indian Constitution does provide for such a political framework. The danger is from those who wish to revise the Constitution, give primacy to one identity and subordinate the rest. Identities that are sought to be oppressed will, instead of being beaten into submission, find sustenance from external support and demand autonomy, disruptive or otherwise.

If Indonesia had had a democratic political practice that had allowed East Timor development on its own terms, it is unlikely that one-half of an island in the Indonesian archipelago would today have become an independent state. Internal democracy, it would appear, is a prerequisite of successful global integration.

## MAHARASHTRA

### Fractured Verdict

THE peculiar nature of the fractured verdict delivered by the electorate forced a near deadlock on the formation of government prompting the governor to issue an ultimatum. The fact that the parties could present the governor with a viable combination only just before the ultimatum drew to a close is indicative of the tenuous nature of the alliance of the Congress and the NCP in charge in the state. With the SS-BJP alliance securing 125 seats, the Congress and its allies 79 seats, and Sharad Pawar's Nationalist Congress Party (NCP) and its allies 62 seats, any attempt to reach the mark of 145 seats for government formation necessitated a re-alignment of pre-poll arrangements in the light of post-poll scenario. Interestingly, though Pawar's NCP has performed well below the expectations in both the Lok Sabha and assembly polls, thus reducing the party's bargaining power, its band of 58 MLAs assumed crucial importance and more or less directed the course of action.

An analysis of the poll outcome clearly shows that the success of the SS-BJP combine in improving upon its previous Lok Sabha tally and in more or less maintaining its tally in the assembly, is singularly due to the split in the anti-alliance vote between the Congress and

the NCP. Though the partywise voting percentages for assembly elections are not as yet available, the partywise vote shares available for the Lok Sabha elections underline the salience of this single factor. While the Congress and the NCP, along with their respective allies, secured an estimated 35 and 23 per cent votes, resulting in paltry 11 and eight Lok Sabha seats respectively, the SS-BJP alliance, in spite of a drop of 4 per cent from previous 41 to 37 per cent, was able to corner 28 seats. The NCP caused more damage to the Congress electoral prospects in the Lok Sabha than in the assembly polls. As a result, though the Congress was reduced to its worst tally of Lok Sabha seats in Maharashtra, it nevertheless succeeded, in the assembly polls, to emerge as the single largest party, way ahead of the NCP. Yet, the division in the Congress vote affected the three factions of the RPI and the Bahujan Mahasangh severely, as they were able to win two of the 10 allotted Lok Sabha seats and just four of the 65 assembly seats they contested.

Contrary to the prediction that the NCP would cut into the Sena base, the latter has benefited more than the BJP, especially in Vidarbha, from the division in the anti-alliance vote. While the Sena won all its four seats, the BJP emerged victorious only in two of the remaining seven Lok Sabha seats in Vidarbha, despite the fact that the Sena polled the lowest votes in the region. Clearly, the presence of the NCP which polled 11,46,000 votes, the third highest in Vidarbha, and yet failed to win a single seat, has proved more advantageous to the Sena than the BJP in their respective constituencies. As a consequence of the NCP, not only has the Congress, despite garnering largest number of votes in Vidarbha, the same tally of seats as that of the Sena, but it also had to suffer the fate of losing its hitherto invincible Lok Sabha and assembly constituencies of Ramtek to Sena upstarts. Failing to carry much of the Congress vote with themselves, the NCP candidates instead of defeating the Sena candidates enabled the latter to coast to a victory with a margin of 40-60,000 in constituencies such as Buldhana, Amravati, Washim in Vidarbha, Parbhani, Aurangabad, Osmanabad in Marathawada, and Kopergaon in western Maharashtra over the Congress candidates. A similar situation prevailed elsewhere with the BJP candidates notching narrow victory margins of 4-13,000 in Mumbai (south), Mumbai (north-east), Dhule and Bhandara, and comfortable margins in Ahmednagar and Pune over their rival Congress candidates.

Against this backdrop, victories registered by the Congress candidates in

Warananagar, Chandrapur and Yavatmal, though narrow, are remarkable, especially in Warananagar and Chimmur (won by BJP) where NCP's high-ranking leaders Datta Meghe and Pralim Patel were pushed to third place. Though the victories of Congress stalwarts like Shivraj Patil (Latur) and Sushil Kumar Shinde (Solapur) were expected, the victory margins attained by Vilas Mottemwar (Nagpur) and Prakash Bapu Patil (Sangli), in face of strong opposition were outstanding. The victory of Prafulla Bapu Patil, son of former chief minister Vasantdada Patil, is of special significance not only for its victory margin of 1,61,000 in the sugar belt known to be Pawar's stronghold, but also for being representative of an electoral trend in Sangli district which disrupted Pawar's calculations at the assembly level. Wherever the NCP's Lok Sabha candidates have won, whether in Baramati, Khed, Satara, Karad, Kolhapur, the assembly seats falling within these Lok Sabha constituencies have also gone in favour of the NCP. The defeat of Congress strongman Prithviraj Chavan in Karad can only be explained by the strong winds blowing in favour of Pawar in nine out of 10 assembly seats of Satara within which Karad Lok Sabha constituency falls. In Sangli district, however, the NCP was able to win four out of 10 assembly seats indicating a trend in favour of Congress both at assembly and Lok Sabha levels. The reason for this anti-Pawar trend is not difficult to discern as Pawar was the one to have pulled down Vasantdada Patil who hails from this region, and his government in 1978 to install himself as chief minister. So strong appears to be the anti-Pawar sentiment here that it not only resulted in defeat of two Janata Dal (S) heavyweights Sambhaji Pawar and Sharad Patil, aligned with Pawar's NCP, in Sangli and Miraj assembly seats respectively, but also the sugar baron and NCP candidate R R Patil scraped through in Tasgaon assembly constituency with a margin of less than 4,000 votes. Thus, far from gaining a majority across the state, Pawar's NCP was unable to establish its supremacy even in its bastion securing only 50 per cent of Lok Sabha and assembly seats of western Maharashtra.

The SS-BJP alliance have secured 11 assembly seats less than its previous tally in 1995 and significantly, 10 of those losses were in its heartland, the Mumbai region. Even the alliance's success in the Mumbai-Konkan belt, as elsewhere, is by default. The Sena's victory with a high reduced margin of 90,000 in its stronghold, Thane, in the Lok Sabha election can be attributed to the substantial split in its opposition vote. There are very few seats won by the SS-BJP alliance, such as

Mumbai(north), where the alliance bask in its own glory.

## PAKISTAN

### Asking for It

ONCE the suddenness of the national overthrow of the Nawaz government has worn off, it is the apparent patience with the civilian government which becomes of significance. The question to be asked perhaps is why Pakistan's military rulers do not remove Sharif but why they had to wait so until now, even with what might be termed considerable provocation to the elected government and party. This is not to despair over the country's polity to sustain a democratic parliamentary form of government but to acknowledge that Pakistan is a state of political flux, muted but nevertheless quite well-defined over the year. Sharif's own actions – down with the judiciary, his curtail the powers of the press, summary dismissals and appointments made for the elites' growing discontent with his government.

Elected in 1997 on a wave of popular support, Sharif and his party commanded a majority in the National Assembly, though not in the Senate. Set out to be different. The curtail of the president's powers to dismiss an elected government was an important change ensuring the longevity of parliament. This is what makes the current overthrow and dismissal of the elected government unconstitutional, while earlier actions were not. Soon, largely on the supposition due to the collective failure of the polity in dealing with its power in a democracy, Sharif began to be concerned with amassing power in his own hands, especially power in the army. Having demonstrated this by dismissing two naval chiefs, he never failed to carry the army with him on the issue of opening talks with India on the celebrated bus-ride and the signing of the border. And in Kargil, he never went before the conflict began, engineered a withdrawal ensuring the ignominy squarely settled on the army instead of the government.

The army in Pakistan has been well-documented and untiringly written about, commands a respect even among those who regard themselves as liberal elite. That was why, for instance, the dismissal of a relatively secular, former military professional like chief army staff Jehangir Karamat upset all sections of

the elite. When general Musharraf took over, Sharif appears to have taken great pains to slight him: he refused to confirm him as chairman of the joint chiefs of staff until recently, when he was given a two-year extension; he appointed a party loyalist as chief of the Inter Services Intelligence without consulting Musharraf. But unlike Karamat, Musharraf had a power base of his own both in the army and because of his links with the Taliban. It is a moot question whether he would have taken the extreme step of assuming control if Sharif had not attempted to arrest (or worse, assassinate) him. The summary arrest of well known journalist Najm Sethi, reportedly on the advice of the ISI chief, was about the worst thing that Sharif could have done, and it lost him whatever sympathy he may have had among those who wanted a democratically-elected government to survive.

It is a distinct possibility that the Sharif government was going under anyway, without help from the military. The build-up of political opposition to him and probably pressure from donor countries had already prompted Sharif to announce a possible preponement of elections. In a more mature democracy, such disenchantment spilling out into the streets would have built up gradually and would have been articulated politically on the floor of the elected assembly where Sharif would have been forced to quit and/or call for fresh elections. Democracy, it would seem has to be grounded differently in different places. In a society where the modern elite

is mostly a part of the landed classes with little development of the industrial classes and in the countryside feudal remnants have strong roots, democratic practice and the process of building democratic institutions and processes will need to be viewed afresh.

As things are, while Musharraf has not declared martial law, he has placed the constitution in abeyance and forbidden the courts to pronounce any judgment against the chief executive or those working on his orders. There is apparently no censorship of the press and this should mean a lot if indeed a democratic polity is to emerge through discussion and debate. In the currently prevalent mood of frustration and despair among the Pakistani educated classes, this sadly seems unlikely.

Geopolitical developments do not seem to favour a long spell of military rule in Pakistan. International anxiety about peace in south Asia and eventually denuclearising the region is not exactly conducive to support for military dictatorships in one of the countries of the region. With a pro-nuclear government in power in India there is little manoeuvrability. However whatever role geopolitics plays in determining the length of Musharraf's rule, in the interest of the future of democracy in Pakistan it is imperative that all available space for debate be utilised to mount a challenge to the Musharraf regime before it puts down roots, and to erect lasting, effective barriers to future attempts at military take-over.

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# CURRENT STATISTICS

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The steady decline in the current account deficit in the post-reform period has been the result of slower growth in imports and a sizeable inflow on account of invisibles; export growth has remained sluggish. The largest contribution to net inflows has come from private unilateral transfers which include the contra entries for gold and silver imports by returning Indians. Since the beginning of 1998 there has been a decline in foreign investment flows.

## Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82 = 100)	Weights	Oct 2, 1999	Over Month	Variation (Per Cent): Point				1999	1997-98	1996-97	1995-96
				Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1999-2000	Fiscal Year So Far 1998-99				
All Commodities	100.00	365.2	0.5	2.0	8.3	3.4	6.3	4.8	5.3	6.9	5.0
Primary Articles	32.30	401.8	1.5	2.7	15.3	7.2	12.5	7.8	5.5	7.0	5.4
Food Articles	17.39	478.7	2.0	2.9	20.7	10.6	18.3	9.1	4.0	9.6	9.8
Non-Food Articles	10.08	379.2	0.6	1.1	9.5	0.3	5.2	6.1	8.5	3.5	-1.9
Fuel, Power, Light and Lubricants	10.66	401.8	0.0	5.3	0.8	2.9	-0.6	7.7	11.4	16.9	3.7
Manufactured Products	57.04	337.6	0.0	0.8	5.7	1.0	3.9	7.7	4.0	4.9	5.0
Food Products	10.14	347.4	-0.2	-3.1	10.6	1.6	10.0	10.0	5.5	14.1	-0.7
Food Index (computed)	27.53	430.3	1.3	1.1	17.4	7.7	15.6	14.4	4.5	11.1	6.3
All Commodities (weekly average basis) (April 3-Oct 2, 1999)	100.00	359.1	0.4	4.4	6.1	2.8	7.6	9.9	4.8	6.4	7.8

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent): Point				1999	1997-98	1996-97	1995-96	1994-95
			Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1999-2000	Fiscal Year So Far 1998-99					
Industrial Workers (1982=100)	426.0 <sup>a</sup>	0.5	3.1	15.0	2.9	8.7	8.9	8.3	10.0	8.9	9.7
Urban Non-Man Emp (1984-85=100)	350.0 <sup>i</sup>	1.2	4.2	13.1	2.9	7.7	9.0	7.2	10.2	8.2	9.9
Agri Lab (1986-87=100) (Link factor 5.89)	308.0 <sup>a</sup>	1.3	5.1	11.8	4.1	7.7	8.8	3.8	10.5	7.2	11.1

Money and Banking (Rs crore)	Sept 24, 1999	Over Month	Over Year	Variation		1999	1997-98	1996-97
				Fiscal Year So Far 1999-2000	Fiscal Year So Far 1998-99			
Money Supply (M <sub>3</sub> )	1040411 <sup>@</sup>	12927(1.3)	144989(16.2)	68206(7.0)	74090(9.0)	150872(8.4)	119483(17.0)	97841(16.2)
Currency with Public	176875	202(0.1)	25387(16.8)	7492(4.4)	5909(4.1)	23804(6.4)	13492(10.2)	13829(11.7)
Deposit with Banks	858997 <sup>@</sup>	12717(1.5)	118785(16.0)	59997(7.5)	67999(10.1)	126788(8.0)	105647(18.6)	84162(17.5)
Net Bank Credit to Govt	422843	3200(0.8)	55575(15.1)	35691(9.2)	36671(11.1)	56554(7.1)	41978(14.5)	30840(12.0)
Bank Credit to Comm'l Sector	502854	5642(-1.1)	62610(14.2)	12490(2.5)	6934(1.6)	57054(3.2)	57003(15.1)	31659(9.2)
Net Foreign Exchange Assets	169907	-79(neg)	15942(10.4)	5544(3.4)	15870(11.5)	26268(9.0)	12598(30.9)	23356(28.4)
Reserve Money (Oct 1)	262859	-827(-0.3)	27481(11.7)	3488(1.3)	8975(4.0)	32969(4.4)	26417(13.2)	5527(2.8)
Net RBI Credit to Centre \$	151867	515(0.3)	7424(5.1)	6450(4.4)	10826(8.1)	11801(8.0)	12915(10.7)	1934(1.6)
RBI Credit to Bks/Comm Sector	28853	1520(5.6)	10025(53.2)	3365(13.2)	3545(23.2)	10206(6.6)	2029(15.3)	-15557(-54.0)
Scheduled Commercial Banks (Sept 24)								
Deposits	761678 <sup>@</sup>	10786(1.4)	100020(15.1)	47653(6.7)	63173(10.6)	115540(19.3)	92886(18.4)	71780(16.5)
Advances	378394	3817(1.0)	47704(14.4)	9557(2.6)	6612(2.0)	44759(11.8)	45676(16.4)	24387(9.6)
Non-Food Advances	357862	4968(1.4)	43251(13.7)	5841(1.7)	3017(1.0)	40427(13.0)	40790(15.1)	26580(10.9)
Investments (for SLR purposes)	289596	2324(0.8)	37729(15.0)	35001(13.7)	33162(15.2)	35890(16.4)	28192(14.8)	25731(15.6)
Commercial Investments and bills rediscounted with FIs	54139	622(1.2)	14074(35.1)	5480(11.3)	8052(25.2)	16645(52.0)	12472(63.1)	4168(27.1)

@ Includes Rs 17,945 crore on account of proceeds from RIBs since August 28, 1998; excluding them the year-on-year and the 1998-99 fiscal year growth of money supply would be 16.5 per cent and 16.2 per cent, respectively. Likewise, bank deposits without RIBs grew by 15.5 per cent and 16.3 per cent, respectively. Since closure of government accounts.

Index Numbers of Industrial Production (1993-94=100)	Weights	August 1999	Fiscal Year So Far		Full Fiscal Year Averages			
			1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96
General Index	100.00	146.2	146.0(6.0)	137.7(4.2)	143.1(4.0)	137.6(6.6)	129.0(5.5)	122.3(12.8)
Mining and Quarrying	10.47	117.2	116.3(-0.3)	116.7(0.5)	120.3(-1.8)	122.4(5.9)	115.6(-2.0)	117.9(9.6)
Manufacturing	79.36	149.2	149.9(6.7)	140.5(4.2)	146.7(4.4)	140.6(6.7)	131.8(6.7)	123.5(13.8)
Electricity	10.17	152.5	146.1(6.1)	137.7(8.7)	138.4(6.4)	130.0(6.6)	121.9(3.9)	117.3(8.1)

Capital Market	Oct 15, 1999	Month Ago	Year Ago	1999-2000 So Far		1998-99		End of Fiscal Year	
				Trough	Peak	Trough	Peak	1998-99	1997-98
BSE Sensitive Index (1978-79=100)	4884(70.9)	4661	2857(-29.2)	3245	5075	2783	4281	3740(-3.9)	3893(15.8)
BSE-100 (1983-84=100)	2302(80.2)	2124	1277(-26.5)	1409	2384	1242	1890	1651(-2.7)	1697(15.9)
BSE-200 (1989-90=100)	535(79.3)	492	298(-23.2)	322	554	289	429	380(0.8)	377(14.9)
S and P CNX-50 (Nov 3, 1995=1000)	1455(74.1)	1375	836(-27.4)	931	1505	812	1213	1078(-3.5)	1117(15.4)
Skandia GDR Index (Jan 2, 1995=1000)	947(78.5)	912	531	581	982	515	1015	653(-30.5)	940(1.1)

Foreign Trade	August 1999	Fiscal Year So Far		Full Fiscal Year			
		1999-2000	1998-99	1998-99	1997-98	1996-97	1995-96
Exports: Rs crore	13327	60813(8.5)	56055(10.7)	141604(8.8)	130101(9.5)	118817(11.7)	106353(28.6)
US \$ mn	3067	14113(4.6)	13455(-4.9)	33613(-3.9)	34976(4.5)	33470(5.3)	31797(20.8)
Imports: Rs crore	16800	77882(8.0)	72132(22.5)	176099(14.2)	154176(11.0)	138920(13.2)	122678(36.3)
US \$ mn	3866	18075(4.0)	17314(5.3)	41802(0.9)	41449(5.9)	39132(6.7)	36678(28.0)
Non-POL US \$ mn	3163	14476(-3.6)	15020(14.2)	35928(10.3)	32526(11.9)	29096(-0.2)	29152(28.3)
Balance of Trade: Rs crore	-3472	-17069	-16077	-34495	-24076	-20102	-16325
US \$ mn	-799	-3962	-3859	-8188	-6472	-5663	-4881

Foreign Exchange Reserves (excluding gold)	Oct 8, 1999	Oct 9, 1998	March 31, 1999	Variation Over				1997-98	1996-97	1995-96	1994-95
				Month Ago	Year Ago	Fiscal Year So Far 1999-2000	Fiscal Year So Far 1998-99				
Rs crore	130666	112259	125446	-1553	18407	5220	9748	22935	22137	21649	-7302
US \$ mn	30052	26481	29530	-336	3571	522	505	3554	3607	5243	-3690

Notes: (i) Superscript numeral denotes month to which figure relates, e.g., superscript 8 stands for August; (ii) Figures in brackets are percentage variations over the specified or over the comparable period of the previous year. neg negligible

# Balance of Payments

	Rupees Crore					US \$ Million				
	1995-96	1997-98	1996-97	1995-96	1994-95	1998-99	1997-98	1996-97	1995-96	1994-95
<b>I India's Overall BoP</b>										
<b>A Current Account</b>	-16788	-20885(-1.3)	-16281(-1.2)	-19645(-1.6)	-10583(-1.0)	-4038	-5500	-4619	-5910	-3369
1 Exports fob	14443	132703(8.5)	121194(8.6)	108481(8.9)	84328(8.1)	34298	35680	34133	32311	26855
2 Imports cif	199914	190509(12.2)	173753(12.3)	146542(12.0)	112748(10.9)	47544	51187	48948	43670	35904
3 Trade balance	-15541	-57806	-52560	-38061	-28420	-13246	-15507	-14815	-11359	-9049
4 Invisibles, net	1111	36921	36279	18416	17837	9208	10007	10196	5449	5680
<b>B Capital Account</b>										
1 Net external assistance		3461	3998	3356	4798	820	907	1109	883	1526
a Disbursements		10826	10893	10101	10025	2726	2885	3056	2933	3191
b Amortisation		-7365	-6895	-6745	-5227	-1906	-1978	-1947	-2050	-1665
2 Net commercial borrowings		14557	10004	4548	3238	4362	3999	2848	1275	1030
a Disbursements		27210	26867	14440	13041	7226	7371	7571	4252	4152
b Amortisation		-12653	-16863	-9892	-9803	-2864	-3372	-4723	-2977	-3122
3 Net short-term credit		-530	2979	94	1236	-748	-96	838	49	393
4 Net NRI deposits		4324	11894	3821	539	1742	1125	3350	1103	172
5 Net foreign investments		19960	21829	16312	15087	2412	5390	6153	4805	4807
6 Rupee debt service		-2784	-2542	-3105	-3090	-802	-767	-727	-952	-983
7 Net other capital		-2390	-5547	-10717	6934	779	-714	-1565	-3074	2211
C Errors and omissions		940	-2114	1287	0	-305	167	-594	600	0
D Overall balance (A+B+C)		16653	24220	-4049	18159	4222	4511	6793	-1221	5787
E Monetary movements (E+F)		-16654	-24220	4049	-18159	-4222	-4511	-6793	1221	-5787
F Net IMF		-2286	-3461	-5749	-3585	-393	-618	-975	-1715	-1143
G Reserves and monetary gold		-14368	-20759	9798	-14574	-3829	-3893	-5818	2936	-4644
(- = increase, + = decrease)										
Notes: @ Includes delayed exports, advance payments against imports, loans to non-residents by residents and banking capital.										
<b>II Invisibles by category of transactions</b>										
<b>I Net non-factor services</b>										
Receipts	316	4945	2621	-700	1890	2165	1319	726	-197	602
Payments	327	35102	26565	24750	19266	13186	9429	7474	7346	6135
1 Net travel	6311	30157	23944	25450	17375	11021	8110	6748	7543	5533
Receipts	577	5540	7183	5241	4858	1250	1477	2020	1546	1547
Payments	2603	10880	10232	9150	7427	2993	2914	2878	2713	2365
2 Net transportation	7326	5340	3049	3909	2569	1743	1437	858	1167	818
Receipts	3156	-2547	-1555	-515	-524	-755	-686	-441	-158	-167
Payments	1109	6805	6942	6765	5326	1925	1836	1953	2011	1696
3 Net insurance	11265	9352	8497	7280	5850	2680	2522	2394	2169	1863
Receipts	473	211	228	121	-91	112	57	64	36	-29
Payments	945	890	771	600	477	224	240	217	179	152
4 Net GNIE	472	679	543	479	568	112	183	153	143	181
Receipts	1161	444	-378	-680	-487	272	116	-106	-205	-155
Payments	2520	1038	257	44	31	597	276	72	13	10
5 Net Miscellaneous	1359	594	635	724	518	325	160	178	218	165
Receipts	5361	1297	-2857	-4867	-1865	1286	355	-811	-1416	-594
Payments	31350	15489	8363	8191	6004	7447	4163	2354	2430	1912
II Net investment income	25989	14192	11220	13058	7870	6161	3808	3165	3846	2506
Receipts	34967	-13204	-11769	-10717	-10774	-3544	-3521	-3307	-3205	-3431
Payments	8133	5795	3811	4732	2782	1935	1561	1073	1429	886
III Net private transfer	23100	18999	15580	15449	13557	5479	5082	4380	4634	4317
Receipts	43242	43764	43968	28660	25414	10280	11830	12367	8506	8093
Payments	43494	43929	44208	28768	25474	10341	11875	12435	8539	8112
IV Net official transfers	252	165	240	108	60	61	45	68	33	19
Receipts	1300	1417	1457	1173	1306	307	379	410	345	416
Payments	1305	1417	1507	1194	1322	308	379	423	351	421
V Net invisibles (I to IV)	5	0	50	21	16	1	0	13	6	5
Receipts	38691	36921	36279	18416	17837	9208	10007	10196	5449	5680
Payments	108459	86243	76092	59443	48844	25770	23244	21405	17665	15551
III Foreign investment in India by category	69768	49321	39813	41027	31007	16562	13237	11209	12216	9874
<b>A Direct investment</b>										
a) Government (SIA/FII)	10379	13172	10008	7278	4124	2462	3557	2821	2144	1314
b) Reserve bank of India	7677	10199	6819	4240	2200	1821	2754	1922	1249	701
c) NRI	755	748	479	574	537	79	202	135	169	171
d) Acquisition of shares	261	892	2267	2427	1387	62	241	639	715	442
B Portfolio investment	1686	1333	443	37	0	400	360	125	11	0
a) Global depository receipts	-257	6769	11750	9329	12002	-61	1828	3312	2748	3824
b) Foreign institutions	1138	2389	4846	2319	6534	270	645	1366	683	2082
c) Off-shore funds and	-1644	3625	6833	6820	4717	-390	979	1926	2009	1503
C Total (A+B)	249	755	71	190	750	59	204	20	56	239
IV NRI deposit accruals	10122	19942	21758	16607	16126	2401	5385	6133	4892	5138
1 FCNR(A)										
2 FCNR(B)	-4	-8859	-6920	-9686	-7048	-1	-2305	-1949	-2796	-2249
3 NR(E)RA	-604	3732	6295	9246	6202	-144	971	1773	2669	1979
4 NR(NR)RD	4112	4601	4417	-721	3134	980	1197	1244	-208	1000
Total	3949	4828	7974	4431	2137	941	1256	2246	1279	682
	7453	4301	11766	3270	4425	1776	1119	3314	944	1412

Note: (1) Differences as between different parts are as per the source.  
 (2) Figures within brackets are as percentages of GDP at market prices.  
 Source: RBI's Annual Report

**BHARAT FORGE**

**Well-Timed Modernisation**

**BELONGING** to the Kalyani group of companies, Bharat Forge is engaged in the manufacture of steel forgings, finished machined crankshafts, front axle assembly and components, and other products mainly for the medium and heavy commercial vehicle industry. With the industry witnessing difficult times over the last two years, there has been an adverse effect on the company's performance.

Consequently, in 1998-99 Bharat Forge posted a 20.5 per cent drop in net sales over the previous year. Though operating profit declined by 10 per cent, the company managed to post a 5 per cent increase in its bottom line, helped mainly by a drop in interest charges (down 7.3 per cent), and a much lower net non-operating loss as compared to the previous year.

The drop in net profit can be attributed to the company's efforts to restructure its debt burden. In fact, the company reduced its total loan funds from Rs 462 crore to Rs 396 crore, representing a drop of 16.7 per cent. Also, the proportion of long-term loans to total loans has been increased with the company deciding to reduce its dependence on expensive short-term funds.

Bharat Forge is now installing its second 16,000 tonne Weingarten forging press line which will help it cater to the enhanced demand for its products from domestic and international customers. With this, the Kalyani group company will become one of the only two companies in the world to have two 16,000 tonne forging press lines. The company also plans to raise funds in the current financial year through a combination of preference shares (Rs 40 crore), non-convertible debentures (Rs 100 crore) and term loans from financial institutions and banks (Rs 100 crore) in order to fund a modernisation programme, normal capital expenditure and also for augmenting long-term resources.

As part of the restructuring process, Bharat Forge has reduced its exposure in its financial services division by Rs 105 crore and also brought down its exposure in group companies to Rs 17.3 crore as compared to Rs 59.7 crore in the previous year. It has reduced its stake in Kalyani

Lemmerz, its joint venture which manufactures wheel rims, from 75 per cent to 15 per cent. The move brought in Rs 68 crore which the company ploughed back into manufacturing activity.

Meanwhile, for the first three months of the current year, the company has improved its performance. While net sales increased by 26.2 per cent over the corresponding period in 1998-99, net profit more than doubled from Rs 7.2 crore to Rs 16.1 crore. Interest charges too declined by 20.7 per cent.

Over the long term, with the Euro I and Euro II emission norms necessitating better quality of forgings commensurate with the requirements in the developed markets, demand from OEM's for quality components is expected to rise. With the company investing in Weingarten forging press lines, it is well-placed to take advantage of this opportunity.

The company's stock presently quotes at around Rs 207 on the bourses, discounting its 1998-99 earnings by 21 times.

**COLGATE PALMOLIVE (INDIA)**

**New Products**

Colgate Palmolive (India) has been witnessing a virtually stagnant bottom line over the last three years. The year 1999-2000 saw the company buckling under the strain with net profit declining by 43 per cent over the previous year. While net sales were lower by 1.7 per cent, the company's operating profit fell by 36.4 per cent over the same period.

With the decline in agricultural production, rural spending declined sharply and affected demand for fast moving consumer goods. The company claims that its profitability was also affected by the sustained high level of investments in strategic infrastructure, new product launches and brand building. New products launched during the year under review include several technologically advanced oral care products which have been made available at affordable prices.

Meanwhile, for the first quarter of 1999-2000 Colgate Palmolive has improved its performance, notching a net profit of Rs 12.1 crore as compared to a net profit of Rs 8.5 crore in the corresponding period last year. Sales improved by 21.9 per cent over the same period.

During the first three months of the current year, the company also revitalised two major products, namely, the core brand Colgate Total Cream and enriched Super Shakti, a Palmolive Naturals soap which has been competitively re-positioned in the popular segment.

After a controversy over the acquisition property, Colgate Palmolive is now planning to sell and lease back the said property where its, suburban headquarters and research centre are located. It had signed a deal with the Hiranandanis for 1.2 lakh sq ft of built-up premises in the Powai complex in Mumbai for Rs 37.8 crore in September 1997, and is now looking for a long-term lease for the premises it currently occupies.

Apparently the tug of war for market share between Colgate Palmolive and Hindustan Lever has reached an impasse, with another competitor Balsara Hygiene making a dent in the market of both Colgate and Hindustan Lever. While Colgate presently claims it has a market share of around 5 per cent, Hindustan Lever claims to have a market share of over 35 per cent.

The company's share presently quotes at around Rs 230 on the bourses, discounting its 1998-99 earnings by 78 times.

**GRASIM INDUSTRIES**

**New Business Strategy**

Grasim Industries, the Aditya Birla group flagship, saw mixed performance in 1998-99. While net sales were higher by 7.3 per cent over the previous year, the company's operating profit declined by 3.6 per cent and bottom line plunged by 50.5 per cent.

The sorry state of the cement industry has taken its toll on the company's performance. The company is also engaged in sponge iron and viscose staple fibre (VSF). All three divisions of the company showed a decline in sales.

The drop in the company's profit comes even after Indian Rayon's cement business was merged with the company. Indian Rayon's plant which has a capacity to manufacture 3 million tonnes of grey cement and 3.6 lakh tonnes of white cement was merged with Grasim as part of the consolidation of the group's cement business. Following the merger, Grasim's

(Rs lakh)

Financial Indicators	Bharat Forge		Colgate Palmolive		Grasim Industries	
	March 1999	March 1998	March 1999	March 1998	March 1999	March 1998
<b>Income/appropriations</b>						
1 Net sales	41299	51931	95532	97179	375687	349984
2 Value of production	41117	51351	92601	99346	377214	346927
3 Other Income	2470	3026	1230	1248	9391	9908
4 Total income	43587	54377	93831	100594	386605	356835
5 Raw materials/stores and spares consumed	16894	20505	21866	25391	139868	135467
6 Other manufacturing expense	7516	12959	32582	33293	93971	77054
7 Remuneration to employees	4397	4120	4023	3710	26501	23448
8 Other expenses	3802	4593	26314	23975	60311	52471
9 Operating profit	10978	12200	9046	14225	65954	68395
10 Interest	3866	4171	16	10	29226	25567
11 Gross profit	7053	6468	9373	14189	33186	44278
12 Depreciation	2913	2365	1835	1488	20968	16700
13 Profit before tax	4129	4086	7538	12701	12218	27578
14 Tax provision	439	570	2971	4694	800	4500
15 Profit after tax	3690	3516	4567	8007	11418	23078
16 Dividends	1658	1675	4529	4488	6265	5369
17 Retained profit	2032	1841	38	3519	5153	17709
<b>Liabilities/assets</b>						
18 Paid-up capital	3768	3768	13599	13599	7231	7231
19 Reserves and surplus	37055	35162	15775	15737	254623	226842
20 Long-term loans	34107	36973	512	478	190824	170403
21 Short-term loans	5462	9237	NA	NA	53227	42258
22 Of which bank borrowing	5458	9233	NA	NA	43442	39758
23 Gross fixed assets	55229	48194	31089	26224	495916	374211
24 Accumulated depreciation	18252	15711	8473	6779	158267	108378
25 Inventories	7590	7961	7914	12007	65255	60914
26 Total assets/liabilities	96887	99500	56040	49650	571160	489684
<b>Miscellaneous items</b>						
27 Excise duty	4637	5431	4290	4794	56821	52275
28 Gross value added	13714	11556	14377	18687	79509	86007
29 Total foreign exchange in	8570	12450	725	813	26401	31415
30 Total foreign exchange o	4629	8065	2770	3631	42602	31181
<b>Key financial and performance ratios</b>						
31 Turnover ratio (sales to total assets) (%)	42.63	52.19	170.47	195.73	65.78	71.47
32 Sales to total net assets	51.37	60.99	319.65	325.95	74.26	78.34
33 Gross value added to gross fixed assets (%)	24.83	23.98	46.24	71.26	16.03	22.98
34 Return on investment (gross profit to total as) (%)	7.28	6.50	16.73	28.58	5.81	9.04
35 Gross profit to sales (gross margin) (%)	17.08	12.45	9.81	14.60	8.83	12.65
36 Operating profit to sales	26.58	23.49	9.47	14.64	17.56	19.54
37 Profit before tax to sales	10.00	7.87	7.89	13.07	3.25	7.88
38 Tax provision to profit before tax (%)	10.63	13.95	39.41	36.96	6.55	16.32
39 Profit after tax to net v (return on equity) (%)	9.04	9.03	15.55	27.29	4.36	9.86
40 Dividend (%)	40.00	40.00	30.00	30.00	67.50	67.50
41 Earning per share (Rs)	9.79	9.29	3.36	5.89	15.79	31.92
42 Book value per share	108.34	103.32	21.60	21.57	362.13	323.71
43 P/E ratio	21.14	NA	78.01	NA	29.20	NA
44 Debt-equity ratio (adjusted for revalu.	83.55	94.97	1.74	1.63	72.87	72.80
45 Short-term bank borrow to inventories (%)	71.91	115.98	NA	NA	66.57	65.27
46 Sundry creditors to sundry debtors (%)	136.23	81.80	300.12	198.06	57.79	41.21
47 Total remuneration to employees to value added (%)	32.06	35.65	27.98	19.85	33.33	27.26
48 Total remuneration to employees to value of production (%)	10.69	8.02	4.34	3.73	7.03	6.76
49 Gross fixed assets to inventory (%)	14.60	28.06	18.55	22.46	32.52	9.48
50 Growth in inventory	-4.66	-16.17	-34.09	22.67	7.13	-4.96

NA: means not available

cement capacity has touched 10.7 million tonnes, which includes 0.9 million tonnes of Digvijay Cement and 0.9 million tonnes under implementation at Reddypalayam in Tamil Nadu.

In an effort to improve margins of its VSF division in the current fiscal year, the company has decided to place special thrust on export of speciality products like spun-dyed micro and macro denier fibres. It also plans to aim at product development in end-users. The company's VSF business has suffered primarily due to a steep increase in cheaper import of blended textiles from south-east Asia coupled with a stagnant export market.

Meanwhile, for the first three months of 1999-2000, Grasim has notched a 20.4 per cent increase in net sales over the corresponding period last year. While interest and depreciation were higher by 5.2 per cent and 31.8 per cent, respectively, the company's bottom line moved up by 22.3 per cent over the same period. Despite the improved performance of the company, a temporary suspension of work at its VSF plant put a spoke in the wheels. On the brighter side, its cement bulk terminal plant at Dodbalapur in Karnataka which has a capacity of 6,00,000 tonnes per annum was commissioned in May this year.

The company has now chalked out a threefold strategy to take on the growing unorganised sector manufacturers and smaller brands that have made a severe dent in its profitability. In line with this strategy, the company plans to strengthen its distribution network through better management of its existing 185 show-rooms and substantial increase in the number over the next few years. The company is also planning to introduce ready-made garments to efficiently utilise its excellent brand equity and strong distribution network.

The company's stock presently quotes at around Rs 461 on the bourses, discounting its 1998-99 earnings by 29.2 times.

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*The poll results are a slap in the face of the conspirators who thought they could walk away with the country. A great disorder awaits India. Is that not a lovely prospect?*

SHOVE aside the obfuscations, and concentrate on the basic features of the general election results. One outstanding outcome of the poll is the apparent inability of the two principal political parties in the country, the Bharatiya Janata Party and the Indian National Congress, to claim the loyalty of more than 55 per cent of those who voted. That is to say, at least 45 per cent of the electorate have no particular regard for the two major parties. Their loyalty is to other groups and parties, including the Left, the regional formations, and the caste-based parties.

A significant corollary of the poll result is the relative diminution of strength of the BJP in relation to its allies and, similarly, that of the Indian National Congress vis-a-vis its electoral allies. This kind of outcome is a major blow to those who had drawn up fond designs of an increasingly bi-polar India, where only the two principal parties will count and the rest of the lot are dispensable. Such a design of things is very much in consonance with the concept of an emerging political set-up of the country with power and resources getting increasingly centralised. In course of time, so runs the assumption, the oddities of minor groups and parties will disappear from the scene and India will be a perfect illustration of a two-party arrangement where other voices and views are denied any accommodation.

This species of a political model is a great favourite of Confederation of Indian Industry types. They would like nothing better than the hypothesis of an understanding reached between the two main parties in the country on the basis of a consolidated roster of economic programmes and policies. It will be essentially a CII programme. In the idyllic world the local bourgeoisie dream of, the state's economic policies are expected to be fully adjusted to cater to the Confederation's bill of goods. The poll results bring unfortunate tidings though: the ground reality refuses to conform to the mould proffered by the Indian capitalist class.

India, the election outcome suggests, continues to be a chiaroscuro of shifting patterns of minds and attitudes even as we proceed from region to region and state to state. Those segments of the electorate who, consequent to developments over the past decade, have learnt to articulate their views via the ballot box, are indeed experiencing a whale of a time. The two big parties cannot any longer run away with the polity. Coalitions, of this or that texture, are going to be henceforth the order of the day. Even more remarkably, the coalition partners will be more and more assertive with respect to the charter of rights they want the major partner of the coalition to yield to them. Call it blackmail, it does not matter. The retort of those who indulge in such practices with gay abandon will perhaps be that the blackmail is only partial compensation for the exploitation indulged in through the epochs by the social classes constituting the two major parties.

Discussion of the role the Left groups and like-minded formations could fill in this situation can for the present be left aside. What is however of tremendously greater significance is the emergence of regional parties of various descriptions. It is not just parties such as the Dravida Munnetra Kazhagam, the All-India Anna Dravida Munnetra Kazhagam, the Tamil Manila Congress, the Telugu Desam and its tributaries. It is equally necessary to take into account the role likely to be assumed by the Shiromani Akali Dal, the Nationalist Congress Party, the Asom Gana Parishad, the Sikkim National Front, the Mizo National Front, the Gurkha National Liberation Front and so on.

The poll outcome, in other words, clinches the point that we are almost on the verge of no return. The concept of a stable administration the Indian citizenry had grown accustomed to in the 50 years since 1947 has all of a sudden lost its relevance. We are fated for confrontation with a succession of unstable regimes. No party will on its own be any longer able

to exercise total political control over the centre, and therefore the country. Coalitions will be the order of the day, and please do not entertain any notion of the coalitions continuing for ever and ever. Such coalitions will come apart at regular, and irregular, intervals, for the sectarian – and secular – interests of the coalition parties will refuse to abide the pretences of a still centre.

This, did you say, will be inimical to economic growth and accordingly the despair of foreign investors? Few tidings deserve to be applauded with greater cheer. Should the point of view be aired that such a state of affairs could affect the country's international political status, it would be quite in order to break out into a cynic's smile. At the rate at which we have proceeded in the recent times, other things remaining the same, our international political status will be an exclusive gift to be decided upon by the US administration.

Given this context, a great many things can be said in favour of an ambience where neither of the two major political parties in the country is in a position to give vent to its over-centralised, medieval aspirations. Even before the sustenance of parliamentary democracy is ensured, it is after all, necessary to ensure the sustenance of democracy itself.

And for how long more are we to continue to feign innocence of the other reality this year's poll has been compelled to reveal once more? It has been a frighteningly bizarre serenade of so-called democratic elections, the bomb and bullet blast accompanying the gory killings. The Hurriyat Conference the People's War groups and other Maoist formations Bihar's caste armies, the ULFA and Bodo insurgents, the rebels swearing allegiance to the Manipur United Liberation Front and the Achik National Volunteers' Council: add them up, it is yet another facet of the nation's awesome political nitty-gritty. What a cheerful thought, the CII types will have sleepless nights for some while, until they come to realise that India is not just New Delhi and Mumbai. The poll result are a slap in the face of the conspirator who thought they could walk away with the country.

The media will continue to endeavour to sustain the illusion of a stable polity. The poll results suggest the contrary: great disorder awaits India. Is that not lovely prospect?



# From Sanskritisation to Hindi-isation and Hindu-isation

## The 13th Lok Sabha

Ranjit Sau

*It is too early to make a detailed analysis of the general election for the 13th Lok Sabha. The proximate cause of Congress downfall are fairly obvious. The Congress vision of the nation is incomplete, underdeterminate and inconsistent in theory, and gravely dubious in practice. The BJP as arm of the Sangh parivar touches all aspects of our life. Its model of nation is at variance with the true principles of Vedas. Yet has potentially tremendous appeal to the caste-conscious, sanskritising Hindu masses. Not too long ago you heard a chorus of lam: Indira is India. Expect soon a kirtan of hanumans: India is ...*

THE Gandhi-Nehru project, flawed at the core; it was an oxymoron of excellence. When caught in an inevitable and it was converted into a Nehru-Gandhi script. In the 1999 general election campaign the Congress president proclaimed, should her party return to power in 2004, electric power would be given free to farmers. The audience at Andhra Pradesh hustings, where she spoke, had a racking laugh to the point of tears. The tre of Indira Gandhi with her crude of 'garibi hatao' flashed in their mind. Here, again, the same dress, the same face, the same glycerin tears, the same dynasty, all dressed up visibly on a podium - the eerie shadow of Indira Gandhi is stalking the land again, they think. This is the signature tune of the 13th Lok Sabha; the next reels will show a suspense-thriller with usual Bollywood style.

It is too early to make a detailed analysis of the general election. However, the immediate causes of Congress downfall are fairly straightforward: the party has no coherent story to tell voters, its words ring hollow, its network of local organisations is worn out. But it does not solve the other side of the coin, namely, the success of the Bharatiya Janata Party (BJP) at the polls. What makes BJP an attractive choice? What does BJP see that Congress doesn't? Why is the Indira-Gandhi flip a flop? We begin our narration from this end.

### GANDHI-NEHRU AND LOOM

We all do two elementary productions, namely, propagation of species and procurement of sustenance, at two sites

respectively: family and firm. Families assemble to build a society, and firms come to make the economy. To co-ordinate it all springs up another sector, the polity. A nation thus has three parts: society, economy and polity; they interact and seek an equilibrium.

India has several religions. Its society is said to be in equilibrium when each religious group ceases to have relative internal adjustment, and there is no further proselytisation, that is, conversion from one faith to another. The equilibrium thus has two facets: intra-religion and inter-religion tranquillity. The economy operates within the infrastructure provided by the society and polity, but it can and does have a bearing upon the latter two as well. The polity is most agile; it responds mostly to the impulses from society and economy. It has some degree of autonomy, of course. The system consisting of these three parts evolves with its own momentum and absorbs external shocks. We shall view India through this lens of general equilibrium.<sup>1</sup>

In shaping modern India Mahatma Gandhi and Pandit Nehru had, as it were, a division of labour. Gandhiji mended the society and Panditji looked after the economy, while both of them were steering the polity. The exercise appears, no doubt, a bit hazardous. The scene reminds us of the case of two persons riding on one horse and racing the same three horses at the same time. So it was.

Gandhiji envisaged India as a society of permanently discrete communities, divided along lines of religion and each subdivided by varna, caste, or similar other ascriptive

marks.<sup>2</sup> The glue that is supposed to hold the disparate elements together is his doctrine of faith in all faiths: *Iswar Allah tera naam*. But clearly the patchwork may not be sturdy enough. For it perpetuates the sharp edges of demarcation and brings frictions and bruises. At the operational level it is even more volatile. Despite his grand scheme of Hindu-Muslim unity the Mahatma rejected inter-dining and inter-marriage. Once he declined to have dinner in the company of his Muslim friends Mohamed Ali and his brother on the tenuous argument that eating is a privately performed sanitary routine of life. He condemned Hindu-Muslim inter-marriage as incest [Bose 1998:2094]. Clearly Gandhiji was building his castle on quicksands.<sup>3</sup>

For harmonious living two communities must not only recognise each other's religion as legitimate; they must also know and respect each other's intra-religion 'caste' structure. Mere 'tolerance' of religions is not enough. For example, a Hindu grocery-store-owner has to be aware of the social prestige of a Muslim scholar-theologian, ulema, in the latter's own community, and pay him equal respect in full, rather than throw him out as 'impure' from the shop's doorstep. The problem would be compounded when the respective caste ranks of two communities do not map one-to-one and monotonously. I have not found any evidence that would indicate that Gandhiji had time even to address the question, let alone answer it. In a word, the societal vision of Gandhiji was incomplete, underdeterminate, and inconsistent, while his own behaviour on related occasions was inscrutable.

Gandhiji said a great deal on simple village life, civilisation, charkha, and all that. However, his utterances on economic matters do not add up to a coherent whole. His insistence on cottage and village industries, spinning wheel, handloom, etc., belonged to a different universe, not known to the contemporary world.<sup>4</sup> Fortunately, Nehru did not pay much heed to it. What Panditji did, obviously, did not take us very far, either. He set up public sector projects everywhere and anointed them as 'temples' of modern India. The public took him literally. You don't go to temples for hard work, productivity, competition, innovation, investment, and such other earthly stuff, you go there to meditate. And so they did. By the time they woke up, it was too late.

The situation in the field outside those holy places was not much different either.

By some estimates the Indian economy has remained stagnant for as many as 2,280 years; the per capita income is virtually constant over the period between 320 BC and AD 1960 [Lal 1988:34]. Such a case of prolonged economic paralysis is rare in history. The caste system bears part of the responsibility. "The chief features of caste are: (i) Heredity. One cannot change one's caste. (ii) Endogamy. Every member of a caste must marry a member of the same caste and may not marry outside it. (iii) Commensal restriction. Regulations are imposed regarding the acceptance of food and drink from members of other castes" [Radhakrishnan 1940:37]. "Two distinct tendencies are implicit in the caste system. The first is an acceptance of the existence of multiple cultures [one for each caste], including moral and religious norms, in any local society. '...Occasionally, a man is heard making slighting remarks about the hereditary occupations of other castes'. The other tendency in the caste system is [Sanskritisation] the imitation of the ways of higher castes" [Srinivas 1966:14; emphasis added]. The first of the two distinct tendencies of the caste system fills the Hindu society with deep ennui and distrust, which partly accounts for the millennia-old economic slumber. The second one, we shall see in a moment, has provided a window of opportunity to the BJP. It transpires thus that both Gandhiji and Panditji had only a myopic grasp of the Indian ethos. The country promptly headed to the edge of precipice.

#### NEHRU-GANDHI HEIRLOOM

In due course, Nehru's daughter took over the rein, and the new Gandhi began to fill in the blanks. Her calculation was acute. The society, she saw, is split into three segments: lower-caste Hindu, upper-caste Hindu, and the Muslim and other minorities. Incremental return on any political investment will be higher in the first and third segments than in the second. She put on rudraksha mala, visited temples, mosques, churches, sought benediction of every guru who cared to open the door to her. And in the name of dalits, the weaker section of society,<sup>5</sup> she proclaimed a 20-point programme.<sup>6</sup> The nation was impressed with her skill in balancing acts. The Nehru-Gandhi era dawned in right earnest.

Her son took the Indira strategy to its logical end with disastrous results. An editorial in *The Times of India* (August 4, 1994) writes that the total electoral rout of the Congress Party in Uttar Pradesh came after 1986, an occurrence that could

be attributed to two major events. In February 1986, the Muslim Women's Bill was introduced in parliament in response to the Supreme Court's judgment in the Shah Bano case.<sup>7</sup> This alienated the upper caste Hindus. In the same month, the district judge at Faizabad opened the locks of Babri masjid in Ayodhya, apparently at the prodding of Congress leadership. As a result the Muslims started to desert the Congress. As if that was not enough, Rajiv Gandhi started the election campaign in 1989 with a speech in Faizabad, the constituency in which the town of Ayodhya is located, promising Ram Raja and announcing the 'shilanyas' for Ram temple. The demolition of Babri masjid in December 1992 brought the curtain down on Congress fortunes in Uttar Pradesh.

In a word, the Gandhi-Nehru period saw an ostrich-like passive policy of supporting the social status quo, while the subsequent Nehru-Gandhi dynasty tried to actively exploit religious differences in order to protect itself. A third variety of policy towards religion will be narrated below – that is the BJP's innovation. If Indira Gandhi prostrated before a 'jagatguru' it was to seek her own political salvation; she was at the receiving end of blessing. By contrast, the BJP would operate on the supply side.

As cited above, one of the two distinct features of the caste system is 'the imitation of the ways of higher castes'. Srinivas

(1966) has a name for such climbing of caste ladder – sanskritisation. It has been a powerful force in the diffusion of Hinduism in remote past [Weber 1958: 9-21]. A trial chief would invite a brahmin priest who will come to baptise the royal-highness-into Hinduism and thus legitimise the kingdom. Maybe, even a kshatriya's (gotra) going back to such and such sage (rishi) also can be arranged to further fortify the royal claim.

Such supply of caste recognition and upgradation has been greatly activated lately on demand. The kshatriyas, in particular, are said to be in special need for this commodity. Historians like K M Panikkar maintain that actually there has been no such caste as kshatriya in the last 2,000 years of history. The Nandas were the last 'true' kshatriya, and they disappeared in the fifth century BC. Since then every known royal family has come from a non-kshatriya caste, including the famous Rajput dynasties of medieval India. Panikkar also points out that "the shudras [of all castes] seem to have produced an unusually large number of royal families even in more recent times. The Palas of Bengal originally belonged undoubtedly to that low caste. The great Maratha Royal House, whatever their function today, could hardly sustain their genealogical pretensions connecting them with Rajput descent. One of the most important functions of genealogist and bardic caste

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was to legitimise mobility from the ranks of lower castes to the kshatriya: "providing suitable genealogical links and myth" [Srinivas 1966: 9-10]. Another calamity has befallen this caste. Islamic conquest and thereafter British occupation of India had rubbed off some of the glaze of the valiant caste kshatriya. It feels insecure about its identity [Beteille 1996].

Meanwhile, in different parts, there were few castes which, though not regarded as high, became relatively wealthy by reason of their ability to exploit certain special opportunities that came their way during the British rule. Examples of such success are provided by the oilman castes in eastern India, the stillers in Orissa, the noniyas (salt-ricks) in Uttar Pradesh, the kolis of coastal Gujarat, and the kharwas of Saurashtra. When low caste became wealthy it usually followed this up by Sanskritising its life and ritual, and claiming the status of higher caste. The priests can provide the sacred service for consummating the finalities of upgradation. A most eloquent example is the case of Amma Coorg. A section of the main body of Coorgs, who came under strong brahminical influence in the first half of the 19th century and became vegetarians, teetotalers, and donned the sacred thread. In course of time they became a distinct endogamous group, even though they numbered only 666 (yes, 666) individuals at the 1941 census. A new caste was born. Thus at least one section thereof would Sanskritise its way of life and then claim to be superior to its structural neighbours or to the parent section<sup>8</sup> [Srinivas 1966: 30, 9].

Like the interior of a galaxy where new stars are being formed ceaselessly, the womb of Hindu society all the time churning out new constellations through Sanskritisation; and the galaxies in the expanding universe the caste-constellations are run riot from each other at epic speed. What is Hindu society? Is it static, motionless? Of course, there was no Big bang; it was the Creation of the All Mighty! As we are made wiser in a few moments, that will help make it even more dynamic within the limit of the velocity of light.

Mathematics tell us that between any two numbers there is infinity of numbers. So, between any two castes there is a large number of castes that can be accommodated at ease. And in India there is no demand, we have just seen, for upgradation at different levels. The Sangh parivar has long been active in the field as supplier of the required files. The historical

source of the Sangh parivar is traced to the Arya Samaj, founded in 1875 in Punjab by Dayananda Saraswati, a Sanskrit scholar. Opposed to certain aspects of caste system, idolatry and prevalent rituals, the Arya Samaj was strongly revivalist and proselytising. Dayananda went about reorganising Hinduism around a canonisation of the Vedas. A crucial instrument to this end was the suddhi movement, a movement for purification of the faith. From the 1880s on the Arya Samaj established a system of educational institutions all over north India: the Dayananda Anglo-Vedic (DAV) colleges where English was the medium of instruction. A Sanskritised 'pure' Hindi was promoted in educational work with a view to making it a common national language. At the turn of the century the first regular Hindi magazines appeared, college curricula in Hindi were drafted and Madan Mohan Malaviya provoked by the inauguration of Aligarh Muslim University in 1898, initiated a protracted campaign for a Hindu university with Hindi as the sole medium of instruction. In 1915 Benaras Hindu University came into existence and it became a central point in the movement for making Hindi a national language.

The Arya Samaj promoted eradication of traditional caste identities defined by birth, and suggested a caste system based on virtue and merit, which in principle would be open to all. In spite of such radical postures the project remained largely conservative in its implications. The critique was aimed only at the immobility of the caste system, its brahminical orthodoxy, and its exclusion of lower caste groups. But neither the hierarchical structure of caste nor the essential virtues and character ascribed to each varna and caste was questioned [Hansen 1999:74].

The Hindu Mahasabha, formed in 1915 with a view to galvanise the Hindu community into a political unit capable of representing 'Hindu interests', initially functioned as one of the interest groups inside the Congress Party. With Savarkar at the helm it became an independent force during the 1920s. There developed a symbiotic relationship between the Mahasabha and the Arya Samaj with double membership and an emerging ideological unity. The Rashtriya Swayam-sevak Sangh (RSS) arrived in 1925 to operate on the cultural front. Hedgewar, the founder, envisaged a synthesis of Arya Samaj idealism and organisational strength. Throughout the 1930s the RSS maintained close relations with the Hindu

Mahasabha for ideology and inspiration. Then, under the leadership of Golwalkar, the RSS moved away from politics to concentrate on a radical strategy of creating a brahminical RSS culture, a Bharat Mata in miniature, which by its example and high moral stature would gradually transform norms and habits of the larger society. During the 1940s the RSS became the most powerful Hindu nationalist organisation in the country. One of the most important branches of the Sangh parivar, the Vishwa Hindu Parishad (VHP), was established in 1964 to provide a bridge between the religious organisations and the RSS. Its objective was to consolidate Hindu society. It represented a continuation of the efforts of the 1920s to produce a Hindu nation through construction of rashtra mandirs and an all-encompassing catholic national Hinduism overriding divisions of sect and caste. Several of the leading gurus of VHP have a background in the Arya Samaj, Hindu Mahasabha, Ramakrishna Mission, and other organisations that sponsor a 'nationalised' modern Hinduism. The development of a national Hinduism - 'adapted to the modern age' - remains one of the very significant activities of VHP, it started as early as 1966 with the First International Hindu Conference in Allahabad. A broader activist line was adopted in the early 1970s when the VHP more systematically entered the field of social welfare with schools, medical centres, and hostels all over the country. Another important and widespread activity carried out under the auspices of the VHP is the Vanavasi Kalyan Ashram set up in 1966 as a combined centre of social work and (re-)conversion. It runs a large number of ashrams, schools, colleges, medical facilities, as well as hostels and scholarship programmes for tribals. The Sangh parivar has several other members in its family such as the Sevika Samiti, the Durga Bahini, and the Patit Pawan.

The ancestry of BJP goes back to the Hindu Mahasabha and the RSS. It is the political front of the Sangh parivar, a vast network - a one-stop shopping mall - that can entertain one from cradle to grave in all spheres, social, political, economic. There is nothing like it anywhere else in the world. Clearly, Congress is no match for the BJP in this.

V P Singh once commented in a television interview that the 'mandal' (implementation of Mandal Commission recommendations) would enter the 'kamandal' (a small sacred pot of holy water used in rituals by holy men, a symbolic reference to the BJP) and break

it. But he was wrong. A cushy job, a little bundle of money from the land, or a few extra rupees from some trade, does not meet one's appetite, rather it whips it up. Some lucky people, no doubt, have seen the faces of affluence; now they want higher social status, caste promotion, culture, in a word, sanskritisation. They will flock to the BJP. Congress has nothing to offer them; it never had.

#### EPILOGUE

The Mahatma, all due respect to him, was perhaps too god-like to the point of naivety. He was not simply aware of the failings of the ordinary people like us; he did not realise that it is not enough just to accept as legitimate and tolerate all religions. There is a set of annoying details for our daily existence in society. Where would, say, a Hindu weaver place a Muslim fruit-seller in the social matrix for measuring the corresponding respect due him? There is no answer to such a day-to-day question which is, to be sure, of vital importance for living in a village. So long as the society remains a collection of disparate communities with hard boundary-lines and varying internal hierarchies this problem of translation and evaluation would haunt a common man. It follows that the society of Gandhiji's dream was just that, a dream, not viable in theory or practice. On the other hand, for the Nehru-Gandhi Congress of today such questions are too theoretical, too abstract and philosophical; it has no time or inclination for such things. For it, efforts are more profitably spent in playing games with social divisions.

The basic model of BJP seems to have the virtue of logical consistency, but its premises are open to serious doubt. To take one example, Savarkar evidently believes in the Darwinian concept of natural selection: struggle for existence and survival of the fittest. He says: "men, groups and races [are] in the process of consolidation under the stern law of nature, to get forged into that larger existence on the anvil of war through struggle and sacrifice. Those alone who can stand this fierce ordeal will prove their fitness, not only the moral but even the physical fitness that entitles races and types to survive in this world" [Savarkar 1925:xii, cited in Hansen 1999:79]. Now, caste is based on endogamy, and we have seen above that new castes are being born with even as few as 666 members. Endogamy within such tiny groups will be biologically injurious to the groups themselves and to the species as a whole. For Darwin (1859:95) writes: "I have collected so large

a body of facts, and made so many experiments, showing, in accordance with almost universal belief of breeders, that with animals and plants a cross between different varieties, or between individuals of the same variety but of another strain, gives vigour and fertility to the offspring; and on the other hand, that *close* interbreeding diminishes vigour and fertility" (emphasis in the original). If this Darwinian 'general law of nature' holds for human beings, then endogamy by caste might have been very harmful to the vigour and fertility of the Hindus, which might be hard to recover by physical exercise and drill in khaki shorts.

No matter what happens to the economy at large, there are always some people who will somehow get a lot of money. Almost all of them will seek caste promotion, and mathematically there is no problem in accommodating their demand, even if it is almost infinite. Between any two points on a line there is an infinity of points; in a multi-dimensional sphere the scope is even wider. The Sangh parivar will continue to have a busy schedule of performing sanskritisation. The BJP is here to stay for a while, at least.

The preamble to the Hindu Declaration of Human Rights (drafted in Sanskrit and not yet available in its official English version) goes as follows: "A Hindu is like any other human being, only more so, wherefore all human beings possess the following rights as they are all the children of the Earth and descended from Manu and possess rationality and morality in common" (*Pioneer*, June 17, 1995, cited in Hansen 1999). But, as far as we know, in a democracy no one is allowed to be 'only more so', it violates the Universal Declaration of Human Rights, adopted and proclaimed by the United Nations, December 10, 1948. Such a discrimination is not grounded in the Hindu ethos of the Vedic era, either.

Yet the BJP is likely to have a tremendous appeal to the Hindu masses, all eager for sanskritisation. Not too long ago you heard a chorus of lambs: Indira is India. Expect soon a kirtan of hanumans: India is Hindia.

#### Notes

- 1 By contrast, there are models of partial equilibrium. Among several brands of this category that are making rounds in India nowadays let us briefly mention three for clarity. One may be called the 'imagining' school, in which the starting point is 'imagination' of a novelist, poet, or bard. A community's identity, aspirations and evolution are all in someone's imagination, and they unfold through diffusion via communication media such as folklore, books, or stage performance. A second one may be called the 'dalit' school which puts the

political action of traditionally oppressed groups such as the scheduled castes (14.6 per cent of total population) at the heart of the current dynamics of India. Third, there is the 'middle' school where it is the middle class of India that holds the key to almost everything.

It is our cardinal axiom that the mode of production by and large shapes the consciousness, rather than the other way around.

- 2 Almost all religious communities have 'castes' in one form or another [Dumont 1966:201-12]. The Hindu caste system is most rigid in that it is anchored on the doctrines of 'karma' and rebirth. Caste systems in other communities are mostly non-hereditary, and fairly permissive. Let us emphasise here that the Hindu caste system does not have the approval of the Vedas; it originated in the later-day Upanishads, coinciding with the rise of private property.
- 3 In ancient times foreign tribes had been absorbed into the Hindu society. "Hindu leaders accepted primitive societies and foreign settlers such as the Greeks and the Scythians into the Hindu fold and recognised their priestly families as brahmins and their fighting men as kshatriyas" [Radhakrishnan 1940:357]. Great invaders such as the Saks (Scythians) the Yavanas (Greeks), the Pahalavas (Parthians), and the Kushans, were accepted as Hindus without hesitation. Much later a reaction against the 'savages from the central Asian steppes' set in, especially after the tribes of Huns were taken over into Hinduism, and an unusually strong disinclination to intermarriage grew. At the moment, however, we are not talking about something like an invasion by the Huns.
- 4 Sen (1968:110) has concluded: "The Ambar Charkha programme is inflationary and is also likely to affect capital accumulation adversely. Far from creating any flow of surplus, it produces a flow of output value less than even its recurring costs. For the Ambar Charkha to have no inflationary results and no recurring adverse effect on the national capital stock, the workers would have to be paid Re 0-1-8 (less than two pence) per 8-hour day, which is quite absurd. As a technological possibility, the Ambar Charkha seems to offer very little." These results were initially published in a note in the *Economic Weekly*, October 19, 1957.
- 5 Sen (1980:447) is amused at the ambiguity of language: The phrase 'weaker section of the Indian population' "has not been descriptively very illuminating. As it happens, people drawn from this 'weaker section of the Indian population' do the heavy work in India, varying from breaking stones and bending iron to carrying heavy loads on their heads."
- 6 For a few months there was confusion about the exact number of points in the prime minister's programme. Initially it was declared to be a 21-point programme. Then the bureaucracy in the prime minister's office discovered to their horror that the last paragraph in the script of her radio address to the nation proclaiming the momentous programme consisted of only 'Jai Hind', which is not really a plan or a development project for the uplift of the weaker section. So the number was duly revised down to a round number 20.
- 7 In April 1985, the Supreme Court of India in a judgment had allowed a Muslim divorcee, Shah Bano, maintenance for life from the former husband. The Rajiv Gandhi government enacted a law in May 1986 that, in effect, overturned

that judgment; the law was drafted with the help of Muslim clergy. Interestingly, a similar case a court in Bangladesh allowed a divorce for life to a Muslim divorcee was just as the Supreme Court of India had done (Engineer 1997, 1999).

A crowning case of sanskritisation may be found here. According to a new report published in *The Times of India* (late September 1999; internet edition) a descendent of Mahatma Gandhi had stated that the ancestral spelling of the surname of Feroze Gandhi (Feroze's husband) was actually Ghandy, which was later changed into the illustrious Hindu name, Firoze, in Feroze's time. If the report is true, scientists may find it interesting. At any rate, the royal lineage of Nehru may be more appropriately expressed in its classical form, the Nehru-Gandhi dynasty.

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## GOA

# Congress Rot: No Cat to Bell

M A Sundaram

*The Congress debacle reveals more to the disarray of the party and its unrealistic assessment of ground situations than to the status of other political forces.*

THREE months after the assembly elections in Goa, where Congress secured an absolute majority for 14 years, in the parliamentary elections held on September 5, the party suffered a humiliating defeat, losing both seats it held after the 1998 election. In the Panaji constituency (North Goa) Sripad Naik (BJP), defeated Ramakant Khalap, a veteran Maharashtra Mahantak Party (MGP) leader and former union law minister in the UGDP government, by a margin of 36,721 votes. Sripad Naik had lost in the assembly election in 1998 by 451 votes. In the Mormugao parliamentary constituency (South Goa), Ramakant Angle (BJP) defeated his near rival, Joaquim Alemao by a margin of 4,419 votes. Angle had entered the assembly only in 1998, after short spells in the UGDP and MGP.

In the same constituency, Angle had in the 1998 elections lost to the Congress candidate Francisco Sardinha by 6,800 votes. Traditionally a Catholic has always held the South Goa seat. The last time this

seat was held by a Hindu, Madhu Shinkre of MGP, in 1962. In both these constituencies candidates belonging to parties other than the BJP and the Congress, including Wilfred de Souza, who was contesting on a National Congress Party (NCP) ticket forfeited their deposits. The decline in the clout of regional parties, MGP and UGDP had begun even before the assembly elections in June. In the assembly elections MGP was practically wiped out, winning only four seats. BJP won 10 seats, the gains mostly coming from MGP-held constituencies. Talks between BJP and MGP for an alliance before the assembly elections, ended in acrimony over seat-sharing and MGP's role was perceived as that of a big brother introducing BJP into Goa. The UGDP came on the scene when Churchill Alemao won the Lok Sabha seat in 1996. The party merged with the Congress in July 1998.

The denouement in the collapse of the Congress began immediately after the assembly elections and the formation of

the Congress government in Goa led by Luizinho Faleiro as chief minister. The party had a majority of a single seat in the assembly. Soon after he formed his government with a small cabinet of five ministers, dissidence in his party grew and he had had to shore up his strength in the assembly. Faleiro engineered the split in the four member-MGP and Ramakant Khalap with another member joined the Congress. Khalap's entry was resented by senior leaders in the state Congress. The MGP cadre, which has a wide base in North Goa also felt betrayed. In South Goa Churchill Alemao was already staking the claim for his brother Joaquim Alemao. Most Congress leaders including the chief minister are reported to have preferred Uday Bhembre, a respected non-controversial lawyer in South Goa for this seat. The decision of Wilfred de Souza's NCP, to contest from South Goa perhaps finally influenced the Congress Party to field Joaquim Alemao, the rationale being, only a Catholic can reduce the margin of votes Wilfred de Souza may run away with. The good doctor backed by Sharad Pawar had only one objective, defeat the Congress. While the Congress leaders in Goa, the high command, Sonia Gandhi and observers for Goa were assessing the winnability of their candidates, the BJP had chosen their candidates and started electioneering. Chief minister Luizinho Faleiro, who, for the first time in the history of the Congress in Goa, is also the president of the Goa Pradesh Congress Committee, has now admitted that the BJP had a lead of two months in campaigning. In an interview given to *Navhind Times* (October 7), he says, he had predicted on the polling day that the Congress would lose both the seats adding "How can candidates campaign successfully in just 14 days." Such *deja vu* was experienced by everyone in Goa; senior Congress leaders were lackadaisical whilst campaigning in their own assembly constituencies and on the day of counting were hardly seen at the counting centres.

It is no surprise that in many of their constituencies the BJP made substantial gains. The CM expanded his cabinet to 11 and gave three MLAs in charge of various corporations cabinet status, a breach of faith of the election promise made by him and Sonia Gandhi during their assembly election campaign in Goa. He also constituted an election campaign committee, with Pratapsing Rane, former CM and present speaker of the assembly as chairman, Ravi Naik, PWD minister and a former CM as committee chief for North Goa, and Francisco Sardinha, health

minister and former MP (1998), from South Goa as chief of the committee for South Goa. All these three gentlemen have a common *bete noire* – Luizinho Faleiro. As president of GPCC he had made sure accountability was diluted and when the axe falls, whose heads would be in the block.

Both the Congress candidates were new entrants into the party, after either deserting their parent unit or winding it up. Whilst Khalap is a well known leader, Joaquim was a Johnny-come lately. In North Goa, the decision of senior MGP leader Khasinath Jhalmi, to withdraw from the contest at the last minute also helped the BJP. In North Goa, the ruling Congress failed to gain support from the MGP, as their base clearly swung in favour of the BJP. In South Goa, the UGDP links and the faith in the Catholic vote bank did not pay. Wilfred de Souza who polled 10,528 votes also split the Congress supporters. It is also believed that Churchill Alemao's (minister of tourism) angry outbursts against a priest at the Navelim Church and a mass movement by people from predominantly Catholic assembly constituencies in South Goa against the setting up of an allegedly polluting unit-Meta Strips swung some Catholic votes against the Congress. The party has suffered losses in some predominantly Catholic consti-

tuencies and their communal calculation have failed.

In the euphoria following their victory in the assembly elections in June, the Congress in Goa did not assess realistically the inroads the BJP had already made into their own and the MGP's bases. The BJP won 10 seats, but in five other assembly constituencies, they lost marginally. Their percentage of votes had risen from 9 per cent to 26 per cent; the Congress gained only by 2 per cent. In the present Lok Sabha poll, constituencywise analysis shows BJP's lead in 32 of the 40 assembly constituencies: 17 out of 19 in North Goa and 15 out of 21 in South Goa. Poor judgment in the selection of candidates, infighting albeit covert among the local Congress leaders and the CM's own style of functioning helped BJP to make a clean sweep. Kargil, the Vajpayee wave, or Sonia's origins had little impact here, though the losers are attributing these as the reasons for their dismal showing. No one in the Congress has owned moral responsibility for the party's debacle; everyone is quick to talk about collective responsibility. Perhaps Sonia's *mea culpa* absolves them all. Though knives have been drawn against one another, no bloodletting is expected considering the fragile nature of unity amongst Congressmen here. The Congress in Goa does not need enemies.

## Local Self-Government and Citizens

J B D'Souza

*The growing distance between citizens and the representatives they elect and the disenchantment of people with local government is of serious concern. The many pressure groups which have arisen as a response to this situation can fill the gap only in a limited way.*

IN India today there is an acute sense of disappointment, with both the performance and the conduct of our various governments, and specially with governments at the local level. Edward Craven of the British Civil Service College reported in the seventies on public attitudes to elected bodies in Great Britain. "People seem to be less and less prepared to leave decisions to elected representatives who have been chosen largely by a party caucus, who are unknown to the electorate, and whose ability to control the growing apparatus of government seems to be diminishing." What he said about Britain could be repeated concerning people's impressions about our own organs of local government today. Those impressions verge on contempt, contempt both of performance

and of the processes of governance in our cities, towns and villages. Do our municipalities, panchayats and zilla parishads truly give us an opportunity to govern ourselves? Are they really instruments of local self-government? I attempt an answer to those questions chiefly in relation to local government in Mumbai.

The complexities of today's governance have made the ancient Athenian model of democratic practice – the assembly of all citizens – or even the New England town meeting, as obsolete as the myth of the honest Indian politician. It is quite impossible today for an assembly of a whole town to run even a small community with any degree of efficiency. So we choose a set of representatives to do it for us, and we have a chance every five years or so

to change that set. That five-yearly vote should give us a semblance – which has turned out to be less substance than shadow – of ownership, of power. But consider this first. How many of us actually vote in municipal elections, or for that matter even in elections to higher level bodies? Generally, every other person enrolled as a voter is too lazy to go to the polling-booth. Even in Britain, that home of democracy, the turnout at local body elections fell from about 49 per cent in the early fifties, to some 30 per cent in the late seventies, and has probably not picked up since then. Voters' apathy in our country may have many causes, but one of them is undoubtedly the fact that when you go to vote the choice you have may be wide because of the proliferation of political parties, but nevertheless is dismal. At the 1992 municipal elections in Mumbai *The Times of India* identified no less than 35 candidates with criminal records, some of them credited with murder, extortion, cheating or forgery. And these were only the ones the *Times* reporter could trace. There must have been many more who had covered their tracks more skilfully. What kind of informed choice can you make out of a ballot paper full of such offerings? Won't you be simply helping to swap today's set of thieves and rascals for a new set, equally addicted to crime? Another problem that prevents adequate representation is the very system of representation, where the candidate who gets the largest number of votes in a constituency, however few they are, emerges as the winner, even if the vast majority of voters have rejected, may even despise, him. In a certain constituency at a recent election, all the candidates lost their deposits, but one of them, the one who got the most votes, had to be declared the winner – who did he represent? At Mumbai's last civic elections, out of 103 successful Shiv Sena candidates, only 20 won more than half the number of votes polled in their respective constituencies. Around the SS heartland of Shivaji Park, the party's triumph hovered around 38 per cent of the votes recorded. Clearly, 83 out of the 103 SS winners had more voters against them than for them. The SS-BJP alliance's new city fathers and mothers strutted about as though the city belonged to them, although two-thirds of the electorate would have preferred a more respectable parentage. Nor was the picture in the other parties' successes much rosier.

Let's move on to the years after the polls. Are Mumbai's citizens left with even a semblance of adequate represent-



ation? How few of us know to our councillor is. Is it only our apathy that produces this ignorance, or are elected representatives too unobtrusive in their activities, too secretive if you like, for us to regard them as valuable assets in our civic life? Soon after the 1992 municipal elections in Mumbai, the Bory Civic Trust, of which I was then the president, naively submitted to each of the city fathers and mothers a set of suggestions for effectiveness in their neighbourhood role. Taking regular, well-timed rounds of their wards, meeting citizens at fixed times weekly, discouraging illicit building – these were some of our suggestions. We could have spared ourselves the effort: there was no effect whatever. In India we favour large elected bodies. Mumbai picks 220-odd councillors to direct and manage, or mismanage, its affairs. No commercial enterprise could survive if it were blessed with a board of directors of that size. Size makes for indecision and misdirection, which is one reason why our cities and towns are in a disgraceful condition. In a ranking of Asian cities on the basis of the quality of citizens' life, Mumbai ranked 40th – out of 40! (Other Indian cities were near enough to vie with Mumbai that last rank.) Now, whatever the drawbacks of elevating so many of our politicians to be city fathers and mothers, you might expect that it would at least bring citizens closer to their representatives, who would get a chance to serve their constituents better. If that was what you expected, you would be wrong. Wrong because enlarging the size of a council you have smaller men (and women) – persons of stature – into councillor positions. Councillors keep themselves too busy for mundane pursuits like service. They are weightier, and more lucrative calls on their time.

When they are not riding roads – Mumbai's telephone directory has 17 small-print pages devoted to a list of new street names – there are the other activities of extortion, blackmail, worse to keep them busy. A 1994 *Times of India* report listed 13 Mumbai corporators involved in various crimes, including robbery, dacoity, kidnapping, and even murder. Their numbers quickly grew, despite a dilution of their preponderance in the council; under the new law women now numbered about a third of our representatives in the BMC. Arrests of Mumbai's corporators on criminal charges took place at the rate of one a week, until nearly 10 per cent of city government had a criminal record. Women made sure they were properly represented in this

race to jail. This arrest routine halted only when the city's police commissioner was transferred and replaced by an officer more sympathetic to corporators' taking ways. Who knows how many more of our respected city fathers and mothers should properly take their place in the queue for trial and imprisonment? Meanwhile, about a million Mumbaiers – 10 lakhs – were represented by criminals, or at least by people whom even a tolerant police force has accused of crime. I suspect those 10 lakhs are still so represented; police cases against politicians have a tendency to lose their way. Citizens of other towns in the country are similarly served, I believe, by the representatives they elect. In Pune and Thane, Arun Bhatia and T Chandrashekhar got into difficulties when they tried to make their cities better places to live in. Even relatively upright councillors regard their role as an opportunity to serve themselves or their families. There was a chairman of BEST (a municipal undertaking), who introduced a new bus route to take his daughter to school. He was known as an otherwise honest man. As a perceptive observer of local government in the UK, Francis Stern, observed, not more than 10 or 15 per cent of the members in any local authority really comprehend what is going on, so far as their city is concerned. You have only to watch the proceedings in our town councils to realise that those percentages must be even lower in India. In each year's most important discussion in the BMC, the budget debate, each corporator is by convention allotted a fixed time to air his views. In the year when I was Mumbai's commissioner, I was struck by the generosity of a number of councillors when they cheerfully gave up their time to one of their colleagues; they regarded him as an administrative expert because he had been a clerk in the BMC office before he got elected. He duly spoke at length, with plenty of sound and fury but little sense. At all times, corporators displayed an allergy to study and discussion of the city's major problems – water, drainage, health or housing – but a deep interest in large contracts and a readiness to indulge in orations about Pakistan, China, the US or even Cuba. I once heard S K Patil describe the corporation as a branch of the UN.

#### ARE PRESSURE GROUPS THE ANSWER?

Along with the average councillor's obsession with opportunities for personal gain, he somehow develops a remoteness from the ordinary citizen. Which is, of course, a sad perversion of one of the major objectives of local self-government,

namely, a shrinkage of the distance between the people and their local government. An enlightened citizenry, ready and capable of participating in political action and community decision-making, is the foundation of democratic self-government, as Donald Stone observes, in *The Future of Cities*. Recent years have seen the emergence of more citizen groups, at least in our large cities. We have the Bombay Environmental Action Group, the Save Bombay Committee, the Bombay Civic Trust in Mumbai, the Public Affairs Centre in Bangalore, Common Cause in Delhi and many others. Recently a new group came together in Mumbai to contest a mindless proposal to raise FSIs across the board. Committees have been formed in haste to resist the transfer of municipal commissioners Arun Bhatia and T Chandrashekhar. There are even a few groups active in the rural areas in exposing the misdeeds of zilla parishads and gram panchayats. In Rajasthan the MKSS convened meetings in many villages to combat corruption, with great success. At one place they asked the panchayat about a sizeable expenditure on fitting doors to public latrines. No doors had been fitted; there were, in fact, no latrines at all. The protest succeeded. The money spent was refunded to the public exchequer. Before we comfort ourselves with this growing trend, we should remember – first, that these efforts generally work to prevent specific misfeasance, not to promote good governance. To take a simple example, you may find a vocal and powerful protest against the introduction of a one-way rule on a road. You will hardly ever get a group to insist on police officers regularly registering complaints brought to police stations. Second, these efforts mostly try to resist changes in the status quo; 'they seldom ask for changes in the status quo'. Those who might benefit from a change practically never organise to secure the change. Third, most pressure groups concern themselves with changes in the physical environment, not with other elements of local government, e.g. finance, tax collection, health. Fourth, they are generally middle class efforts, in the pursuit of middle class goals, hostile at times, at other times indifferent, to the miseries of poorer people.

We have looked at some of our local authorities, notably Mumbai, to find out what they offer residents of these localities in the way of exercising their citizenship roles. I have tried to show how inadequate these offerings are. I turn now, and finally, to a still less attractive feature of our city and district governments. That feature



arises out of the attitudes of state governments to the local authorities they have themselves created. In both rural and urban areas local authorities are regularly starved of revenue resources, and made heavily dependent on subventions from the state. Neither municipalities nor zilla parishads can introduce new taxes without state governments' blessings, and state governments are always far too protective of their own revenues to encourage any encroachment on their domain. Maharashtra has steadily refused to countenance a municipal surcharge on the sales tax it gets from the city of Mumbai, although that would help the BMC remove octroi, which everyone agrees is a disaster. Entertainment tax, a levy generally available to local authorities, is regularly usurped by the state. Mumbai has a tiny municipal vehicle tax for maintenance of its roads; it is a negligible fraction of the motor vehicle tax the state collects from the city, and itself retains. Ironically, by forcing local bodies to rely on state grants, the states have bred in the former a trend toward financial irresponsibility. Sharad Pawar once told me that the Akola municipality was paying out to its staff 103 per cent of the revenue it collected, requiring a last minute state rescue operation. Another disturbing trend in recent decades has been the creation of special purpose 'development authorities' within and beyond municipal limits. These authorities take over the water and sanitation systems, other public works like flyovers in Mumbai, or real estate development. They are entirely bureaucratic and unaccountable to the local people. They lessen even the small participatory role that citizens have in relation to elected municipal councils and zilla parishads. In extreme cases, lamentably quite frequent until the 73rd and 74th amendments to the Constitution, state governments have been much too ready to supersede local bodies and to keep them in suspended animation for years together. The Madras Municipal Corporation was so kept in suspension for some 20 years. Numberless local bodies in UP suffered similar disabilities for long periods, under bureaucratic control. For the citizen all such administrative intrusions increase his remoteness from the centres of decision-making concerning his well-being.

We have here taken note of the dwindling interest in local elections, as measured by the dwindling turnout of voters. We have noted the paradox that as a fairly general rule the persons we vote into office are really rejected by the majority of voters;

many of these poll-winners have track records of which you and I would be ashamed—records that they continued during their tenure to embellish with further delinquency. Still worse in this litany we have had to observe the growing distance between citizens and the representatives they elect, and the consequent emergence of pressure groups, which in some fashion

fill some that distance; we have noted limitations in their activities. Worst of all is the citizens' growing disenchantment with their representatives' performance of local governments, and a resultant waning of vigilance over their operations. Disenchantment tends to be self-filling; it feeds on itself, and leads to still less satisfactory performance.

## Doctoral Work in Social Sciences Some Reflections

V Subramaniam

*If doctoral theses in the social sciences are an indication of the status of research in these disciplines in India, it is in poor shape.*

EVER since a PhD degree became a necessary passport to a university career in India, there has been an increasing output of PhD theses in the social sciences and a search for examiners. Indian universities have started making use of Indian academics abroad as external examiners and for some reason or other, I seem to have been targeted most often over the last 15 years. It has fallen to my lot to examine over 40 theses in the social sciences from seven universities in India. This entitles me to indulge in some reflections and share some observations about some aspects of doctoral work in India—in the hope that it may be of some benefit to others.

First, about the origins of the doctoral degree itself. The term doctor was used from the medieval period onwards to mean a learned man. It was applied on the basis of one's established scholarly reputation based on evaluation by peers. But there was no formal process by which it was done, for several centuries. It took shape mainly in German universities in the 19th century in the physical and natural sciences first. The idea of formal laboratory research on specific problems was born out of the new German empire's commitment to catch up with the Industrial Revolution in Britain and do better. The earlier British achievement was largely based on amateur inventions and serendipity without a foundation in scientific experiment. Germany's plan was to promote and use academic science methodically to achieve industrial development faster and practically. The institution of a PhD in the sciences was a product of this commitment. It was followed naturally by the enlargement and encouragement of formal doctoral research in the social sciences. There was no competition from France as French university education was going

through a batch. Napoleon had reorganised education on a professional Ecole system, which strengthened the army and the civil services but bypassed the universities. In short Germany set the model in planned research and its formal recognition through a doctoral degree during the decades before the first world war.

It was natural for British graduates in the sciences to go to German universities for further research and a doctoral degree till the 1920s. Thus Lord Haldane (later minister for war), Lindemann and Sir Henry Tizard (both in the Churchill war cabinet) all took their doctorates in Germany. It took considerable persuasion, particularly by Sir William Ramsay, for British universities to institute regular university research programmes for doctoral work. The establishment of the Cavendish Laboratory at Cambridge was the signal of acceptance of the German concept—and very soon it produced a crop of Nobel laureates in science. In the social sciences, however, it took much longer for doctoral research to be instituted as a regular feature of universities. American universities on the other hand were inspired quite early by the German example.

Indian universities did not encourage much doctoral work in the social sciences, during the British period, partly because it was not that highly developed in Britain itself, though research in the physical and natural sciences was being promoted. Indian scholars who did their doctoral work in Britain were attracted very much by the London School of Economics and Political Science but after India's independence, there was very little academic research on India by the British for nearly two decades. Instead there was a regular invasion of American academics and graduate students—doing doctoral work

on Indian politics and society. As a result, it is the American approach, format and values that seem to have influenced the nature and format of doctoral research and supervision in Indian universities.

This is evident in the choice of topic and in circumscribing it. The American pattern of choosing a comparatively specific limited topic or institution for a specific short period has become the norm. The idea of relating it to wider social, political and economic context is not considered seriously. In regard to sources also, an effort is made to collect all the evidence from printed sources and documents giving them equal weight without much discrimination about the nature of the source. Thus an annual report 'advertising' an institution's 'achievements' gets the same attention as a critical objective article.

This overall approach is very prevalent in America. The common doctoral thesis in the social sciences is full of references and cross-references – and some theses, the references and notes could occupy space equal to the text. The American researchers take the same approach to their work in India too. All this does not do too much harm in American academe where they regard doctoral researches as bricks for an edifice as part of a cumulative whole for a professor-supervisor to collate and build on. Doctoral scholars themselves go on to do further work on the same or similar topic or start a new thing.

The specific limited topic, the laborious collection of source material and the descriptive approach of writing it all out without evaluating the use of the sources and with little concern to wider issues, this American approach, needs to be consciously corrected as it does more harm than good in the case of India. It is not enough to choose broader topics. It is far more important to relate the topic and the conclusion of one's research to the wider area of society, policy and economy.

For example, there are some theses on an administrative institution say in one state of India – which take little note of its actual and potential relations with the union government. In the field of history, a good thesis on elites say in the Hoysala empire, in relation to the monarchy hesitates to make the obvious comparison with the similar problem of state elites and monarchy in the earlier Chola empire. Another is on the administration of a 'Rajya' in the early Vijayanagar empire, giving a lot of detail about large agricultural lands owned by temples – but does not say anything significant

on its consequences in entrenching state control of society and cultural reproduction.

This is not to downgrade Indian doctoral work in the social sciences, but a plea for reorientation particularly to thesis supervisors, not to encourage choice of convenient limited topics and to insist on relating the research to the broader society and economy – and make some comparisons. This is going to be particularly difficult with the increasing demands made by many young lecturers, to get their doctorates in a hurry. But the results would be cumulatively beneficial. Instead of waiting for a foreign scholar or a local senior professor to use all the descriptive narrative to propound a more general thesis, Indian scholars and their supervisors can do it themselves and thereby set a higher standard for doctoral work. This is necessary not only to match international standards but also to catch up with standards in the physical sciences and economics in India itself. Research in these areas is more exposed to international comparisons and knowledge of this has helped to set and maintain consistently high standards.

I must recognise the good quality of doctoral research in some cases, partly

occasioned by the topic itself and in part by the commitment of the student and supervisor. Offhand, I can think of a thesis on concepts of the state in recent Indian political discourse – and another on Vivekananda's nationalism and a third on early Chola temple architecture. In cases, where the basic task of fact collecting was well done with a hesitant attempt at conclusion, I have asked for a rewriting of the final chapter. In just a few cases where the facts were just catalogued from obvious sources, I had to turn it down altogether. On the whole the experience was worthwhile as it kept me in touch with the efforts of a young generation of graduate students.

In addition to academic development, improvement in doctoral researches would also serve an important socio-political goal. Foreign dominance produces long-lasting effects on the mind in regard to self-definition of one's group, carrying it to the extremes of denigration or boastfulness. These effects wear out early in the more objective areas of the physical sciences and even economics – but tend to stick around longer in the other social sciences. Purposefully directed improvement will help to clean up lingering traces of such moulds in India's research arena.

The University of California, Berkeley invites applications for a tenured position in South Asian Studies beginning in the 2000-2001 academic year. Candidates in any social science discipline whose work is committed to the study of contemporary India will be considered. The appointment will be made to the department of the successful applicant's expertise. Capacity and willingness to serve a term at some point in the future as the chair of Berkeley's Center for South Asian Studies also will receive positive consideration. It is expected that an endowed Chair in India Studies will accompany the appointment. Applications with vitae, names of at least three references, and other relevant supporting materials should be sent to **Ms. Gail Stern, South Asia Search Committee, International and Area Studies, 260 Stephens Hall, University of California, Berkeley 94720-2300 by October 31, 1999.** The University of California is an Affirmative Action, Equal Opportunity Employer.

# A Benevolent Dictatorship?

Akbar Zaidi

*It may well be that Pakistan was experiencing democracy at its worst under Nawaz Shariff. But democracy is a process that takes time to put down roots and not a mechanism that offers instant good governance. And the unconstitutional dismissal of a democratically elected government by the military is not the solution.*

AT the end of July this year, I was engaged in a long conversation with a friend from India who is at the School of Oriental and African Studies (SOAS) in London. The discussion, not surprisingly, was Kargil and the developments that had taken place in our two countries since February. In the period between February and end July, a number of important developments had taken place. The most significant of these were, the Lahore Peace Process and Declaration, the war in Kargil, the end of BJP's second tenure in government and the forthcoming elections in India, and finally, Nawaz Shariff's July 4th dash to Washington to ask for President Clinton's help in coming up with a face-saving solution for Pakistan so that it could withdraw from Kashmir/Kargil somewhat respectfully.

I told my Indian friend that Nawaz Shariff was genuinely interested in peace with India as he was a businessman and he realised that better trade and economic relations would ease some of the pressure on Pakistan's visibly shaken economic condition. Trade and economic relations would benefit Pakistan overall and particularly the Punjab, which had land links with India and would allow cheap and easy access to Indian imports and raw materials. Punjab was Nawaz Shariff's main constituency as much as it is the army's. With Pakistan facing a growing debt burden and with pressure to reduce expenditure, the military was also reluctantly coming round to the need for reduction in its share of the budget, with some belt-tightening leading to a slowing down in military recruitment over the middle to long term. Besides, now that Pakistan had become a nuclear power, there may have been some arguments which suggested the need for a smaller conventional army. I argued that not only was Nawaz Shariff interested in a peace initiative with India, but now probably so was the military, as it had realised that with national economy in a shambles and the debt situation increasingly unsustainable, the only way out to solve Punjab's employment and economic

situation, was to involve the army's Punjabi constituency in trade and economic activity, and better relations with India offered that possibility. However, Kargil intervened.

I have maintained since the Kargil fiasco became public something that I tried to convey to my friend from SOAS, that this intrusion into Indian Kashmir was organised and masterminded by a section of the army or the Inter Services Intelligence (ISI), to undermine the sensible and urgently required peace process initiated by the civilian government of Nawaz Shariff. I also felt that this was not something that Shariff would have initiated as it contradicts his earlier efforts of gaining a larger profit from trade and economic opportunities which would have benefited him, his family, his business interests and his constituency. There was no logic in Shariff's action. I tried to convince my Indian friend, that the military was independent of civilian control and wanted to sabotage the peace initiative, as the military was the most important beneficiary of any war hysteria over Kashmir. My friend from SOAS said in disbelief, that no one in India would understand how a military could be independent of civilian control in a democracy, even one like Pakistan's. In September this year, Niaz Naik, a former federal secretary and emissary of Shariff went public and said exactly the same, that Kargil was instigated by the military and the prime minister knew nothing about it until it was far too late.

The events last week have only confirmed the view that it is the military which still holds supreme power, and rules (and now governs) Pakistan and makes all the important decisions, despite a period of democracy which had lasted almost exactly eleven years. The as yet unformed military government will be the ninth in these eleven years, which includes four elected and four caretaker governments. Such is the state of democracy in Pakistan, that none of the four elected governments – the two of Benazir Bhutto and two of Nawaz Shariff – have completed their

tenure. The first three were dismissed by the president and the last one by the military. The key difference in all these dismissals is that while the earlier three were dismissed by the president, he had the constitutional right and provision to do so under the Eighth Amendment of the Constitution of Pakistan. This time round, the president no longer has the power, and the military has acted unconstitutionally.

Pervez Musharraf in his second address to the nation said that rather than let the entire body (of Pakistan) rot and breakaway by following the Constitution, he decided to amputate a leg (the Constitution) and save the rest of the body. He has realised that he has acted unconstitutionally and has put the Constitution in abeyance, until that time when he and the military decide that it is time to hold elections again and to resume the process of democracy under far different conditions and rules. (Now where have we heard all this before?) Although martial law has not as yet, been declared, and the so-called chief executive has spoken about basic freedoms, including that of the press, the national and provincial assemblies have been suspended, though not as yet, dismissed.

Numerous elected and appointed government functionaries are being held without any cases against them, while many others, including ambassadors, have been arbitrarily removed from their previous posts and assignments, without any explanation and reason given for this action by the military. So much for this brand of accountability.

Musharraf has announced a system of administration of government which he will head as 'chief executive' and will constitute a National Security Council which will include the naval and air chiefs and four other 'experts' (who need not be civilians), a think-tank to advise the government, and a cabinet of ministers which will work under the guidance of the National Security Council. The chief executive's immediate agenda includes the aim to rebuild national confidence and morale, strengthen the federation, revive the economy, decentralisation and devolution, speedy law and justice, and of course, the accountability of those who have held power in the past. Importantly, none of the orders of the chief executive can be challenged by any court or law in the country.

My friend from SOAS and numerous other Indian friends would probably not understand why the military coup has been so unanimously well received in Pakistan. All political parties, including important members of the dismissed Muslim League, and all the combined opposition, have

welcomed Musharraf's intention. There has been not a whisper of opposition by any quarters in the country. Even those so-called liberals and champions of democracy, who fought against General Zia's military dictatorship, are now writing articles justifying his takeover, arguing that this is the only way to save Pakistan from certain catastrophe. They use arguments saying that authoritarian rule has provided very effective results and cite the example of East Asia. They say that Nawaz Shariff would have led a country to destruction within a matter of few years; by gambling on the military they are hoping that this will not happen. If it does, some say, well it was always inevitable. The military is their last line, they justify.

The liberal intelligentsia which harbours some image of 'democracy', and the elite who want a 'level playing field', have welcomed the military rule as Musharraf as nothing less than a saviour, their messiah on a white horse. They have felt that what we had in Pakistan was not democracy, and have supported the dismissal of each and every one of the five elected governments since 1988. This section of Pakistan's privileged class, more concerned with 'good governance', swift and fair justice, the end of nepotism and corruption, and a revival of the economy.

It matters not how these goals are achieved, as long as someone fulfils them. All these things have been promised by Pakistan's new chief executive, and hence the unflinching support for him. A benevolent dictator, it is said, is far better than a despotic, incompetent and corrupt democratically elected leader. In all this, they forget that 'good governance' requires participation, pluralism, accountability and openness, none of which can form part of undemocratic military rule, no matter how benevolent.

Perhaps the main reason why there has been no protest against the imposition of *de facto* martial law in Pakistan, is that many opinion-makers and elected representatives were fed up and tired of the way the country was being handled over the last decade under democracy. While democracy may have existed in name, this section of the Pakistani people felt that their problems were increasing and there were signs of further decay. For this group, it mattered not who would undertake reform or how that reform was to be undertaken, as long as it was done. Hence, their enthusiastic and wholehearted acceptance of the programme announced by Musharraf, a programme probably no different from that of many a political party in Pakistan. Musharraf is saying exactly what a number of liberal groups

and individuals in Pakistan have been saying for years. What else can they do but support him?

Musharraf has declared that he believes in democracy, and wants to create the conditions which would ensure 'genuine' democracy, after which the army will return to the barracks. This too, pleases the liberal lobby which now so enthusiastically supports the coup. In many ways, this programme seems far more similar to that of the coup of Ayub Khan in 1958 than of General Zia in 1977. Ayub was also a modernist liberal, who wanted to bring about an administrative and managerial solution to Pakistan's problems at that time. General Zia, on the other hand, came on the back of a wave of mass civil unrest, with a far more conservative social and political programme. Musharraf's guarantees to the religious minorities of Pakistan, have gone down particularly well with the liberal groups that constitute the Pakistani public.

The first speeches of almost all of Pakistan's elected, dictatorial or caretaker leaders, have differed little in intent from that of Musharraf's this week. They all talk about critical junctures, accountability of the past, moral authority and direction, and the like. After about a couple of years, the expectations with every new government go sour and the government begins to lose its popularity amongst the public. This happened with Nawaz Shariff's government as well which had a mandate which is never likely to be repeated gain.

What the reaction of the so-called liberal and pro-democracy elements in Pakistan towards Musharraf reveals is that this important section does not consider democracy to be a process which takes time, often generations, but rather, a mechanism which puts in place instant solutions irrespective of how they are to take place. While they talk about 'institutions' and institution building, they are not concerned with how these interventions take place, or who builds institutions in their own preferred manner. Most importantly, the process of building democratic institutions in a country which has had military rule for almost half of its 52 years, is not considered important enough.

Call it opportunism or a lack of hope, or one last bet, but the public in Pakistan has overlooked a number of important facts emerging in recent times. Firstly, all the attacks against Nawaz Shariff since his ouster, have labelled his government a one-man autocratic set-up and this seems to be one of the stronger charges. Yet, while these people welcome Musharraf as their saviour, they conveniently ignore the fact that military rule is always a one-man

rule and potentially far worse than any form of autocratic democracy. Besides, democracy always has the military as a potential watchdog, its checks and balances, if things get out of hand; the question of replacing the military does not arise, and one must await events of extraordinary proportion to do so. The war of independence of East Pakistan with the secession of Bangladesh and an air crash clouded in mysterious circumstances, were the events which culminated in the end of martial rule twice in the past.

Second, our good liberal friends endorse the measures taken by Musharraf to initiate the process of accountability of Nawaz Shariff and his cronies, conveniently overlook the fact that the orders of the chief executive cannot be challenged by any court in Pakistan. Moreover, his dismissal of the government itself and the abeyance of the Constitution are both illegal. Who will hold the army accountable?

Thirdly, all the ground that had been taken by the liberal lobby after the Pakistan army's fiasco in Kargil, in terms of discussing the role of the military in Pakistan's economy, has certainly been lost. After Kargil, many of us questioned the amount budgeted to the military each year, and there was a possibility that the voices of democracy may have put some pressure on the military to reveal its accounts. Clearly, that opportunity has been lost for good. Linked to this, was the possibility of peace in South Asia, with the BJP and Nawaz governments talking peace and moving towards economic and trade relations to start with. This too, has been put aside for the moment.

All the liberals who are banking on the military are the same ones who backed the World Bank's Moeen Quraishi when he was a caretaker prime minister for three months in 1993. This time, they are openly stating that they want the military to stay for some time, two years at least, so that it can cleanse the democratic stables of their undemocratic components. They are relieved that the chief of the army staff does not wear a beard and speak the language of General Zia or the Taliban. But this precisely is the problem. By supporting this intrusion by the military in Pakistan's politics, next time round they may get the worst end of the stick. It is this liberal and supposedly pro-democratic element which has probably done Pakistan its biggest disservice. Had they been an active and effective lobby in the first place, things would not have come to the stage where they have. Pakistan's greatest tragedy is not that the military has taken over, but that we allowed democracy to degenerate to the level it did.

# State and Market

## Altering the Boundaries and Emerging New Balances

Y V Reddy

*The concept of the mixed economy that we adopted was the right one. What is called for is a dynamic and bi-directional movement between the state and the market. The reform process in India has been able to capture the basic elements of this complex reality and there is, at least at the conceptual level, a pragmatic framework. There are emerging new balances and a dynamism has to be located in these new balances. Analysts need to understand these emerging new balances to appreciate the stability and pace of reform.*

THE altering of the boundaries between state and market encompasses, what is variously described as realigning government, structural reforms towards liberalisation or deregulation, and changing mix of the mixed economy. To enable an appreciation of this changing mix between state and market in India, a combination of descriptive and analytical approaches is adopted in this essay, with a focus on what may be described as relevant functions, processes and balances. The presentation is arranged in five sections. The first section describes how the mix of the mixed economy was in the process of changing in India from the commencement of planning in the fifties up to the current reform period. The second section describes, by applying a functional approach to the role of the state, how the boundaries between state and market in the mixed economy are currently being altered in the reform period. The third section narrates the process of altering such boundaries, illustratively at the federal (central) government level and at the provincial (state) level. Reforms in the external and financial sectors are not discussed here. The fourth section explores the new balances that are emerging in our country as a result of such altering of boundaries between state and market. Analysts are advised, in the light of these developments, to focus their attention on the emerging new balances in order to appreciate the reform process and its outlook. The final section briefly mentions the response of the Reserve Bank of India (RBI) to some of the emerging new balances. It needs to be clarified at the outset that the word state is used here broadly to reflect the government sector

in totality, i.e., the central, provincial and local governments, encompassing legislative, executive and judicial branches. For convenience, the word central is used for the constitutional expression 'union government' and similarly provincial for 'state government'. Further, the term, public sector is used broadly to signify the aggregate of government and public enterprise sector, and public enterprise signifies non-financial publicly-owned corporate entities – whether under a separate statute or a government company under the Companies Act. Where publicly-owned public enterprises of financial sector are included in the broad public sector, this fact is specially mentioned.

### CHANGING MIX OF MIXED ECONOMY

There was a virtual consensus, at the time of independence, on three basic tenets for free India, viz, democracy, federalism and a strong role for government in economic development or what came to evolve into the concept of mixed economy. Mixed economy generally meant active and direct participation of the government in economic life, combined with government's direction of market forces, to subserve the goal of development and social justice. The mixed economy approach held sway over mainstream economic thought and political debate (barring the right-wing Swatantra Party, active for a while under the leadership of Rajaji) for four decades. During this period, the mix between state and market was characterised by two features. First, the role of the state expanded, i.e., the mix was moving unidirectionally, and there was seldom a retreat. Second, the pace of expansion of the state was not uniform and

in fact there were many occasions of uncertainty and doubt on the role of state, but seldom was decisive action taken towards a retreat of the state vis-a-vis the market, till the balance of payments crisis of 1991. These features are best illustrated by some periodisation, though any attempt at periodisation has some subjectivity.

1951-61 represents the ascendancy of state, with an overwhelming consensus in favour of an active role for state, and such a role was sanctified by the Directive Principles of State Policy, and operationalised through a process of planned development. The control apparatus of the government imposed during the second world war provided a readymade framework for legal and institutional instruments for state intervention. The international consensus was broadly supportive of India's approach, to the extent that this approach combined democracy and liberal values. The constitutional provisions, legal framework, and interpretations of the judiciary were supportive of such a domineering role for state, mainly as a result of the Directive Principles of state Policy in the Constitution.

However, in the mid-sixties, following war and droughts combined with industrial recession, a 'plan-holiday' had to be declared. Uncertainties, in particular, political compulsions, led to the nationalisation of major banks, providing the government relatively easy access to household savings in order to finance its activities. Soon the first oil shock affected international sentiment on capital flows to developing countries and some aid-weariness also set in. Overall, therefore, the period 1967 to 1977, could be treated as a period of uncertainty and mixed signals, but expansion of the state did occur in spurts, particularly in a plethora of legislative action.

By 1977 it was clear that the Plan strategies were not paying rich dividends and a period of introspection started in 1977, lasting till 1984. A number of high-level official committees were appointed to examine physical controls, monetary policy, trade policy, public enterprises, etc. Each one of them recognised the need for a review of the mix between the state and market and recommended a definitive tilt towards marketisation of the mix. However, no tangible policy action was forthcoming, perhaps due to inadequate political consensus.

The next phase, from 1984 onwards, came to be described as the New Economic

Policy and was essentially an attempt to break the stalemate in state action and introduce market orientation. The new policy aimed at higher growth but given the unwillingness to impose the necessary fiscal discipline, significant acceleration of growth and growth-led reforms was achieved at considerable cost, namely, relatively unsustainable levels of fiscal deficit, current account deficit and external debt, especially short-term debt. In fact, inadequate productivity from the use of resources, while first and second tranche of Extended Fund Facility from the IMF were drawn, also resulted in strains of repayment to IMF during the late eighties. Since higher growth was attempted without breaking the stalemate in state action, there was ripe ground for a crisis.

In brief, there was a chaotic mix, but it tended to be unidirectional with varying pace but generally in favour of the state, and often in spurts, though during the latter period with serious doubts.

The year 1990-91 saw the Gulf war, which triggered a balance of payments crisis. The seriousness of the crisis, especially the dramatic loss of sale and repurchase of government gold through the state Bank of India and pledge of RBI's gold, did evoke a national consensus on stabilising the economy and undertaking appropriate reform. This provided justification for a serious effort to break the stalemate in state action. In other words, the unidirectional nature of changing mix between state and market since 1950 was, virtually for the first time, reversed in 1990-91. However, it was not merely the crisis, but the prevailing economic scene on the eve of reform which enabled initiation of reform. The features of the scene may be summarised as follows:

First, there was an intellectual recognition of systemic problems, particularly in the areas of fiscal management, public enterprises and over-competitive strength of industry.

Second, while there was respectable, if not impressive, growth of over 5 per cent in the eighties, compared to the 'Hindu rate of growth' of 3-3.5 per cent previously, it was clear the policy-makers that such growth was financed by unsustainable fiscal as well as trade deficits, and growth lacked institutional underpinning to take the economy to a higher growth path or ensure social justice.

Third, while the policies were originally aimed at protecting the labour force, incentive mechanisms got distorted and institutional rigidities crept in, leading to the 'tyranny of 10 per cent' – 10 per cent being the

share of organised labour (both in public and private sectors), select industrial houses and a rentier class encouraged by the political system. What was described as a soft state, tended over a period to be so soft to the '10 per cent' that to promote the interests of this 10 per cent, the state ended up being a hard state on 90 per cent of the labour force. This large work force started becoming restive, being tired of promises of elimination of poverty not backed by delivery and therefore, this large segment had to be pacified with what have been described as 'populist schemes'. It was no longer easy for the policy-makers to be both soft on the organised work force and provide succour to the large unorganised sector.

Fourth, the educated constitute the most articulate section in our country, as in many other developing societies. In the fifties and sixties, and to some extent in the seventies, the flow of a significant portion of educated was absorbed through employment in the growing government sector, the public enterprises and, to a very limited extent, the private corporate sector. With a larger output of educated youth and a deceleration in the growth of employment in organised sector, there was a growing pool of educated, self-employed or unemployed, outside the '10 per cent'. Politically, it was possible to counter, however feebly, the aggressive stance of the '10 per cent' since a significantly large part, almost the whole of the educated class coming out of high schools and universities, was left out of employment in the organised sector and were thus outside of the '10 per cent'.

Fifth, it was clear that the delivery of government services had become costly and was generally perceived to be very indifferent and inefficient – be it schools, hospitals, or public utilities like water supply and sanitation. The legal and institutional set-up gave rights to the stakeholders in the public sector even if these rights were to the detriment of the citizen. The stakeholders were not only employees, but also contractors or suppliers, or retail agents, etc. In fact, many felt that these stakeholders pre-empted financial resources sometimes at the cost of the original purpose of employing them. So there were schools with teachers and no buildings or teaching materials and hospitals with no medicines, electricity or water. Incidentally, the salaries of the public sector had assumed implicit productivity increases, viz, annual increments in addition to inflation indexation and any shortfall in assumed productivity increases worsened the situation. The managers in

the public sector, including the financial sector, often complained about the inflexibility introduced through inherited rights and work practices resulting in erosion of scope for productivity increases to match salary increases.

Sixth, there was an emerging parallel economy not only in money, called black money, but in most public services (with private schools, private hospitals and bottled drinking water rather than tap water becoming the preferred options). Further, there was resentment about delivery of services in public systems even among the '10 per cent', when somebody else was supposed to deliver the service.

Seventh, given the fiscal situation, the public enterprises which saw fiscal support drying up started clamouring for market access, autonomy and even some privatisation.

Eighth, the private sector, including the corporate sector, realised that the capacity of government to support them was getting eroded due to fiscal compulsions, while regulatory and other demands from government continued to be perceived as a burden on them. In the absence of fiscal support from government, they found it worthwhile to seek deregulation and liberalisation, arguing against what has been described as over-regulation and under-governance.

Ninth, there was a widespread realisation that the basic assumption of efficiency and effectiveness of state vis-a-vis market appear to be less valid than before, mainly due to technological progress and institutional characteristics of the public sector. The success of alternative models in other countries, in achieving both higher growth and social justice was impressive and sustained, and was too apparent to be ignored by the public opinion in India.

Finally, it was widely believed that reform was on the cards even by the late eighties. However, the Gulf war, which triggered the crisis, enabled projection of external factors as the main cause of the crisis. Thus, economic compulsions for reforms were clear for at least a decade before reforms commenced, but the issue was mobilising political support and evolving a consensus on the details of reforms in a democratic-federal set up – a problem for which a favourable environment emerged with the Gulf crisis.

#### FUNCTIONAL APPROACH TO ALTERING THE BOUNDARIES

In the functional approach to the role of the state it was argued that altering the boundaries between state and market could be analysed in terms of different roles of state. State's role in economic activity can



be broadly classified into that of producer-state, i.e., producer of commercial goods and services; regulatory-state, involving setting and enforcing of rules that govern, encourage or discourage economic activities of market participants; facilitator-state, involving provision of public goods such as police, judiciary, street-lighting; and welfare state, ensuring provision of a wide variety of merit goods such as education and health. In the functional approach, the process of altering the boundaries between state and market, are tracked with reference to each of the four functions mentioned.

### *Retreat as Producer State*

The process of retreat of state as a producer of goods and services involves exercise of several options in a variety of areas. As a producer of commercial goods and services, the major option exercised by the government was to permit entry of private sector in activities that were reserved for public ownership. This option does not necessarily involve retreat of state in absolute terms though in relative terms it amounts to a retreat. Currently, except for sectors such as defence, entry for private sector is permitted, and in many, in fact, encouraged. These include oil exploration, power production, telecom services, etc. The change was operationalised through a series of statements on Industrial Policy. Second, exit of public enterprises in terms of closure is technically permitted under the aegis of Sick Industrial Companies Act, which was amended to bring public enterprises within its jurisdiction. Third, exit of workers in public enterprises was also enabled and encouraged through adoption of voluntary retirement schemes and creation of National Reconstruction Fund. Fourth, some public enterprises were corporatised (that is converted into companies under the Companies Act) and in many public enterprises, private equity-holders brought in. The public enterprise sector which was invariably 100 per cent government-owned earlier, earlier became one in which there were some enterprises with diversified ownership, although in many cases, majority ownership continues with government. Fifth, significant autonomy in functioning of public enterprises has been announced and some attempts have also been made in this direction. Sixth, in a few cases, government took up financial restructuring of enterprises to enable these enterprises to compete with private enterprises and meet the threat of imports under a liberalised trade regime. Seventh, compared to the past, a hard budget

constraint has been imposed on public enterprises. Eighth, preferential treatment to public enterprises through exclusivity or price preference in purchases or sales within the public sector has been formally dispensed with. Ninth, privatisation involving transfer of majority ownership to private sector and change of control has been conspicuous by its absence.

It is possible to argue that the entry of the private sector has been insignificant in some sectors, possibly due to incomplete process of regulatory reform; that, in reality extension of jurisdiction of BIFR to public enterprises has not yet served any purpose; that the impact of VRS or labour-flexibility has been very marginal; that diversified ownership was merely a process of revenue-generation for government, often by shuffling of portfolio in public sector either through 'cross-holding' among public enterprises or directed-holding by the government-owned all India financial institutions; that revenue generation in a few cases was obtained by assuring the investors of a monopoly-status for a number of years thus undermining competition; that autonomy was not really exercisable in practice; that financial restructuring was done at enormous cost to government and only to dress up an enterprise to avoid reference to BIFR or privatisation; that the Disinvestment Commission had been ignored; and that institutional rigidities still remain in actual reform of the state as producer of commercial goods and services. In particular, it is argued that unbundling of so-called natural monopolies has not been given attention while diversifying ownership. Notwithstanding the above criticisms, a workable framework for reform has been initiated and undoubtedly further progress requires a significant thrust.

### *Regulatory State*

While there were attempts to reduce the role of the state as a 'producer', correspondingly there has been deregulation in some and expansion of the state in other as a regulator. Dismantling of industrial licensing and liberalisation of trade are best examples of retreat of a regulatory state. But, in many other areas, there has been expansion. For example, in telecommunications, in the area of ports and electricity, national-level regulatory authorities under appropriate statutes have been established. Similar initiatives are being considered in some other sectors also. The regulatory authorities are expected to exercise independence from the ministries or a public or private enterprise concerned and provide a frame-

work for entry and operating conditions, especially tariff, in a way that would provide assurances and protection to investors and consumers, whose interests often conflict in a monopoly-like situation.

Though at a macro level there has been deregulation, it is often argued that there are still a plethora of regulatory clearances that are required, thus undermining the full impact of deregulation. The process of expanding the regulatory role is sometimes described as incomplete, if not inadequate, on the ground that the constitution of regulatory authorities is not necessarily apolitical or designed to counter political cycles; that they are being undermined by the ministries concerned either on account of narrow interests of public enterprises or to serve what the ministry perceives to be the larger public interest; and that the regulatory authorities are inadequately provided for, in regard to physical, financial or human resources, to perform their task efficiently and effectively. However, it is undeniable that a basic framework for a more transparent, accountable and expanded role of the state as a regulator has been put in place in many crucial sectors, though focused attention to the strengthening of these authorities may be necessary. More important, there may be many other areas, in particular, an overall competition policy, customer-protection (especially compensating customers for negligence of producers of goods or services in public or private sector), setting minimum acceptable levels of standards in services sector, restrictive practices adopted by trade unions affecting consumer interests, etc, that need to be pursued further.

### *Facilitator State*

In the state's role as a facilitator, the major thrust is to redefine what constitutes a true public good and then find the means by which such a public good is funded and provided for in an adequate and equitable measure. It is also possible to unbundle an existing public good into its true public good and commercial components. It is ensuring provision of a public good that is relevant and not necessarily whether state does it on its own or through use of the private sector.

The evidence available on review of scope and coverage of public goods by the central government is rather limited except perhaps in the context of roads and bridges where toll charges have been introduced. A detailed framework for review of what are public goods, how to assess adequacy, how to ensure provision and means of



adequate financing need to be addressed by the state as markets cannot respond to these questions. For example, there can be a policy decision to treat a well of delivery of a good as a public good as distinct from another way. Further, water supply in a street tap may be a 'public good' while water supply in a tap at home is a pure commercial good. It may also be recognised that a significant part of provision of public goods falls in the jurisdiction of provincial governments and not the central government. Overall, there is a significant scope and a need for review of the states' role as facilitator.

### Welfare Provider

While in some developed countries, the major source of fiscal stress and consequently the major area of reform has been revamping or cutting down on the role of the state as a welfare state, in India there is a large consensus expanding rather than contracting role of the state in the provision of welfare. In consensus covers entitlements such as primary education and medical provision as also old age pensions. In fact, the Constitution mentions compulsory primary education as a Directive Principle of State Policy, though the actual performance of the state has admittedly been inadequate. A study of the process of providing welfare, say, though primary schools do provide some insights into the current reshaping of state and market. The approach so far has been for government to build and run most of the schools, often in a centralised fashion from the provincial headquarters, prescribe syllabus, print, subsidise and distribute textbooks on a government monopoly basis; recognise and then fund, to a substantive degree, the private sector institutions also. In some cases, mid-day meals are provided in elementary schools, while in a few cases cash in respect of female students is being provided. Reform progress in this regard has not been uniform among the provinces though recent initiatives relate to provision of adequate buildings and teaching material, increasing the number of teachers in the government sector and a few provincial governments encouraging local initiatives in starting or running schools.

There has been widely expressed discomfort at the relatively low level of expenditures on education. However, it has also been pointed out, most recently by C Rangarajan, that the level of government expenditure on education in India is comparable to Sri Lanka or China and hence the inadequacy is not in the

level of public expenditure on education. It has also been recognised in various empirical studies that in some states two-thirds of primary school teachers in government schools do not attend the school and in many provinces textbooks are made available in mid-year only. There is a marked preference for private schools among most parents and a few studies show that literacy is increasing in India on a demand-driven basis rather than utilisation of supply created in the government sector. While it is possible to argue that those who can afford should be persuaded to pay school fees, often government schools are not preferred by those who can pay. Similarly, while efforts are made to regulate the fee structure in private schools, they are often circumvented. The relative roles of government, the local panchayat and private initiative in regard to setting standards of physical environment, academic requirements, funding, provision, etc., are yet to be addressed. In brief, the role of state relative to the private sector continues to be inadequate and ill-defined in most parts of India, in regard to spread and quality of education, especially at the primary level. Similar logic can be applied to health or medical facilities or sanitation.

The major constraint for adequate provision of services is the *de facto* countrywide phenomenon of priority in entitlements of instruments of welfare provision (employees, contractors, etc) over the purpose (schools, dispensaries) or entitlements of the people to whom welfare is sought to be provided. Some provinces are attempting to overcome this through effective decentralisation of initiatives and management.

Notwithstanding the above, there are some provinces which have progressed significantly while new initiatives are being attempted in some other provinces. An all-India framework, such as in 'operation black-board', for a review of the relative roles of public, private, local, and non-governmental organisations, in terms of different combinations of funding and provisioning is yet to emerge. Similarly, regulatory framework in these areas, especially medical and health services, is being developed in select provinces since private funding and provision is expanding rapidly. Improvements in what has been termed as inefficient provision by public sector and a regulatory framework to govern unbridled private sector in addition to evolving appropriate mix of funding and provision by public and private sources appear to be the reform agenda for the

future in the realm of state as welfare provider.

### Provincial Level Reforms

Significant attention has been paid in both academic circles and in public debate to the challenges posed in reforms at the provincial level. These include fiscal, power, irrigation, roads and road-traffic, education, health and water supply. Different provinces have adopted a variety of approaches.

On the fiscal front, apart from revenue raising, cost recovery for services and traditional expenditure-containment, measures include statutory limit on guarantees, limits on public employment and establishment of Sinking Fund. It is necessary to recognise the fact that initiatives on fiscal front, both statutory and non-statutory are far more impressive in some provinces than the centre. In fact, substantial part of recent fiscal stress is perhaps justifiably attributed by provinces to the recent liberal pay hike by the centre. Though legally the provinces are not bound by the centre's decision, during the seventies and eighties socio-political compulsions and centralising tendencies in public systems made the centre's decisions *de facto* binding on the provinces. It is necessary to recognise that in spite of impressive initiatives in some provinces, the fiscal stress at the provincial level is acute.

In the area of power, measures relate to private sector entry in power generation; reorganisation of power monopolies into separate corporates for generation, transmission and distribution; privatisation of assets; and statutory steps for establishment of regulatory/tariff authorities. There are still many provinces which subsidise power heavily and overall the power sector is still far away from total cost recovery. Yet, in terms of organisational restructuring and legislative actions, some provinces have progressed significantly and well ahead of the central government in respect of similar activities (say, power supply or passenger transport by road in urban areas).

In the area of irrigation, stress has been on decentralisation of water management especially participative approaches and upward revision of water rates. Different provinces have adopted varying systems, but overall, however reasonable, cost recovery is yet to be seriously attempted. While progress in regard to cost recovery is tardy in most cases, the progress in institutional improvements for decentralised and user involved management has been impressive in a few provinces. Similar

approach towards decentralisation is yet to be demonstrated in the central government.

In regard to education, bringing primary education under panchayat system and local involvement in setting up and part-funding of such schools have been some of the initiatives in a few provinces. There is no evidence of any such initiatives, as yet, in respect of a large number of secondary schools under the aegis of central government.

In respect of health facilities, a few provinces have been contemplating legislation to regulate private health care facilities.

As regards public enterprises at provincial level, there have been almost universal attempts to review the portfolio and identify non-viable enterprises. While attempts to privatise have been made, there have been only a few successful cases. The public enterprises at the provincial level, other than in power, road, transport and industrial financing, are relatively of smaller magnitude in most provinces. However, many provinces have attempted a systematic evaluation of public enterprises and the hard budget constraint has been quite severe in almost all provinces. The variety of options by several provinces in dealing with state-level public enterprises is impressive.

### *Features of Reform Process*

The major features of reform process of nineties in India, can thus be summarised as follows:

First, the expectations from reforms in India are not in terms of across-the-board retreat of state in favour of market, but in terms of enhancing the state's capacity to permit efficiency gains and expand availability of public and merit goods.

Second, while state is retreating in some areas, such as pure commercial goods or services, it is both retreating and expanding in other areas such as regulation and is expected to expand further in public and merit goods.

Third, a variety of options have been initiated by the central government to redefine the role of state vis-a-vis market and the framework is comprehensive, though significant ground is yet to be covered. In general, the direction of reform is retreat as a producer state and retreat combined with expansion as a regulatory state.

Fourth, at the provincial level, while there is some marginal retreat as a producer state, substantive expansion and redefining of the role of state as a facilitator and welfare-provider appears to be in order. A variety of options have been exercised

by different provinces, though significant progress is required if fiscal sustainability is to be combined with an expanded role for the state at the provincial level.

Fifth, the differences in the pace and direction of reforms in different provinces are perhaps explicable by the political management of the process, technical capability to design measures, institutional underpinning to implement them and nature of support from central government.

Sixth, there is evidence to show that, even in areas where the state has to expand, mainly at the provincial level and as a welfare provider, decentralisation of initiatives and management away from the provincial head-quarters down to local levels seems to be a preferred option. This would imply that the state may reorient and expand by changing the degree of centralisation.

### **NEW BALANCES**

The descriptive account of the evolution of the mix between state and market in India, with special reference to process of recent reforms, reveals many interesting aspects, especially of the nature of changing mix relevant to us, as also the variety of options exercised. It also reveals the significant progress yet to be made, though a preliminary framework is available. However, to assess the dynamics of the changing mix, it would be useful to track what may be termed as new balances that are emerging as both causes and consequences of a changing mix between state and market. The changing balance between state and market does not happen in isolation, but is related to other balances also. An attempt is made here to track these new balances in a somewhat exploratory fashion or even as conjectures. These balances are vertically between centre and provinces; horizontally between provinces; within governments, both central and provincial; between public and private sectors; funding and provision in delivery of services; old and new industrial houses; poor and non-poor, organised employment and self-employment; and finally rural and urban.

#### *Vertical: Centre and Provinces*

As the reform progresses, it appears that the relative balance between centre and provinces tends to tilt in favour of provinces for a number of reasons.

First, the most important areas of the central government's responsibilities are in international trade, financial sector, telecommunications, aviation, and especially banking and corporate law/practices. In most of these areas, factors

such as multilateral agreements (say, WTO), globalisation and recommended best practice of the world tend to circumscribe, over a period, the discretionary power available in normal times to the central government. Second, the capacity of the centre to reach tax levels as well as tax regime very different from international practices (customs, excise, corporate or income tax) also tend to get constrained over a period, since the free and rapid flow of commodities, skills and finances among the countries would require us to be not too much out of alignment.

Third, major thrust-areas needing expansion of state are in physical infrastructure such as road, waterworks, power and social infrastructure, such as, schools and hospitals. Whether it is direct intervention or indirect intervention, the regime that governs funding and provision in these areas is to be determined by provincial governments. Thus, relative to the centre, the provinces are currently in the expansionary modules of the state in the state-market mix. Provincial governments currently have more freedom to access resources for financing economic growth from the market both from domestic and in some ways global sources. Hence, the proportion of net official flows from centre to provinces as a proportion of total capital flows to provinces tend to get reduced.

Fourth, provinces could also seek advice on growth strategies not only from the Planning Commission as in the past, but also institutions like Institute of Public Finance and Policy or Asian Development Bank or the World Bank.

#### *Horizontal Inter-Provincial Imbalance*

The balance, especially, economic balance among the provinces is also likely to be affected to the extent the overall governments' role in allocation of resources tilts in favour of markets. Thus, provinces will be competing more intensely than before in the market place for resources in future and may find it somewhat difficult to place a significant responsibility on the centre for their relative performance.

Second, with growth in communications especially on economic and financial issues, people will tend to benchmark economic performance of states. There may be a slow beginning but the momentum could pick up, as evidenced by varying capacities (both in terms of amounts and interest rates) to raise financial resource for provincial level public enterprises, on the basis of their guarantees.

Third, there are a variety of options for managing change which are adopted by different provinces. For example, a single

Electricity Board for each state was an earlier model, while now each province is looking for its own model combination of institutional arrangements as well as transition path. There are plenty of opportunities to learn from each other's experiences and make modifications. Thus, inter-provincial interaction tends to be more intensive, by themselves or through institutional consultants who may be interacting with several provinces.

Fourth, there is, in the decentralised scenario, a potential for increasing the divergence in level of income among provinces or even intra-province. To this extent, there may be pressure from less developed provinces on the centre to play a more active role in countering markets' possible neglect of less developed provinces.

Fifth, there could be competition among provinces to benchmark, reform and excel but the new balance will have to ensure healthy competition.

#### *Within Governments*

The balance between ministries representing the combination of political executive and government bureaucracies vis-a-vis exercise of ownership functions as well as regulatory functions may also change somewhat adverse to ministries. The process of privatisation, diversified ownership and autonomy of public enterprises may erode the discretionary element of the ministries. Once separate regulatory bodies on statutory basis are established and strengthened, they are meant to be semi-autonomous. Often their membership need not coincide with political cycles and this may impart greater stability to regulatory regime. Increasing role of semi-autonomous regulatory bodies tilts the balance away from the ministries and in favour of less volatility in policies.

Further, experience at the provincial level in some areas has shown that the preferred route to enlarging role of and efficiency in the functioning of state is decentralisation in government. For example, in primary schools or other management, the approach in some provinces seems to be through decentralisation or localised water users' committee or village panchayats. This may also involve emerging new balances between ministries or departments at provincial headquarters and local bodies, in favour of the latter.

#### *Public and Private Enterprises*

The relationship among public enterprises and between public and private enterprises could be subject to new balances in several ways.

Firstly, a large public enterprise sector may continue but it will have to reckon with growing competition from private sector.

Second, regulatory agencies may insist on level playing field between public and private sector.

Third, the public enterprises faced with hard budget constraint, threat of private sector entry and accountability to private shareholders where they exist may have to carve out new patterns of relationships with the government and within the organisation.

Fourth, strategic co-operation and cross-holdings between public and private sectors are inevitable, thus replacing watertight compartmentalisation between the public and private sectors. In fact, this process may necessitate the termination of the concept of government companies under the Companies Act.

Finally, managerial and other highly skilled people, who were concentrated significantly in public enterprises may find alternative and attractive avenues in private sector; and consequently their clout within public enterprises may tend to improve. The emerging flexible market for talent could indeed alter balances between and within enterprises.

#### *Funding and Provision of Services*

There can be several permutations and combinations of public funding, private funding, mandatory cross-subsidisation in private funding, private provision, public provision and mandatory provisions by private to meet public interest, etc. A recent example of private funding and private provision with some elements of public-funding and regulation has been evolved by the Supreme Court of India in respect of private engineering colleges in Karnataka. The scheme covered fees chargeable, mix between merit vis-a-vis discretionary seats in admission, local vis-a-vis non-resident Indian quotas, etc, and mandatory loaning by public sector banks at concessional interest rates. While the decision of the highest court provided a framework in a specific category, there are large areas, drinking water supply, education and healthcare, where public-private mix is entering new balances in regard to ownership, funding provision, official recognition and governmental regulation. The traditional watertight division between government or public and private sector each combining within itself funding and provision may get blurred and larger scope realised for intermingling of the two. Further, such intermingling may involve non-governmental organisations

as well as local initiatives. These are perhaps in nascent stage but evolutions of new balances between public and private sectors is clearly in the horizon.

#### *Old and New Industrial Houses*

The traditional core industries in the tradeable sector, especially sectors which enjoyed high levels of protection in the past, are currently under pressure of competition and they tend to be apprehensive of rapid reform. They are often balanced by the newly-emerging internationally competitive industrialists, in areas such as drugs, pharmaceuticals, software, chemical industries, etc. As the latter improve in strength and importance, the balance will tend to tilt in favour of more rapid reform. There is evidence of a tilting balance even now. Even within the traditional industrial houses, one can see changing balances in the composition of activities, boards and management.

#### *Poor and Non-Poor*

A major issue of concern in the context of reform is whether the poor will be worse off than before in absolute terms due to the reform and whether the balance between poor and non-poor, in relative terms, will worsen as a result of reform. In the pre-reform period, there were programmes in the name of the poor but their reach and benefits were often questioned. Given the stalemate in state action that has been explained, the poor may not be worse off than before and may even be able to articulate their needs better in the absence of bureaucratically determined services, though commercialisation of services may tend to give a sense of relative deprivation to poor. Perhaps this is an emerging area of new balances, with a significant social dimension that needs to be analysed and feedback utilised in policy actions.

#### *Organised Employment and Self-Employment*

In the fifties, sixties and on to the seventies, the major segment of engineers, doctors or other skilled professionals coming out of colleges found jobs in government or public enterprise or publicly-owned financial sector. However, since the eighties a progressively larger percentage of the skilled and the articulate tend to be in self-employed category as against employees category. The growing services sector also adds to this trend. Indeed, leasing of goods and services, contracting out or outsourcing instead of in-house provision are considered to be more suited to changing times. In democratic systems, these changing balances

between job-orientation and work-orientation tend to exercise a strong influence on the policies relating to employment in the organised corporate sector.

#### *Rural-Urban*

Contrary to the generally held fear that reforms would lead to markets holding sway and thus metropolitan or large centres would thrive to the disadvantage of rural areas, there is evidence that rural prosperity has been improving significantly in the recent years. The rural-urban continuum would perhaps assert itself, but in any case rural-urban as well as agro-industry linkages are set to get strengthened especially when the services sector is growing rapidly. Briefly stated, there may be new balances replacing the traditional rural-urban divide or dichotomy.

#### *Role of RBI*

Before concluding, it is useful to place on record how RBI is responding to the emerging new balances. This will be illustrated by RBI's recognition of the fact that finances at the provincial level are critical to the realignment of the role of the state and market.

First, the RBI has started a close and more intensive interaction with the finance

secretaries of provincial governments on a regular basis, and on a wide range of relevant subjects.

Second, a committee of provincial finance secretaries has, with the active involvement of the RBI, recommended limits on government guarantees. Some provinces, such as Karnataka, have already legislated on this subject.

Third, the system of ways and means advances to governments has recently been revised by the RBI in consultation with the provinces to introduce better incentives with regard to financial and cash management.

Fourth, with support from the RBI a committee of finance secretaries of provincial governments is presently working on the issue of improvements in transparency of the budgetary system.

Fifth, provinces have been encouraged by the RBI recently to access the market for a part of their market borrowings. These include Andhra Pradesh, Uttar Pradesh and Punjab which have raised funds directly from the market.

Sixth, in view of this development, the issue of monitoring of the financial health and other relevant parameters of the provincial governments by the market assumes greater significance. A committee

of the finance secretaries of provinces is currently acting in an advisory capacity to oversee the indicators of financial parameters being developed by RBI.

Finally, the RBI is actively advising the provincial governments in areas such as cash management and funds management.

#### *Conclusion*

To conclude, the concept of mixed economy that was adopted was the right one. What is called for is a dynamic and bi-directional movement between state and market. Indeed, growth in technology has recently led to drastic redefining of the relative roles of state and market and such a redefinition need not be a unidirectional retreat or a across-the-board expansion. The reform process in India has been able to capture the basic elements of this complex reality and there is, at least at a conceptual level, a pragmatic framework. More importantly, there are emerging new balances and a dynamism has to be located in these new balances. Analysts need to have an appropriate understanding of these emerging new balances to appreciate the stability and pace of economic reform.

[This essay is based on the author's address at the Indian Institute of Economics, Hyderabad, on August 16, 1999.]



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# Globalisation of Steel Industry

A S Firoz

**The Global Restructuring of the Steel Industry: Innovations, Institutions and Industrial Change** by Anthony P D'Costa; Routledge, London and New York, 1999; pp xx + 228, price not mentioned.

THE world had seen unabated appetite for steel in the post-war period. In the oil crisis of the early seventies. In response, steel production worldwide continued to grow rapidly in a rather assured market till around 1974 when the first real recession gave a jolt to the basic foundation of the industry the world over and more so the developed world. The questions of overcapacity, technology, ownership – all came to be raised as the industry realised that the conditions of continuous and secular growth in the industry cannot be taken for granted.

After the oil crisis, up and downs in the fortunes of the steel industry became common and again more so in the developed world. Although the industry in the rest of the world has not been totally isolated from the vagaries of the market, the early entrants (the ones in the developed nations) faced more of them. It is not merely the cyclical turbulence in the industry since the seventies or is talking about. Over the decades, including to some extent the fifties and the sixties, round developments in the industry worldwide have altered the competitive positioning of the nations producing this critical industrial intermediate to such an extent that today the industry's map looks significantly different with global relocation of the industry along with massive changes in technology and trade.

The developments in the industry in the last four decades have been more significant. These four decades have not only seen global steel output increasing substantially, but also a rising share of the developing countries in steel production. The decades have witnessed a massive relocation and restructuring of the industry. There are new players emerging every day making survival of those early generation producers, for example, in the US, increasingly difficult. The US steel companies were challenged by those in Japan and western Europe. Then came the new steel-active countries – Korea, Brazil, Mexico, India, etc. China on the other hand continued to grow unperturbed by externalities. The development of the industry has been so widespread that today the number of countries producing basic steel has gone up many times. In these

changed circumstances, the erstwhile steel majors have lost, partially or fully, their position of eminence as steel-makers, displaced mostly by new companies of varying size from a large number of countries.

Why the early entrants like the US lost their hold and why Korea and Brazil are more deeply rooted and growing players in the world of steel and what are the primary factors that reshaped the global competitive scenario in the last four decades remain matters of dispute among researchers. There are many angles from which to look at the fluctuating fortunes of the industry in various nations. The specifics apart, much of the development of the industry was guided by a simultaneous and interactive development of market and technology. While the market and technological innovations and developments cannot be put in watertight compartments, many feel that these factors also have identities of their own and each on its own forms the guiding force in the process of development of any industry or economy.

One of the most important points Anthony D'Costa has made in the book under review is that technological changes in the steel industry over the years have had a profound impact on the nature of competition which in turn and also simultaneously defined the contours of global restructuring and relocation of the industry. He argues that in the rapidly changing technological parameters of the industry, there were laggards like the US that could not adjust to fast changing conditions to be outpaced by the more dynamic and younger steel producers like Japan and Korea.

What is reorganisation and restructuring of an industry? Anthony D'Costa provides various abstract concepts. According to him, global restructuring "refers to the process by which steel-making capacity is being spatially reorganised across nations". That is the process of spatial relocation of the industry – reflecting uneven growth across regions and countries. Simple. Then he goes to say "restructuring also refers to the various ways by which a national economy adjusts to the capitalist imperatives of competition, profitability, market control and national development".

More specifically he says, "restructuring is viewed as a complex process by which the steel industry is evolving as a result of technological developments, corporate strategy and government policies". D'Costa then says "with innovations and diffusion of technology at the core of capitalist industrialisation, restructuring of the steel industry globally can be conceptualised in terms of different technological trajectories". From abstract to more concrete forms, there seems to be a lot of unnecessary confusion in regards to what is meant by restructuring. In fact, given the basic thrust of the book, and at the end of it, one wonders whether there was any need for developing such a complex analytical structure to make a very simple point (stated above).

In this book, the author has taken three basic aspects of the industry for discussion: technology change, relocation and change in ownership and entrepreneurship. Of this, he attaches primary importance to the first for the global restructuring of the industry and then attempts to debunk the 'the logic of the market'. The global restructuring, means global relocation of production, capacity and investment and technology change incorporated in various of processes of production, scales of operation and integration. The changes in any or all of these aspects are visible more from the factual details. Therefore, the point that the author makes at the end of the study requires to be weighed more concretely with facts and figures. One does not need any great deal of analytical rigour for that.

If the US built up a massive steel industry, Japan and Korea came up later to destroy its comfort with newer and technologically superior plants that could produce steel cheaper and even better in quality. As a result, steel production moved out of the traditional areas like US and Europe to Asia and Latin America: Korea, Japan, India, Brazil, etc. more specifically. D'Costa argues that the US industry was slow in introducing and absorbing new technologies as it could still carry on with some degree of comfort with its relatively outdated plants. It invested just enough to keep the old units running. The consequent technology gap that it ended up with was too much for it to remain competitive in the global market.

D'Costa traces correctly the US steel industry's lukewarm response to new technologies and he is right when he says that as a result of this the US steel industry fell far behind Japan and Europe in technology. Coming specifically to a comparison

with the developments in Japan, there were three major areas where the new Japanese industry scored over its American counterpart. It built large blast furnaces to derive better economies of scale. It introduced state of the art larger size basic oxygen furnaces (BOF) to replace the older generation inefficient open hearth furnaces. Then it stroled ahead in introducing continuous casting technology in Japanese plants. In 1973 (data were not immediately available for earlier period and hence the choice of the year) the average production of pig iron per year per blast furnace in Japan stood at 1,540 thousand tonnes, while the corresponding figures for the US and Germany were 589 and 479 thousand tonnes respectively. In the same benchmark year, 20.7 per cent of the steel produced in Japan was put through continuous casting – the corresponding figures for the US and European Union were only 6.8 and 9.4 per cent. These had put the Japanese ahead of the rest in terms of material and labour costs in production. D' Costa in fact revives in his book a debate precisely on this subject that had taken place in the sixties. His efforts to bring in the aspects of technological change and its impact on the global restructuring of the steel industry, especially in the light of the subsequent developments in the eighties and nineties, are interesting and make his book absorbing reading. Although he admits towards the end that market forces also had a major role to play in all that happened and that it was more a matter of relative importance of the technology-related factors that he wants to bring to the front, there is no doubt that his position finally taken runs the risk of overemphasis on a relatively narrow lane.

Over the years, steel, like many other industries, has seen significant strides in technology. These developments were in the basic as well as in the secondary (processing) areas. As a result, the world has seen a gradual decline of integrated steel-making (from iron ore using blast furnaces, sinter plants, coke oven batteries and then using the iron thus produced to make steel in a BOF or OHF and subsequently rolling the steel thus produced into various shapes) giving way to electric steel-making in a furnace using various mixtures of scrap of steel, direct reduced iron or even pig iron. In fact, the electric arc furnaces (EAF) meant basically to re-melt scrap of steel have graduated to a different plane with the emergence of direct reduced iron (DRI, also known in different forms as sponge iron or HBI). Today, there are integrated operations of DRI production from iron ore and then the same being used for steel production in an EAF. In the process of rolling also, there has been path-breaking

technological progress. The technology of thin slab-casting, for example, has had a profound impact on the steel industry. With the innumerable changes taking place in the steel industry, the relative competitive position in steel production all over the world has shifted significantly. This has once again changed the competitive balance of the global industry.

D' Costa has put together the experiences of the industry in the sixties and seventies. His study covers well the historical development of the industry in each important region in that time-frame. But the eighties turned out to be different and the nineties more so. The laggards of the sixties, the US, for example, took the lead in adoption of new technology. The first thin slab casting plant came up in the US. The first iron carbide plant was set up, though in Trinidad and Tobago but by an American company, Nucor. The more competitive electric furnace units (known also as mini mills) spread faster in the US than in other countries. The dinosaurs of the US steel industry became extinct and the new breed of cost efficient and modern plants now are the backbone of the industry. Against this, the behemoths that enjoyed economies of scale in Japan are in deep trouble despite the fact that every conceivable effort went into modernisation of the large blast furnace-based plants. Many could not stand up to competition and folded up. The Japanese industry, following the global trend, is now gradually shifting to electric steel-making. (This is not to say that the older integrated plants are being closed, although their share in total production is falling.)

D' Costa says that the US should have gone for larger blast furnaces. The Japanese did. The problem is that a huge 7-8 million tonne plant having 4,000 cubic meter plus blast furnaces may be more efficient than a few smaller ones put together to get the same output. This is when the market is assured. The problem is that when competition is high and the full capacity cannot be utilised, a large plant becomes a liability. The unit costs of production go up. As against this, a smaller plant is more flexible and fares better in bad times. Therefore, the point of comparison is important. In the sixties and seventies and in fact even in the eighties there were more number of years when the steel industry globally had fared well and saw steel demand going up in a more or less secular trend. In the nineties it has been the reverse. Global steel demand has grown but not steadily. There are more bad years now than good ones. Therefore, the large plants enjoying economies of scale which did reasonably well in the sixties and seventies are in trouble since the eighties and especially now.

But the main problem still is not the choice of smaller or bigger blast furnace-led technology route. The main technological issue is whether to have a traditional integrated plant or go for electric arc furnace-based plants with or without DRI facilities. The question today revolves around the technology to produce the required metallics and then the kind of rolling mill needed. The large blast furnace-based giants have been killed not by the smaller integrated plants but by smaller mini mills. The problem in the steel industry is that one cannot bring in and take out plants and machinery at will to accommodate new technologies. Steel industry is highly capital-intensive. If a blast furnace is to run for a couple of years only, then forget about putting your money on it. No investment proposal can actually show any kind of profitability if the life of the plant and machinery is reduced to such levels. An integrated plant's life is measured in decades. Therefore, once the basic facilities are set up, the only option that is generally left for the owners is to incorporate process changes.

Getting back to the question whether it was necessary for the US industry in the fifties, sixties and seventies to go for large-scale modernisation, the issue is not that the US steel industry was reluctant to incorporate the latest technologies or lethargic to adapt to global changes in the technology revolution. The point is whether it was economically sensible to go for huge investments in industries with facilities yet to see obsolescence. The US industry in the sixties or seventies continued to have a remarkable superiority in operational performance measured in terms of labour productivity, raw materials consumption and energy use over most others, except perhaps for Japan. The US industry did also invest in upgrading facilities. Modern technological processes were retrofitted wherever possible and found economically viable. But the fact remained that even if the ultramodern Japanese plants did have the advantages of lower raw material consumption and better labour productivity, they faced very high financial costs (interest and depreciation) in producing steel. Therefore, it continued to make sense for many of the US mills to operate the older depreciated plants.

There were two factors that retarded the development of the steel industry in the US. One, there was a belief that steel after all was a sunset industry and that American capital should go to more profitable sunrise and potentially stronger industries like petro-chemicals, pharmaceuticals, computers, telecommunications and electronics. The steel industry by the sixties



had started showing declining profitability and by the middle of the seventies faced massive shocks. The billions of dollars the US steel industry perhaps required for a thorough technology upgradation was certainly not there. The fall in profitability of the industry left only a life in the form of the company's own money for investment. The dwindling prospects of the industry would have made it extremely difficult to tap public funds. Therefore, in the absence of support from US financial institutions and shareholders' confidence, the American steel companies could not undertake large-scale investments incremental gains from which could be only marginal. Although there was a natural tendency to increase capacity every time there was a steel boom, mainly elsewhere in the world, the US industry refrained from such impulsive actions and as a result capacity growth was taking place in the Europe, Japan and various developing countries.

The growth of the steel industry outside the US was determined by four factors. One, technology flow improved significantly and as a result the latest innovations were available to an interested party anywhere in the world (of course at a price). Two, labour costs in developing countries and Japan were significantly lower than in the US. Therefore, combined with the latest in technology, it was possible for many countries to produce steel competitively not only for the home market but also for exports. Three, much improved shipping made it possible to move raw materials from one country to another at affordable costs. Therefore, the countries not benefited by their own raw materials like iron ore and coking coal could still think of producing steel. This was the case with Japan and Korea. Four, of course, the thinking in many developing countries, rich in raw materials, that they should add value to their raw materials by producing steel mined ground. Steel industry thus saw a growth in India, Brazil, etc.

The US steel industry, in spite of having some of the best operational achievements, could not compete with the Europeans, the Japanese or the Koreans because these countries had a tremendous advantage due to their relatively weak currencies. Their exports needed their currencies to be weak to remain competitive. They also required government subsidies in many forms (including low cost capital for construction of plants). All these benefits were abundantly available and that made it nearly impossible for the US industry to stand up to them. Throughout the late seventies and early eighties, the US steel industry had to fight a host of anti-dumping

and subsidy cases in their homeland. The question of the US industry expanding for the world market was literally written off.

Once growth prospects were found limited, the US industry could not think of expansion lines to exploit larger economies of scale by adopting features like large blast furnace operations as did the Japanese. In fact, so unwilling was the US steel industry to modernise itself in the late seventies (when it really needed to) that instead of setting up brand new plants to replace the aging ones, the industry either closed many plants and allowed foreign capital (largely Japanese) to restructure others. The restructured plants, known later as 'reconstituted mills', did perform better than their earlier plants but were definitely not a patch on the best then globally available.

Despite extensive differences in opinion among experts on the question of appropriate technology for the US steel industry, a view that was strong was that a piecemeal approach to modernisation of the old steel plants was no good and that the best results could be achieved from those technological innovations only in a greenfield plant. Experience since then confirms this. Therefore, the assertion of D'Costa that it was technology that put the US industry behind is not entirely acceptable. In fact, historically, the US steel industry has never been averse to innovation and new technologies. The situation in the fifties and sixties was such that any move to abandon the working plants and replace them by new untested and untried technologies would have been an enormously costly affair and also economically risky considering the growth of cheaper steel production in Europe and Asia. In the eighties and nineties, as noted by D'Costa, the US industry took the lead in expanding electric arc furnace-based smaller 'mini-mills' for more profitable operation and investment. All those integrated plants that survived in the US concentrated more on product development and quality and so remained in business despite stiff challenge from the low cost producers, taking advantage of huge innovations in process technology and especially in the areas of rolling.

The US steel industry suffered more from the country's trade policy than anything else. The US, taking the lead in globalisation, faced a surge of cheaper imports, while countries like Japan and all those in the developing countries continued with their protectionist policies. Imported steel that accounted for less than 2 per cent of total consumption of steel in the US increased to over 20 per cent in the seventies. Today the figure is even higher. This did not happen in Japan or for that

matter in any country in the world that had so much of steel capacity of its own.

In the entire analysis of the process of restructuring of the steel industry in the US, D'Costa sees technological change in the industry coming from existing players by way of replacement of obsolete facilities. In fact, that seems to be a very skewed perception. Technological change in an industry takes place through new investments by new players. Very often this replaces not only the older plants but also business entities. A new generation of entrepreneurs takes over from the older one. In India, for example, although the traditional players, SAIL and TISCO, did a lot to modernise themselves, the real new technologies are being brought in by greenfield investment projects by new players like Essar Steel, Ispat Industries and Jindal Vijaynagar Steel, etc. It is Nucor that took lead in the US. The problem that was before the steel industry in the US in the fifties and sixties is precisely there for SAIL today in India. Can we expect SAIL, and for that matter even TISCO, to go all out getting themselves equipped with the latest in the world just because the new technologies are better and they can reduce their operational cost and improve quality? Ultimately, steel is produced to sell at a profit. Investment has a cost. That has to be taken into account. In fact the approach TISCO has adopted in its bid to remain globally competitive is admirable. It may not have all the bests in modern technology, only some of them, just enough to keep itself cost competitive.

It is difficult to draw a line between developments in the industry taking place due to technological innovations and those due to pure economic factors. After all, technological innovations are not divorced from market needs. From laboratories to large industrial plants, technology passes through rigorous tests of financial viability. Steel industry has of late seen a surge of laboratory level or larger research findings that promise to change the technology of steel production once again. But only a few of them have passed the test. Despite efforts by steel companies globally with millions of dollars sunk in these ventures, the acceptability of new technologies has remained low. Nobody can be accused of being averse to new technologies. The hard reality is again that if commercial viability is not established, these ideas will remain only of academic importance. At the same time, millions of dollars are being spent regularly on research and development so that production costs can be lowered through reduction in consumption of material resources and use of labour. Here again, nobody is doing research merely for academic interest.



D'Costa makes another important point. when he says, "For most developing countries acquiring modern technologies has been difficult either because their markets could not support them or because the suppliers from the advanced capitalist countries have shied away from such markets. As we have seen, the cumulative outcome of uneven diffusion of technology is varying competitive strength and consequently the global reorganisation of steel-making capacity." Does it include experiences in Korea, Brazil or India? Certainly not. Korea and Brazil had access to the best of technology available and the same was well supported by the global market.

While the author tries to develop a strong analytical and empirical basis to debunk

the logic of the market, one is left wondering whether he has taken a complete view of things. In his entire analysis of the problems of global restructuring of the steel industry, the role of national governments, their trade policies and financial support and the resultant excess capacity all over the world in the subsequent period have been grossly underplayed. Although modern technology was important in determining the competitive position of the industry and its relocation, the same was only derived from the host of compulsive national economic factors shaping investment flow into the industry in various countries. The laggards like the US were actually victims of globalisation of the industry rather than of any short-sighted business decision.

not engage with the hiatus that exists between the objective conditions that he enumerates and the perceptions of the vast majority of dalits. John C B Webster draws our attention to the complicity of the national movement, colonial ideology and mainstream historical discourse. He feels that this discourse has confined the dalits to a communal framework rather than make the issue of their emancipation the central national question. Mahesh Gavaskar feels that the social structure of India needs to be taken into account rather than merely parroting fashionable trends of constructivism that dominate contemporary social science discourse today. "If it were not, there would have been no need for Jotiba Phule to throw open the well in his courtyard to the shudras and atishudras in 1869" (p 83). Further Phule's project of transforming civil society rather than merely pursuing political power re-articulates the nationalist agenda differently. S Selvam contends against 'sanskritisation' and 'structuralism' modes of explaining the social dynamics of India as epitomised by the works of N Srinivas and Louis Dumont respectively. He finds hegemony more appropriate to understand the socio-political process in India. Selvam, however, does not recognise that hegemony may be long on explanation and short on radical practice envisaged as the imperative need of the conjuncture by Guru. Gail Omvedt looks towards Ambedkar for a message to get engaged with the globalising drive confronting us. She finds that Ambedkar's second thought went through three stages – liberal and anti-imperialist, socialist, and finally, equalitarian and communitarian – suggesting implicitly that the last strand is, probably, more appropriate in a globalising world. Omvedt, however, does not integrate this strand adequately although it remains a fashionable normative persuasion in the west today.

K P Singh finds American racism, in many ways, akin to our touchability in India, although there have been not many takers to such simple equations in the past. Arjun Patel traces the process of Hinduisation of the tribals of south Gujarat and the entrenchment of various 'indigenous' organisations in the region which has resulted in the displacement of crucial elements in adivasi way of life with elements of Hindu way of life. Shaymlal, in an interesting essay entitled, 'Asprasyekaran-dalitisation', traces the multi-pronged process by which the upper castes came to be degraded to be untouchables across time. It sounds like sanskritisation in reverse and thereby subject to all the criticisms such a stand exposes itself to. Tarude Pillai-Vetschera, from her field study of Ahmednagar in Maharashtra, finds that dalit women have

## Dalits and Their World

Valerian Rodrigues

**Dalits in Modern India, Vision and Values** edited by S M Michael; New Delhi, Vistaar, 1999; pp 353, Rs 425 (cloth).

COMPILED volumes on dalits have been proliferating in the last decade or so as political dynamics, electoral politics, non-governmental initiatives and, to some extent, social mobilisation have begun to focus on this constituency. Unfortunately, the same period has seen few full length studies, with years of toil and reflection behind them, on this social segment. The 'quickies' in the market-place do not have the responsibility of presenting a coherent and wholesome version of the subject matter they promise and substitute an assemblage of fragments in its place. The urge to instant limelight often masquerades itself as collective scholarship.

Compared to such rubble, *Dalits in Modern India, Vision and Values*, has much to recommend for it. There are several combative and exceptionally insightful papers in this volume. They are brought together in honour of Stephen Fuchs, one of the pioneering scholars on dalit studies with such masterpieces as 'Children of Hari' to his credit. S M Michael, the editor, offers a long introduction familiarising the lay reader on the long drawn and complex debate on caste and untouchability. Still the work lacks a normative focus which it claims through its subtitle, 'Vision and Values'.

While there could be some justification for the way the papers are organised in this volume, one could read these essays, probably more profitably, through a framework other than suggested by the editor. First, there are a series of papers which are contesting mainstream explanations in their respective spheres. Secondly,

there are those papers which enrich our grasp of social reality by focusing on those facets which have hitherto eluded us or which social dynamics has thrown up for reckoning. This is in spite of the widely accepted position that the borderline between contestation and *de novo* explanation is very thin. Thirdly, there are the narratives which want to situate the dalit project within a larger perspective.

Gopal Guru, John C B Webster, Mahesh Gavaskar, S Selvam and to some extent Gail Omvedt, find mainstream explanations wanting and implicitly or explicitly suggest their re-ordering or reformulation. New social developments and impact of policy measures on social relations are considered by K P Singh, Arjun Patel, Shaymlal, Tarude Pillai-Vetschera, Robert Deliege, B L Mungekar, S P Punalekar and Richard Pais. Srirama and S M Michael attempt to place the dalit concerns in the perspective of history and agency.

Gopal Guru in a very perceptive essay looks at the thesis of relative deprivation that has dominated Indian sociological discourse, both to understand and prescribe for the dalit constituency. Without wholly rejecting the thesis, he argues that it was inadequate to grapple with the dalit predicament although it made sense of the reservation policy and the upward mobility of a section of dalits. However, in the existing conjuncture, relative deprivation as an intellectual construct to make sense of the dalit situation has become obsolete as dalits are left with no option but to be an oppositional element. Even if one were to concede to this argument, Guru, does

been more the victims of development than its beneficiaries. Further, she feels the need to interrogate the dalit patriarchy within dalit articulation and calls upon dalit women to initiate their own dalit movement. Robert Delige gives an account of spirit possession in Valgira Manickam village and contests the existing explanations about them. He asks the question whether spirit possession could be seen as an attempt by dalits "to break away from existing social structure" (p 269), although he himself had earlier suggested that this is a phenomenon that does not respect caste divisions. B L Mungekar argues that the reservation policy is still to measure up to the criteria set by the rule of law. However, he finds that liberalisation is likely to affect the dalits the worst, violating the promise held out by affirmative action. S P Punalekar draws attention to the deplorable conditions of the rural poor by drawing his empirical evidence from four villages each of Maharashtra and Gujarat, are widely recognised as developed in official and popular reckoning. Richard Pai looks into the shifts in the pattern of employment of scheduled castes and their social recognition. Even though he has located himself methodologically within the sphere of the rewards and benefits of modern public

employment, a third of his respondents have experienced the pangs of untouchability in social interaction among peer groups.

In the narrative that Srirama constructs on untouchability and stratification in Indian civilisation there is little on either the reasons for the rise of untouchability or its articulation within the relations of the caste system. It primarily goes into the making of the caste system. The only reference to untouchability is regarding its origin around 6th and 7th centuries before the Christian era based on references to the chandalas. But chandala and untouchability might be very different phenomena as Babasaheb Ambedkar has suggested.<sup>1</sup> S M Michael in 'Dalit Vision of a Just Society in India' finds the nationalist project in India inadequate. However, electoral politics has afforded a certain space for dalits. He feels that a dalit vision of the nation needs to be built up on the foundations laid down by Phule, Periyar and Ambedkar. One does not however, know whether they add up into a coherent perspective and stand together all the time. It does not seem to be so. What we have, however, are boundary marks rather than substantive visions of the field.

At the end of the book certain questions become pertinent. The whole terrain

covered in this book was the field of study of Babasaheb Ambedkar. However, except for Gail Omvedt, whose topic of investigation is a specific stance of Ambedkar, the rest of the scholars do not feel the necessity of departing/building on/interrogating Ambedkar's considerations on the issues they explore. In a way they too confine Ambedkar to the non-scholarly domain as the rest of the scholarship has done. Is it possible to promote dalit scholarship today, without engaging with Ambedkar? Secondly, the hold of the formal academic discourse is heavy on quite a few contributors. They do not even pause to ask whether a discourse that is geared to sustain dominance is, *suo motu*, appropriate to investigate the dalit domain. There are huge gaps in the book. There is not even one paper marking the trajectory of the dalit movement or the contours of its political engagement. Its representative focus is primarily on western and southern India. Although the effort is laudable, dalits deserve and seek better scholarship.

#### Note

- 1 See B R Ambedkar, 'The Untouchables, Who Were They and Why They Became Untouchables?', *Dr Babasaheb Ambedkar Writings and Speeches*, Volume 7, Government of Maharashtra, Bombay, 1990.

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# National Family Health Survey: A Landmark in Indian Surveys

Pravin Visaria  
S Irudaya Rajan

*What is the rationale for conducting surveys like the National Family Health Survey when there are already available reliable data sets from the census and the sample registration system which provide well-acknowledged data-base for planning and policy making? In this paper a brief examination of the data from the other surveys and their particular limitations precedes an overview of the NFHS, specifically designed to provide the information that social scientists need, and the nature and quality of the data it has generated.*

THE successful completion of the National Family Health Survey (NFHS) in India during the early 1990s was a landmark in the history of collection of demographic data through surveys. Encouraged by the success of the effort and the usefulness of findings, a second round of NFHS has also been launched during the latter half of 1998. Originally, the second round was to be initiated five years after the first survey, which was conducted broadly during 1992-93. (Some minor deviations from this period are not really of much consequence and can be ignored.) Unfortunately, quite apart from the usual bureaucratic wrangles, the sanctions imposed after the Pokhran tests delayed the start of the second round. The ministry of health and family welfare was convinced, however, of the usefulness of the survey and was willing to fund it from the Indian resources. As the concerned secretary put it, in a budget of nearly Rs 2,300 crore approved for the family welfare programme for 1999-2000, it would not be difficult to find a sum of Rs 6 to 10 crore required for the NFHS II. In other words, while external funding is welcome, the NFHS II is not conditional on the availability of external resources. The same was true for the first round of the NFHS, and foreign funds were not a prerequisite for the survey.

The 10 papers included in this special issue illustrate the rich potential of the excellent data set of NFHS I for a wide variety of research studies. This introductory paper also outlines the rationale of surveys like the NFHS to minimise the misunderstanding and unwarranted fears about the presumed limitations of the NFHS. The community of scholars engaged in the study of Indian population as well as social change in India needs to look at such efforts in proper perspective.

The reasons for conducting a NFHS or its various rounds are not adequately understood. It is sometimes suggested that the Indian censuses and the sample registration system provide an adequate data base for planning and policy-making. Unfortunately, this view is not correct. To gain a proper perspective, a brief overview of the post-independence developments in the statistical data base will probably be of some help.

## CENSUS DATA

Since 1947, India has conducted five decennial censuses and the plans for the next census to be conducted in 2001 are now being made. The 1951 Census was planned during the dawn of planning in the country and attempted an elaborate tabulation on the economic activities of the population. Unfortunately, the conceptual framework was constrained by the earlier notions of distinguishing between 'self-supporting persons' and others; the latter worked and earned an income but were 'dependent' on another presumably self-supporting person in the household. The feasibility of collecting such data in a predominantly agricultural economy, with a high proportion of self-employed persons, was debatable under the best of circumstances. After careful deliberations, this archaic conceptual framework was replaced in the 1961 Census by an effort to make an inventory of the economic activities of all individual workers. Simultaneously, a welcome effort was begun to collect data on rural-urban migration, land tenures, housing and the key characteristics of all enterprises engaged in manufacturing activities. Despite manual tabulations, the 1961 Census produced more than 1400 volumes, some of which were published only after the next census was conducted in 1971.

The 1971 Census had initially aimed to continue the approach of the 1961 Census with some elaboration of the questions on migration and the questions on children ever born and surviving as well as birth during the year preceding enumeration (that had been tried out by William Brass in Africa). On the suggestion of scholars like the senior author of this piece, the Brass questions were pre-tested during the preparations for the 1971 Census and no difficulty was encountered in collecting the data. The Brass questions had the potential, under certain assumptions, to provide reasonably valid approximate estimates of the level of fertility as well as child mortality at the district and possibly the sub-district level. However, in 1969, a meeting of 'experts' in the Planning Commission suggested some change in the questions on economic activity, to separate out persons whose primary activity was work from others for whom work was a secondary activity or who worked in addition to some other primary activity. Also, a reputed British scholar, close to an influential senior bureaucrat in the Planning Commission, persuaded the latter that the Brass questions need not be included in the census. He argued that the Sample Registration Scheme (started on a pilot basis in 1964 but extended to rural India in 1967 and urban areas in 1969), had the potential to provide all the information that the Brass questions would provide. These views prevailed.

Subsequent caveats by Indian scholars against the modification of the economic questions and the dropping of Brass questions proved ineffective. The former change in the questions on economic activity proved most costly and led to gross underestimates of the number and proportion of female workers in the country. Those who designed the 1981 and 1991 censuses only

slightly modified the framework of the 1971 Census relating to the economic activities and sought to attain comparability with the earlier estimates instead of aiming at dependable or credible estimates of the number of workers and the worker-population ratios. The BR questions were finally introduced in the 1981 Census; but a valuable opportunity of assessing the pre-transition demographic situation in different parts of the country was lost.

#### SRS DATA AND ORG SURVEYS

The Sample Registration Scheme (which later acquired the name of a system) was introduced because the estimates of birth and death rates based on the civil registration data understated the level of fertility and mortality. It is sometimes argued as though the SRS and the census data together provide all the information necessary for planning on the topics covered by them. It is overlooked that all such data need external validation and the best means to do so is to secure similar estimates through an alternative system. In fact, a basic strength of the Indian statistical system is the availability of alternative estimates for various indicators. The bureaucrats often dislike the debates and discussion arising from this situation; but they are a part of a healthy democratic system. On the number and proportion of workers, for example, the National Sample Survey has provided alternative estimates at the national and state level, by gender and rural-urban residence since 1972-73, which are substantially higher than those given by the census of 1971, 1981 and 1991. The so-called invisibility of the work participation by women of India is therefore a problem only for those who do not know about the NSS data or who do not know how the NSS data can be used to calibrate the census-based estimates. On vital rates, however, the NSS could not provide dependable estimates. The estimates of birth, death and infant mortality rates, obtained in the 1973-74 survey were so low, relative to the SRS rates, that they were not published. The data relating to the practice of family planning by the respondent households were, however, published partly because they were cross-tabulated by monthly per capita expenditure of the household, a variable on which no other source of information was available. The effort required to separate wheat from chaff often exceeds what the well-motivated members of the non-governmental organisations are able to make. Out of sheer exasperation, they blame the data collection agencies for not providing a 'single correct estimate', for example, of the

number of working females or the child labourers in the country. Little do they understand that given the widespread age-misreporting and the likelihood of a net undercount in the census, there is no single estimate even of the size of population, or the number of women, children, youth, or the aged in the country. (Demographers and statisticians have to smooth the data and the differences in the smoothing procedures adopted by different individuals lead to differences in these estimates.)

A major international demographic data collection effort during the 1960s and 1970s was the World Fertility Survey (WFS), supported by the US Agency for International Development (USAID). India did not participate in the WFS, partly because of its link with the USAID but also because it did not want to share its data with the sponsoring external agencies. However, the ministry of health and family planning (later family welfare) assigned to the Operations Research Group (a private sector market research firm at that time and now a large consulting organisation), a national survey on the level and correlates of use of family planning during 1970. A similar assignment was given to ORG in 1980 and 1989, mainly to check the estimates derived from the service statistics about sterilisations, the offtake or use of other contraceptives and the couple protection rates. The reports of ORG surveys were treated like most sensitive secret documents and were not easily accessible to non-officials or researchers. Subsequently, the 1970 survey data were placed in the data archives of the ICSSR for use by other scholars; but the data collected in the 1980 and 1989 surveys have simply been lost, partly because the ministries tend to be poor custodians of the survey data.

(During the early 1970s, the several 'area projects' undertaken in different states with external assistance had sponsored baseline surveys of the level of fertility, mortality and contraceptive prevalence in several states of the country. But the reports as well as the data remained confined to the MoHFW, the organisations conducting the surveys and the family planning/family welfare departments of the concerned states. As a result, the investments made in the surveys did not really yield the benefits that could have been reaped from the effort. In all probability, the poor institutional memory would ensure that no one would be able to lay hands on these reports. It was certainly not a creditable situation and it needed to be corrected.)

The level and method mix of contraceptive use reported by the ORG surveys

differed from the estimates based on service statistics. While the differences could be explained, a four-district survey in Gujarat in 1989 also indicated the need to improve the sampling procedures used by the ORG staff. It was also evident that an independent nationwide survey that could generate valid estimates for a large number of correlates of contraceptive use and maternal and health care at the state level, by rural-urban residence would be of great use. Neither the NSS nor the SRS staff had any comparative advantage in undertaking such a survey. Therefore, it was decided to launch the NFHS, with the field work entrusted to consulting organisations, in collaboration with the Population Research Centres, which had an extensive experience of district level surveys.

In any case, it would be a serious mistake to dismiss the value of a survey on the ground that its results conform to what was known earlier. The consistency between alternative sources of estimates enhances the credibility of estimates and the discrepancies point to the identification of areas where remedial intervention might be necessary. Likewise, it is wrong to condemn a survey because it did not collect data on difficult and highly subjective factors such as the quality of services. Many experienced friends describe such criticism as illustrating a 'heads I win, tails you lose' approach; and if any effort is made to collect some qualitative data, many a times the results are dismissed as soft, highly subjective and possibly misleading.

During the early 1980s, the WFS schedules were, in a sense, tested out in Maharashtra state, through the Population Research Centre located at the Gokhale Institute of Politics and Economics, Pune. (This issue includes a paper that draws on the Maharashtra survey.) Efforts to replicate the survey throughout the country through an USAID grant of up to 10 million dollars were caught in an unending ambivalence about the condition of open access to the data after the results were published. A part of the grant was to be used to strengthen the 17 Population Research Centres set up in different parts of the country with high expectations and ambitious objectives but poor resource support. The gradual openness of the late 1980s and the post-1991 climate of liberalisation helped to go ahead with the NFHS.

#### EXTERNAL ASSISTANCE

The NFHS is sometimes criticised on the basis of deep-rooted xenophobia. We do not see anything wrong in close association with the overseas experts, if they

make a useful contribution to help improve the methodology of data collection, processing or dissemination. The Indian experts, particularly statisticians and demographers, have often served as advisers to many other countries of the world. The tables are now turned; and the Indian statistical work is guided by the Special Data Dissemination Standards (SDDS) prescribed by the International Monetary Fund, to which India has subscribed (without adequate consultation with the professionals, according to a widely held view). A project on the modernisation of the statistical system of India with the support of the World Bank is under active consideration. It would probably enhance the timeliness of processing and dissemination of the data to a large extent and would prove a great gain for all those who use the data for policy formulation and discussion. The important thing is to ensure that the additional resources are used for worthwhile pursuits and not for relatively trivial activities, such as can be justified in the name of some United Nations' recommendation (which would in all probability be optional for developing countries, that face severe scarcity of resources).

The critical issue in such matters is the transparency and adequate debate among Indian scholars and policy-makers. There can always be legitimate complaints that some particular person(s), groups or institutions were not consulted; and the bureaucrats are certainly capable of creating a facade of consultation, while keeping key information close to their chest. Even the academics can feel threatened by (and therefore exclude) possible voices of dissent or those who would not easily be shut up. But this is our own Indian problem; we must not blame it on the expatriates (particularly the American/western scholars or the World Bank staff). The USAID and the World Bank necessarily work with the bureaucrats whose permission and collaboration are essential prerequisites of work in India. However, unlike a private sector survey agency that implements a contract from a ministry with a claim to be knowing all that needs to be known, the western tradition generally welcomes wide consultation and candid discussion among all stakeholders as the key to securing the best input from all sources, both official and non-official, and not missing out useful caveats about the things to avoid.

In fact, some complaints were made to the ministry of health and family welfare about the quality of field work in the NFHS. It led to a decision to resurvey a

sub-sample of the initial sample. With the National Sample Survey staff pre-occupied with their pre-designated workload, the resurvey work was assigned to the Indian Council of Medical Research. A resurvey has some inherent problems because it must allow for genuine change in the situation between the initial visit and the revisit. However, as has been reported in one of the papers in this issue, the NFHS came through with flying colours. There were also some baseless and unwarranted allegations as to how the NFHS reports were completed with an unusual speed after the end of field work. But they were generally ignored as illustrating the jealousies in a country with relatively limited opportunities. (The careful planning and the availability of good data processing equipment were the real contributory factors.) Also, the NFHS adopted an exemplary open approach to the dissemination of its reports and household level data and has encouraged considerable additional research. (Over the past two years, the NSS data have also become easily accessible to researchers, both Indian and foreign, under the data dissemination policy cleared by the cabinet.)

#### COST OF NFHS

It is a common refrain of many critics of the NFHS that it cost too much. It is conveniently overlooked that the survey was funded out of a grant that was intended to strengthen the Population Research Centres (PRCs), which had been starved of the requisite infrastructure (including adequate library support) for a long time. The NFHS indirectly provided these PRCs with some modest funds to undertake their regular activities without the usual stress. The per household cost of field work for the NFHS is widely regarded as very high; and on the ground of the ratchet effect, it is alleged to have raised the cost of all survey work to a new high. While there may be some truth in this charge, the high costs are partly a result also of the fact that rural field work is no longer as easy as it perhaps was in the past; and like all research, it no longer attracts committed souls. Also, the hidden costs of surveys conducted by governmental agencies (particularly the highly subsidised accommodation) are seldom assessed properly.

The cost of the NFHS was high, partly also because it insisted on the small teams of investigators (usually four women) being accompanied by a supervisor and an editor, who checked and edited the data on site. Few surveys in India have ever considered such a concern for quality. Also, most survey organisations had to hire jeeps,

which levy a fixed daily charge, irrespective of the distance actually covered during a day. There has been some talk in the Department of Statistics in recent months to adopt the same procedure for the NSS surveys; but it remains to be seen whether and how far the resources will become available to provide the exclusive transport facility to investigators and the accompanying supervisor.

#### QUALITY OF NFHS DATA

The papers included in this special issue demonstrate the use of both internal and external checks on the data. There are clear indications that the field work left something to be desired in the difficult states of Madhya Pradesh and Rajasthan; but overall, the NFHS has made a solid contribution to our understanding of the socio-demographic situation in India and its states as well as regions. The assessment about MP and Rajasthan is based on a comparison of the NFHS and the SRS data on the total fertility rates. However, one can debate whether the SRS itself secures a reasonably complete coverage of the vital events. As noted above, the comparative method can be an excellent aid for judicious and balanced assessments, provided that the analysts do not succumb to the temptation of claiming spectacular success in lowering fertility in such difficult states (by ignoring the contrary evidence)!

The NFHS data can be evaluated partly by comparing the rates and ratios reported by them with the census data as well. However, such comparisons must allow for the large number of inadequately trained enumerators, who have to be enlisted in the massive task of census-taking. If the sex ratios reported by a survey like the NFHS and the census differ, the discrepancy can be due also to the greater omission of females in the census and the NFHS need not be the culprit. (The 1991 Census seems to have faced serious problems in this respect in Bihar in particular and in regard to the older population almost throughout the country. However, identification of such problems requires arduous and patient exploration of the data without the glare of publicity that can be earned by sensational claims about aggravation of the deficit of women in the population.)

There are clear differences between the average size of a household reported by the NFHS and the 1991 Census or the various rounds of the NSS. The NFHS has reported a higher average household size than the 1991 Census in rural India but the reverse is true in estimates for urban India; the differences are offset and the

all-India estimates are very close. The quinquennial surveys of the NSS seem to report a lower household size than the census. However, these differences cannot be explained without considerable investment of time and effort. The availability of the household-level data to the analysts from the NFHS as well as the NSS will facilitate such additional work. However, the census authorities must now move with the times and make available to the researchers a copy of the tape of (at least a sample of) the census data. Simultaneously, the Indian social science researchers need to be given the resources to undertake intensive database research, with due attention to alternative data sets and their comparative analysis.

#### DECISION-MAKING FOR THE NFHS: AN INSIDE VIEW

Turning now to the papers included in this issue, Tara Kanitk, one of the coordinators of the NFHS, provides an excellent authentic overview of the key features of the NFHS, including its scope, coverage, the decision-making process and the role of expatriate consultants. As an insider looking back she would have preferred separate estimates for the slum and non-slum areas in metropolitan cities as well as regional estimates, an issue on which we have been fortunate to get a paper by Mari Bhat and Xavier.

The painstaking work of Mari Bhat and Xavier demonstrates the rich potential of the NFHS data for studying the differentials in demographic and socio-economic situation in 76 regions of the country. It compares the NFHS estimates with those based on the census on several characteristics; and demonstrates how the process of fertility decline has been evident throughout the country, including the demographically backward states. It also examines the regional estimates of child mortality, malnourishment among children, access to antenatal care, etc, and poverty measured in terms of the assets owned by the people. The paper attempts to identify the most backward region in each 'major' state and the five most backward regions of the country with respect to eight indicators of development. Enriched by geo-mapping of the variables, this paper is an excellent and more comprehensive sequel to the portrayal by late A.K. Mitra of the levels of regional development in India with the help of 1961 census data.

This special issue is privileged to include a paper on the results of a unique resurvey of a 5 per cent sub-sample of the NFHS, conducted during December 1993

and March 1994 in 13 more populous states of the country and Delhi. It is published with the encouragement of the former secretary, family welfare, who preferred transparency to secrecy about the results of the resurvey. The resurvey faced the expected non-response from about 5 per cent of the rural households and 25 per cent of the urban households because of out-migration (possibly temporary), or non-availability of any respondent, at the time of the revisit. The resurvey validated the total fertility rate reported by the NFHS except for Rajasthan, but found discrepancies in the estimates of immunisation levels in 10 of the 14 states. The resurvey found higher level of immunisation in five states of Uttar Pradesh, Madhya Pradesh, Rajasthan, West Bengal, and Bihar; whereas for the four states of Gujarat, Karnataka, Orissa and Haryana, the NFHS had reported a higher level of immunisation than the post survey check.

The post-independence censuses and surveys, conducted under government auspices have avoided collection of detailed data on the caste of an individual citizen, except for the statutory requirement to record the scheduled castes and tribes, for whom the Constitution had provided reserved seats in the parliament and in the services. The reservation for 'other backward castes' has been a burning issue in several states and the state-appointed commissions in Karnataka state have also conducted censuses of the castes and their characteristics. Yet, during the past year and a half, a suggestion to re-introduce a question on caste in the 2001 Census had led to a surprising debate in the newspapers and periodicals. Unwarranted assertions were made by reputed scholars that a question on caste would make it a caste-based census and that any such effort would lead to bloodshed and battles throughout the country. The empiricists, who have found no difficulties in recording the caste of respondent families in their rural field work, were baffled by the basic validity of this discussion. Of course, the tabulation and use of the caste data as well as the priority to be assigned to such tabulation were another matter.

An obvious answer to these questions seemed to be that these matters could be decided according to the felt needs of social scientists or the data users rather than any official agency such as the Office of the Registrar General and Census Commissioner. However, such options disappear and one is left speechless when one learns that under the Fukovian framework of discourse, all efforts at data col-

lection by the state are motivated by, or involve, or can be the instruments of the oppression of the people.

There is obviously a wide gap between economists or demographers (who have been involved in designing several national surveys over the years) and the guardians of people's rights who may not want the government to collect any data. However, the NFHS did collect data on caste; and at least in theory, the data are available for the 90,000 households to any one who may want to use them. Of course, the detailed caste codes are not a part of the normally distributed codebook, and special effort has to be made to get, understand and use them. Fortunately, K. Srinivasan (who was the director of the International Institute of Population Sciences when the NFHS was planned) and Sanjay Kumar have demonstrated the fascinating potential of the caste data to assess and evaluate the impressions of association between caste and backwardness. Their most interesting paper covers the three states of Uttar Pradesh, Bihar, and Tamil Nadu, which together covered a population of 281 million (33 per cent of the total) in 1991. From the categories of scheduled castes and tribes, other backward castes and other castes, for the three states they first identified the castes for which the NFHS had surveyed at least 50 households. Next, for each of these castes, they have identified (a) the literacy rates among adults, and (b) the economic condition of the household in terms of (i) the quality of the house - kutchra or pucca, (ii) access to electricity and toilet facility, (iii) possession of irrigated land, and (iv) possession by any household member of a watch, a radio, or a bicycle. The analysis suggests wide differentials between the castes in terms of literacy as well as poverty in all the three states. The authors come to the startling conclusion that despite the 75-year old history of reservations in Tamil Nadu, the inter-caste differentials in literacy and economic conditions had not disappeared. A most depressing finding indeed! As the authors themselves note, analysis of the type attempted by them was not an objective of the NFHS; but the availability of the household level data facilitates their ingenious use for various purposes. Presumably, we shall soon see a monograph by the authors on their most interesting use of the NFHS data.

The social science literature dealing with fertility decline and demographic transition has often focused on whether the poor shall inherit the earth because of differentials in fertility. Of course, the decline in fertility is also a consequence of



the people's aspirations for a better life for themselves and for their children; and the cause-effect linkage is not easy to establish. However, Roy, Jayachandran and Banerjee present an interesting analysis of the association in the four states of Punjab, Maharashtra, Kerala and Uttar Pradesh between fertility and the living standard of the household. The living standard is measured through an index that took account of the access to and/or ownership of certain amenities and livestock as well as durable goods. The variables included: type of house, availability of electricity, sources of drinking water, nature of toilet facility, and the possession of livestock and consumer durables. The negative relationship between the level of living and fertility appeared stronger among educated couples. Fertility measured in terms of births of different order per 1000 women did not differ much according to living standard among the less educated, except in Punjab. Also, the urge to adhere to the two-child norm did not diminish but childlessness declined with an increasing standard of living. The desired family size among the younger women declined with a rise in standard of living in Punjab, Maharashtra and Uttar Pradesh; but in Kerala, the state with the lowest fertility, relationship was not clear. Reported fertility declined with a rise in the standard of living in Punjab and Maharashtra. The unmet need for family planning was higher among households with a low level of living. As the family planning programme meets the unmet need for fertility regulation, the negative relationship between the level of living and fertility measures will weaken.

There has been widespread concern in India about the consequences of religious differentials in fertility for the composition of population, which can have serious political implications. The international experience (including that of Bangladesh) suggests that even the Muslim populations do not remain excluded from the process of demographic transition for long. K Moulasha and G Rama Rao analyse the responses of 69,570 Hindu and 10,070 Muslim women aged 13-49 and find that on an average, Muslim women had 1.1 children more than the Hindu women. The differential persisted within each level of education, with a higher TFR among Muslims than among the Hindus. Differentials in the number of children ever born and surviving indicates that Muslim women had given birth to 0.6 child more than their Hindu counterparts; but the extent of child loss was the same among both the groups.

The difference between the median age at first and the last birth or the estimated average reproductive life was 14 years for Muslims, three years longer than among Hindus. Despite the higher incidence of knowledge of at least one method of family planning among the Muslims, the level of current use of any method (particularly permanent methods) was considerably lower among Muslims than among Hindus. The use of a modern temporary method was, however, higher among Muslims than among Hindus in all educational categories. The data confirm that Muslims prefer modern temporary methods over sterilisations or abortions. The reported level of unmet need for contraception was also higher among Muslims than among the Hindus.

In India, data on marriage, use of contraception, duration of breast-feeding and the length of post-partum amenorrhoea and outcome of pregnancies have for the first time become available from one source – the NFHS conducted during 1992-93. Leela Visaria has used these data to estimate the 'proximate determinants of fertility' (in terms of the model evolved by John Bongaarts) for the 15 major states.

Bongaarts has empirically shown that the values of total fecundity rate (TF) range between 13 and 17 births per woman with an average near 15; and that values outside this range are very likely due to some data errors or estimation procedures. While the estimates of TF in nine states fall between 13 and 15, the TF values for four large North Indian states, Andhra Pradesh, and Orissa are lower than 11. (These low values remain to be confirmed by the second phase of the survey, but they suggest the possibility that several factors such as a relatively high secondary sterility, low coital frequency, and early terminal abstinence may be depressing the total fecundity rate in these states.)

The analysis based on the model suggests that use of contraception has made a sizeable contribution towards a transition from natural to controlled fertility in states such as Kerala, Punjab and Tamil Nadu. In Punjab and Kerala, this transition has been accompanied by a shorter duration of post-partum amenorrhoea, which enhances fertility. In Punjab, post-partum infecundability depresses the total fecundity rate by about two births, compared to more than four births in Gujarat, Maharashtra and West Bengal, where total fecundity rates are similar. In these latter states, there is considerable scope for a change in infant feeding practices and a resulting increase in fertility. It is essential, therefore, that reversible methods of contraception are promoted to compensate for the likely increase in post-partum infecundability.

An interesting hypothesis links the observed regional differences in the level of fertility with the deep-seated prevalence of son preference. The NFHS data on the subject, analysed by P M Kulkarni, confirm a broad regional diversity in the level of son preference. It is quite high in the north-central and eastern states (Rajasthan, Uttar Pradesh, Madhya Pradesh, Assam, West Bengal, Orissa, Bihar as well as in Punjab), moderate in the western-northern states (Karnataka, Himachal Pradesh, Haryana, Gujarat, Maharashtra) and low in the southern states (Kerala, Tamil Nadu, Andhra Pradesh as well as Goa and Delhi). Although parents value sons much more than daughters in all the states, the tendency is less strong in the southern region. The prevalence of consanguinity and the fact that a married woman maintains frequent contact with her natal home in the southern region [Dyson and Moore 1983] perhaps contributes to the relatively high value attached to daughters in the south.

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than in the north.

Kulkarni estimates that in the absence of any son-preference, the percentage of couples of reproductive ages using a modern contraceptive would have been 41 per cent, 4.7 percentage points higher than the observed figure of 36.7 per cent. The contraceptive prevalence in the western-northern states, Gujarat, Himachal Pradesh, Haryana, Maharashtra, is severely depressed by 8-10 percentage points because of son preference; but the effect is minor (two to four points) in the southern states as well as in Delhi, Assam, Uttar Pradesh and Goa.

The elimination of son preference would reduce the TFR for India from 3.39 to 3.13, a decline of 8 per cent. For states like Himachal Pradesh, Maharashtra, Gujarat and Punjab, the decline would be large, over 15 per cent. The elimination of son preference would lower fertility in these four states to a level comparable to that in Tamil Nadu, Andhra Pradesh and accelerate the process of fertility transition. Unfortunately, the policy instruments to eliminate the deep-seated son preference from the Indian society are not easy to devise; but it is to be hoped that with the spread of literacy and education, the mass media can play an effective role in social transformation.

Until the 1950s, there were hardly any estimates of the actual age pattern of fertility in India. The population projections in the seminal work of Coale and Hoover published in 1958 had to use the fertility pattern suggested by the surveys conducted at the Gokhale Institute of Politics and Economics and the Ramanagaram Health Centre near Bangalore. These surveys conducted by the Gokhale Institute during pre-1970 period, merit a close look to identify the extent to which their estimates conform to those of the subsequent NSS and other state-level surveys. Such a comparison has been attempted by Sanjeevani Mulay, who concludes that the contribution of the observed increase in age marriage to the fertility decline has been offset by a fall in the incidence of widowhood. In fact, the sharp decline in mortality, especially adult mortality, has led to an increase in fertility.

In the post-1971 period, specially during 1971-77, fertility had declined mainly due to the strong push given to the family planning (sterilisation) programme during the emergency, which was followed by a backlash. However, women in younger age groups (below 35 years of age) had not lowered their fertility; in fact, their fertility had significantly increased. A sharp

decline in fertility was observed among women aged above 35.

Using the National Fertility and Mortality Surveys, 1980 and the NFHS, 1992-93, the author observes a decline of 24 per cent in the TFR in the entire state, 26 per cent in rural areas and 14 per cent in urban areas. The decline in TFR was much higher than in CBR. (This difference arises from the fact that TFR is estimated with equal weights assigned to different age groups, whereas the crude birth rates takes due account of the weights of different age groups in the population). Over the years, the Hindu-Muslim differentials have increased quite significantly. Among various regions, Marathwada region has lagged behind the other regions with respect to both the demand for family planning and the efficiency of provision of services.

The son preference is quite strong in Maharashtra. The proportion of sterilised couples with two children increased from 16.6 in 1980 to 37.4 in 1992-93; but among couples with two sons, the same percentage increased from 21.6 to 55.2 for the same period. The slow pace of decline in birth rate is due to an increase in fertility as well as son preference.

The NFHS was conducted before the emphasis of family planning programme shifted from targets for different methods of contraception to a more holistic concern with the reproductive health of the population at all ages and the health and survival of children. Given this shift in emphasis, Shireen J Jejeebhoy seeks to assess the contribution of NFHS to the information base on reproductive health in India and finds it to be quite limited. Of course, it has provided estimates of the level of contraception and methods used by age and parity and of unmet need for contraception. Also, it has expanded and systematised the knowledge about maternal mortality and health, access to ante-natal and delivery services, and complications at the time of delivery. Inadequate access to ante-natal care from a doctor or other health professional and the gaps in immunisation against tetanus and iron supplementation, and access to safe delivery have been identified. However, gaps persist with respect to morbidity in the ante-natal and post-natal periods; circumstances during pregnancy, childbirth and the post-partum period; and the content of ante-natal care received. The NFHS has also not addressed critical issues such as the extent to which women exercise choices in these matters without coercion; whether women actually obtain a method of choice and the constraints that the average woman

or man faces in seeking contraceptive and follow-up services.

The NFHS data on the incidence of induced abortions are gross underestimates and the awareness about the legality of abortions has not been ascertained. Likewise, infertility, a serious reproductive concern, with serious implications in terms of determinants and consequences, has been neglected in the NFHS. Another major gap in the NFHS has been its neglect of data on the quality of care in the area of maternal and child health.

#### CONCLUSION

To conclude, the second phase of the NFHS, that is now in progress and has been completed in several states, is likely to open up many opportunities for interesting analysis. Some non-official press reports have indicated sensational declines in the level of fertility in Bihar, Madhya Pradesh and Uttar Pradesh during the 1990s. Prima facie, wishful thinking rather than careful analysis forms the basis of these claims, which are not corroborated by the SRS data. There is no doubt that an irreversible process of fertility decline is in progress throughout the country; and that it has been faster in urban India than in rural areas. During 1998, the rate of natural increase in urban and rural India has reportedly dropped to about 1.4 and 1.8 per cent, respectively, with a national average of about 1.7 per cent. A replacement level of fertility may be reached in urban India within the next five years; but it is still a distant goal for the country as a whole. The recent indications (from the 1995-96 NSS survey of literacy and education) of an accelerated progress since the 1991 Census in literacy rates in rural areas, including the scheduled castes and tribes, inspire hope of a similar acceleration of the fertility decline, but it may partly be offset by the expected decline in mortality rates as well. Given the momentum for growth built into the young age distribution of the Indian population, the rate of population growth will drop below 1 per cent per year only during 2016-20. Also, unless the AIDS epidemic assumes unexpected alarming proportions, a zero rate of population growth is unlikely to be realised before 2055-60. Therefore, until we achieve complete registration of vital events throughout the country, surveys such as the NFHS will continue to be a valuable asset for understanding the demographic dynamics of Indian society.

[Thanks are due to P N Mari Bhat for his comments on an earlier draft of this paper.]

# Findings of National Family Health Survey

## Regional Analysis

P N Mari Bhat  
Francis Xavier

*This paper attempts to show that the rich data on demographic, health and background characteristics of respondents and their households collected in the National Family Health Survey can profitably be analysed at the regional level. It checks the validity of estimates for a few variables derived for 76 natural regions from the survey data with similar estimates based on the 1991 Census. After ensuring consistency between these estimates, regional variations in many important socio-economic characteristics – for which the NFHS is at present the only source – are studied through maps generated from a GIS software. The spatial patterns that emerge from this analysis highlight the limitations of state-specific models of demographic change, and provide some interesting evidence on much debated nexus between poverty, malnutrition and disease. The paper concludes with a presentation of survey data on health and living conditions in the slums of Delhi.*

ALTHOUGH the National Family Health Survey (NFHS) of 1992-93 was not the first nationwide demographic sample survey undertaken in India, it was unprecedented in at least four important respects.

First was its huge scale and coverage of topics; it canvassed about 90,000 households spread all over India, except Kashmir, Sikkim and a few small union territories. An equal number of ever-married women in the age group 13-49 were interviewed, and data in internationally comparable format were collected on topics such as marriage, fertility, family planning, child health, immunisation and nutrition.

The second distinguishing feature of the survey was its meticulous planning and execution. The survey questionnaires, sample design and tabulation plan were finalised after several meetings and workshops; a great deal of emphasis was placed on preparation of survey manuals, training of field personnel and supervision of fieldwork; data errors were minimised by deployment of a field editor in each team, and through computer-based consistency checks during data entry. Several international experts, well-acquainted with collecting similar data in varied social settings, provided technical input at every stage of the survey, from questionnaire design to report writing. Basically new standards were set on how to conduct a large sample survey and process the resulting information.

The third significant achievement of the survey was its quick and wide dissemination of the data. The preliminary reports of the survey were out within a year, and the final all-India report appeared within two years of the completion of the survey. Most significantly, for the first time, data from a demographic survey have been made available at the individual level to

researchers at India and abroad in a computer-readable format. This has made it possible to analyse the survey data in greater depth than what is available in the basic reports.

Finally, it ushered a new trend in survey research. It demonstrated that the experience and expertise available in various population research centres functioning under the ministry of health and family welfare, government of India, can be brought together and blended with the dynamism and efficiency of private marketing research organisations to carry out a nationwide survey, and produce a research output of high standard in a short span of time.

The survey sample of nearly one lakh households was designed to provide estimates for rural and urban areas of every major state in India. However, as the state-level data on many key indicators presented in the voluminous survey reports were already known from other sources, the survey results did not spring many surprises on policy-makers and administrators. The survey findings usefully confirmed the validity of the state-level data from sources such as the Sample Registration System on several parameters. However, policy-makers often plead for data at the district or, at least, regional levels, that are generally not available from other sources. This paper attempts to provide such regional estimates from the NFHS on parameters such as child mortality, total fertility, antenatal and natal care, child malnutrition and immunisation, contraceptive practice, poverty, exposure to mass media, home visits by health workers, and on many more.

Some theoretical considerations also justify a regional analysis of the NFHS data. The dearth of data for substate

administrative divisions has lead to the propagation of demographic archetypes such as the 'Kerala model', 'Tamil Nadu model', 'Andhra model', 'Himachal model', etc, as and when a new state enters into the last phase of demographic transition. Such models take no account of the possible inter-regional disparities within the state or of similarities between neighbouring regions across states. Intentionally or otherwise, these archetypes exaggerate the role to the state in lowering the birth rate, and underplay the contribution of socio-cultural and historical factors. They also overlook the possibility of geographical space as a factor in diffusion of behavioural innovations. Only a greater understanding and appreciation of regional patterns in demographic change, that transcends political boundaries, can limit the increasing emphasis on state-specific models of change.

### I Methodology

**Regional divisions.** The NFHS sample sizes are clearly inadequate for a district-level analysis. It is, however, possible to make analysis for groups of districts within a state. In doing so, a question naturally arises about the criteria to be used in delineating homogeneous clusters of districts. The vast Indian landscape, home to one of the world's most complex and plural polities, can be divided into regions and subregions according to several guiding principles. Of the many such prototypes available in the literature, at least three somewhat distinct schema seem relevant for our purpose, namely, (i) 'natural regions' based on geographical factors, (ii) agro-climatic and planning regions, and (iii) socio-cultural and linguistic divisions.

FIGURE 1: COMPARISON OF FEMALE LITERACY RATES FROM NFHS, 1992-93 AND FROM 1991 CENSUS

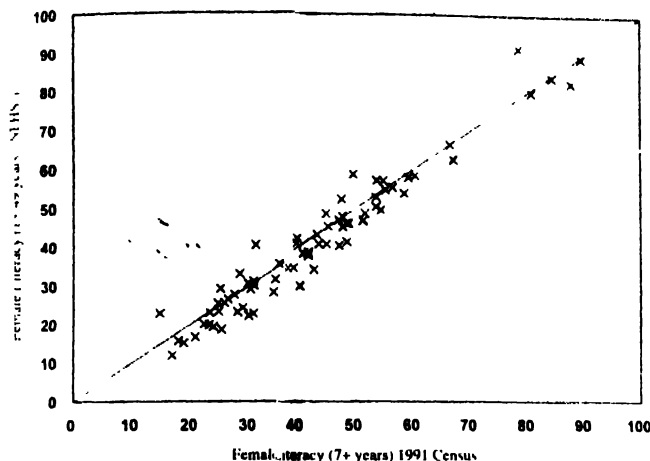
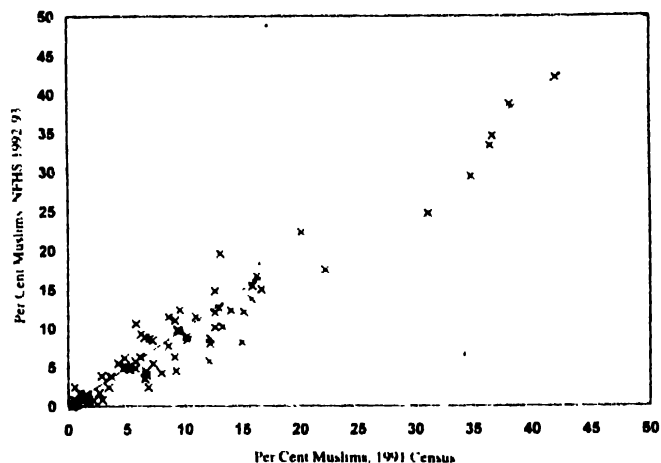


FIGURE 2: COMPARISON OF REGIONAL ESTIMATES OF PERCENTAGE OF MUSLIMS FROM NFHS, 1992-93 AND FROM 1991 CENSUS



The first approach of dividing the country into natural regions is evolved from the works of L Dudley Stamp, J N L Baker, O H K Spate and others during the first half of this century. The emphasis in these attempts was on physiography, geological structure, climate and soils [e.g. Spate and Learmonth 1967]. Continuing in this tradition, in the post-independence period, several census monographs have proposed new methods for demarcating regional divisions in an attempt to revise and expand on the regions outlined in the earlier censuses. The latest and the most ambitious of such efforts was made as a part of the 1981 Census programme [Gol 1989]. In this exercise, the districts were classified as belonging to four macro-, 28 meso- and 101 micro-regions. The distinguishing feature of this effort was its attempt to classify villages and towns in each district of the country into submicro regions.

In the second approach, the aim has been to identify agricultural and economic regions for planning purposes. The emphasis here is on production specialisation and economic dependency as the basis for regional classification. One early attempt in this direction was the agrarian regions proposed by Daniel and Alice Thorner (1962). The Planning Commission has from time to time made attempts to delineate resource development divisions, backward areas and agro-climatic regions. The regions identified by the National Sample Survey Organisation (NSSO) are an outgrowth of such an exercise. Perhaps the most systematic of these attempts was that of Sen Gupta and Sdasyuk (1968) who first evaluated the natural and population resource bases, studied the agricultural and industrial regions, and proposed seven macro- and 42 meso-economic regions. Some later attempts have tried to achieve

the functional integration of regions by considering economic ties and commodity flows between places and areas [e.g. Mishra, Sundaram and Rao 1974].

In the last category of such schema, the purpose has been to identify regions of socio-cultural and linguistic similarities that had historically evolved out of socio-political interactions. The linguistic formula was, of course, given pre-eminence in the reorganisation of state boundaries in 1953, 1956 and 1960. An early attempt to identify the cultural zones of India was made by N K Bose. Subsequently, Rasheeduddin Khan (1973) had proposed 58 cultural subregions, that follow rather closely the scheme of natural regions proposed by late Asok Mitra in his 1961 Census report [Mitra 1965]. Recently, Ashish Bose (1994) has made some broad generalisations about demographic zones in the country. His attempt, however, does not go below the state-level.

Despite the different approaches to the demarcation of regions, they do not finally lead to very dissimilar propositions about regional taxonomy. This is not very surprising because the natural characteristics of a region have a profound bearing on agricultural and economic practices, which in turn have affected spatial interactions of inhabitants. Therefore, in the analysis of NFHS data, any convenient regional scheme can be chosen, as long as the regions defined are neither too large nor too small. A large region may not have

the desirable properties of homogeneity and functional integration while a small region may not have adequate representation in the NFHS sample.

*NFHS sample by natural regions:* The sampling design adopted in the NFHS constrains us to use the regional scheme employed in selecting the sample households for the survey. In the NFHS, rural sampling units in most states were selected using the 1981 Census list of villages while the urban blocks were selected in most states using the 1991 Census list. Prior to selection, villages, cities and towns of a state were first stratified according to the geographic criterion. In most states the geographic criterion used was the geophysical division as propounded in the 1981 Census study. In some states, however, alternate schemes such as the agro-climatic regions appear to have been followed (e.g. Maharashtra). Within each of these regions, villages were further stratified according to some socio-economic variables such as female literacy, distance to nearest town, village size, etc. The primary sampling units (PSUs) (villages and urban blocks) were then selected according to probability proportional to size. Since rural and urban PSUs of a state were selected independently, there is the danger of obtaining a skewed rural-urban break-up of sample households within a region if the criterion for re-grouping the PSUs is other than the one originally adopted for the sample selection.

TABLE 1. DISTRIBUTION OF REGIONAL DIVISIONS BY NUMBER OF SAMPLE HOUSEHOLDS AND EVER-MARRIED WOMEN IN 1992-93

Distribution Type	Size Class				Total Regions	Average Size
	<500	500-1000	1000-1500	1500+		
Households	3	34	27	12	76	1178
Ever-married women	2	35	24	14	76	1165

Keeping this in mind, it was decided to retain the geographic regions used in the selection of the sample. Although no separate codes were provided for the natural regions in the NFHS data files, it was possible to identify them from the district codes that were assigned as they were listed in the 1981 Census publications. An examination of the distribution of sample households by natural regions showed that some of them were too small to derive estimates with any confidence from the NFHS dataset. It was therefore decided to merge the regions with a sample of less than 500 ever-married women with a contiguous region with which they had the greatest similarity in levels of literacy. After such a rearrangement, a total of 76 regional divisions were formed. Table A1 of the Appendix shows the regions by name, districts falling within each region, and the number of sample households and ever-married women in the NFHS.

On an average, the NFHS covered 1,178 households and 1,165 ever-married women per region. About half of the identified regions have less than 1,000 sample households and ever-married women (Table 1). About one out of six regions have over 1,500 sample households. Out of the 76 regions, 46 per cent have 40 or more PSUs (villages or urban blocks) and 26 per cent have 30-40 PSUs and 21 per cent have 20-30 PSUs. The remaining 7 per cent have 16 to 20 PSUs. Although we do not propose to compute the standard errors for each estimate, a few general points can be made in support of the numbers we are dealing with at the regional level. As reported above, the NFHS sample sizes were originally fixed with the objective of deriving estimates for rural and urban areas of each state. The sample sizes assigned for urban areas in many states were in the range of 1,200 to 1,500, not far different from our regional samples. Moreover, the minimum sample size required for estimating different population parameters at the same level of confidence could vary quite a lot. For example, the sample size required for estimating contraceptive prevalence rate is much smaller than what is needed for estimating infant mortality rate. Even for the latter, using longer time period for computing the rate can bring down the required sample size. However, our regional-level estimates are generally based on a larger sample than that used for obtaining estimates for many social categories presented in the NFHS reports. The regional estimates discussed below could have been generated from the available NFHS data, but were somehow not a part of the tabulation plan.

**Comparisons with 1991 Census:** One way to validate the NFHS estimates for the regions is to compare them with estimates derived from alternative sources on some common variables. Only the population censuses provide data for geographical regions below the state. We have chosen two variables, female literacy rate and percentage of Muslims, for which both the NFHS and the 1991 Census data could be recast for the regional divisions. We have chosen these variables because the relevant census data are fairly reliable as seen by the consistent patterns of regional variation found in successive censuses. The percentage of Muslims was chosen in particular because it could exhibit greater sampling variability owing to their limited presence in many areas.

Figure 1 shows the scatter plot of the NFHS and the 1991 Census literacy rates for females. The basic data used in drawing this plot are shown in the Appendix Table A1. It should be noted that the census-based figures refer to women aged seven years and over, whereas the NFHS estimates are for ever-married women aged 13-49 years. Despite this difference, the consistency in the regional variation indicated by the estimates from the two sources is remarkable. The Pearsonian product-moment correlation between the two is as high as 0.973.

Figure 2 shows the scatter plot of the estimates of percentage Muslims from the two sources. It is again clear that the agreement between the two sources is quite high, and the correlation between the estimates from the two sources is 0.968. However, a few individual anomalies must be noted. In comparison with the 1991 Census figures, the NFHS estimates of percentage of Muslims are lower in Telangana (8 per cent against 15 per cent), and higher in southern Andhra coast (11 per cent against 6 per cent). The NFHS appears to have underestimated the Muslim population in Kerala, especially in northern Malabar and southern coast. In Jammu, the NFHS seems to have disproportionately missed out on Muslim households. The NFHS estimate of Muslims in Jammu is about 13 percentage points lower than the corresponding 1981 Census estimate. (No census was conducted in Jammu and Kashmir in 1991; hence the reference to the 1981 Census estimate.) Barring these few exceptions, the agreement between the two sources on the regional distribution of Muslim population is quite good. The root-mean-square deviation between the NFHS and census estimates of percentage Muslims turns out to be only 3 per cent.

At the national level, female literacy rate was about 40 per cent and the percentage of Muslims in the population was only 12. In both the cases the regional samples from the NFHS have performed well in distinguishing the regions with high values of these variables from those with low values. This is an important result as it raises one's confidence in the regional estimates presented below on many indicators for which NFHS is the only source available.

Another consistency check we did was with respect to rural-urban distribution of the population. Since rural and urban PSUs were selected independently, the sample distribution of urban-rural population in a region may not exactly correspond with that of the 1991 Census. The consistency check showed that the differences were marginal. The correlation between the percentage of sample ever-married women in urban areas of each region, and the percentage of urban population in the same region according to the 1991 Census, was 0.94. The root-mean-square deviation between the NFHS estimate and the census figure was less than 5 per cent. However, in five out of the 76 regions, the deviation was 10-15 per cent. Even in their cases, a re-weighting of rural and urban estimates would be of little consequence to the regional parameters discussed below.

In Table A3 of the Appendix, data on 36 indicators derived from the NFHS dataset are presented on which very little information was available thus far at the regional level. The definition of each variable and some qualifications are listed in Table A2 of the Appendix. The regional patterns suggested by some selected variables from this list would be discussed below with the aid of maps. For ease of exposition, we have classified the indicators into three groups: (i) demographic variables, (ii) proximate determinants and policy variables, and (iii) socio-economic variables, and each group will be discussed separately.

The maps have been drawn using a Geographical Information System (GIS) software package called POPMAP, developed by the UN Statistical Division. The boundaries of regions and the political divisions shown in the map are only indicative, and are not drawn strictly to scale. Except in a few cases the class-interval used in the maps for each variable represents equal number of cases (i.e., 15 regions). Thus the lowest class interval has bottom 20 per cent of the regions and the highest class-interval contains the top 20 per cent of the regions. Higher class-intervals are shown with darker shades

FIGURE 3: AVERAGE NUMBER OF CHILDREN EVER-BORN TO WOMEN OF AGES 40-49 YEARS IN 76 REGIONAL DIVISIONS, NFHS, 1992-93

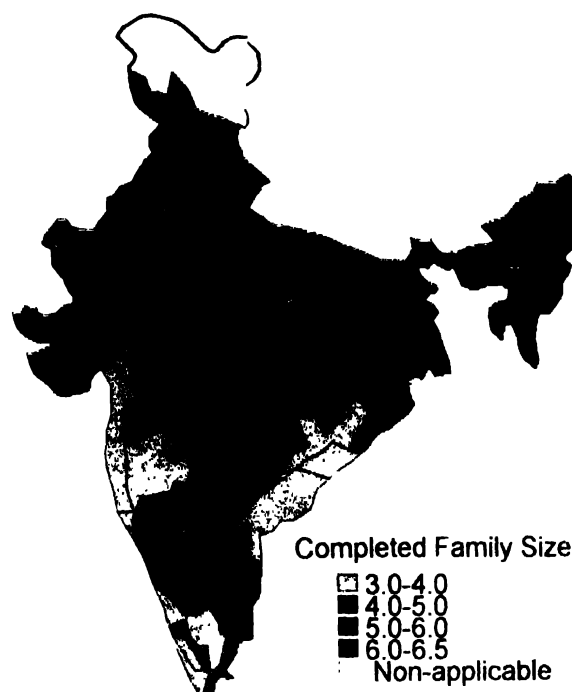
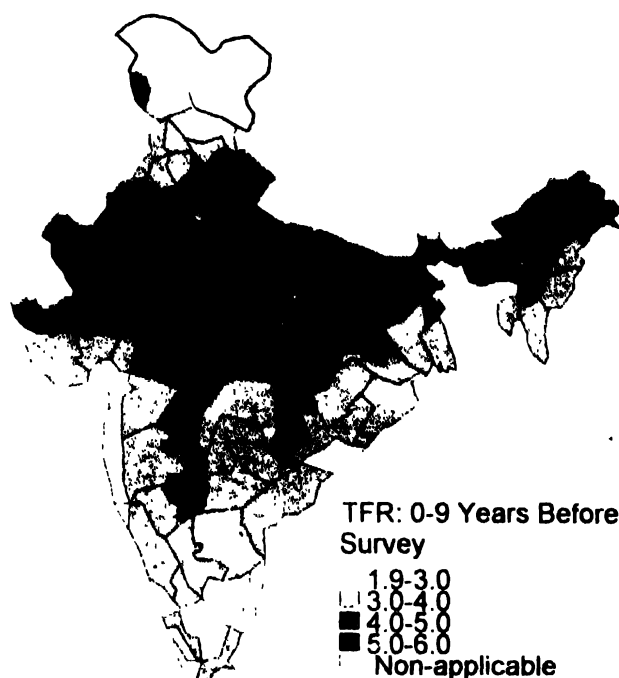


FIGURE 4: LEVELS OF TOTAL FERTILITY RATE DURING 0-9 YEAR PERIOD PRECEDING THE SURVEY IN 76 REGIONAL DIVISIONS, NFHS, 1992-93



and lower ones with lighter shades. Since Kashmir and Sikkim were not covered in the NFHS, their area are left blank in the maps.

## II Demographic Variables

In this section we shall discuss the spatial patterns of two key demographic processes, fertility and mortality. On fertility, we have selected two indicators from the NFHS data set, the mean number of children ever born to women aged 40-49 years in 1992-93, and total fertility rate (TFR) computed from the births that had occurred to women in the 10 years preceding the interview. The first measure gives the actual completed family size (CFS) of women who were born in the 1940s and had their major part of the child-bearing period in the 1970s. The second measure shows the expected completed family size according to the age-specific fertility rates of the 1980s. The cohort measure could be subject to considerable sampling variability as it is based only on women of ages 40-49 years at the time of the survey, who on an average, numbered about 200 in a region. In the case of TFR, we have taken the exposure period of 10 years (instead of the three years used in the NFHS state-level estimates) to reduce the influence of sampling errors. Also, taking a 10-year interval may have reduced the influence of errors suspected to be present in the reported dates

of birth of children [Bhat 1995; Narasimhan et al 1997].

It is useful to assign a time period to the estimates of cohort fertility in order to compare them with the estimates of TFR to get an idea on the time trend. A simple method is to assume that all the births of the cohort occurred at the mean age at childbearing, which was around 28 years in the 1970s. Thus the completed family size of the cohort aged 40-49 in 1992-93 could be reflecting the total fertility rate of the period 1975-76. The TFR estimated from the births to women in the period 0-9 years preceding the survey can be directly assigned to the year 1987-88. The accuracy of these date assignments for the two measures from the NFHS can be cross-checked against the annual estimates of TFR from the Sample Registration System. At the national level this source registered a TFR of 4.9 in 1975

and 4.0 in 1988. These figures are almost identical to the CFS and TFR estimates from the NFHS (4.84 and 3.98, respectively). Thus the comparison of the CFS and TFR estimates from the NFHS can give us a fairly accurate picture of the regional patterns of fertility change during the 12-13 year period, from 1975-76 to 1987-88.

The estimates of CFS show that among the 76 regions, none had a total fertility under 3 births per woman around 1975; 12 were in the range 3-4, 35 in the range 4-5 and the remaining 29 regions were above five (Table 2). The estimates of period TFR show that around 1987 there were 13 regions with total fertility under three; 45 between 3 and 4, 32 between 4-5 and only eight regions were above five. In effect, after the lapse of 12-13 years since 1975-76, only 30 per cent of the regions had remained in the same total fertility class in which they were in the

TABLE 2: DISTRIBUTION OF REGIONAL DIVISIONS BY COMPLETED FAMILY SIZE AND TOTAL FERTILITY RATE IN 1987, NFHS 1992-93

Size Class of Total Fertility	Completed Family Size	Total Fertility Rate 1987	Change by CFS Size Class		
			Regions Remaining in Class (Per Cent)	Absolute Fall	Per Cent Fall
< 3	0	10			
3-4	12	34	33	0.93	25.6
4-5	35	24	20	0.94	21.0
5-6	26	7	23	0.90	16.7
6+	3	1	33	0.87	13.4
Total	76	76			
Mean	4.7	3.8	24	0.9	20.0

FIGURE 5: DECLINE IN TOTAL FERTILITY IMPLIED BY COMPARISONS OF COHORT FERTILITY WITH PERIOD FERTILITY RATES IN 76 REGIONAL DIVISIONS, NFHS, 1992-93

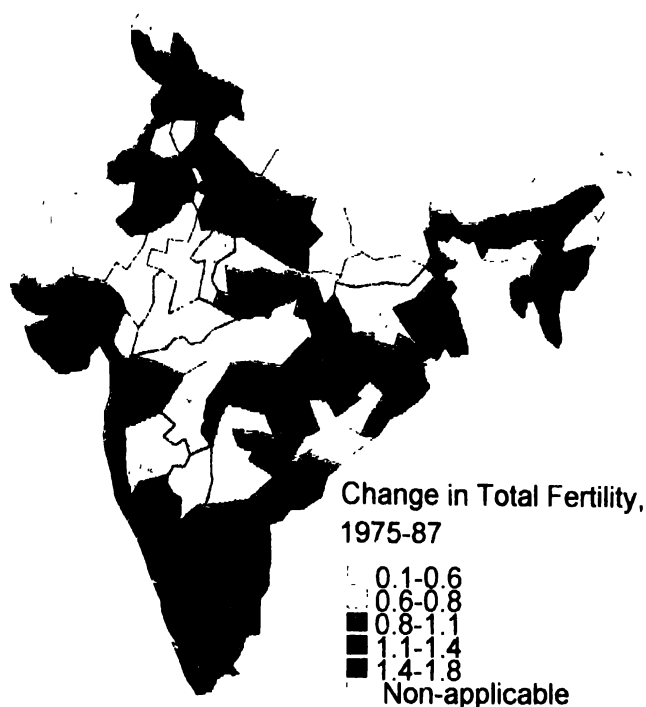
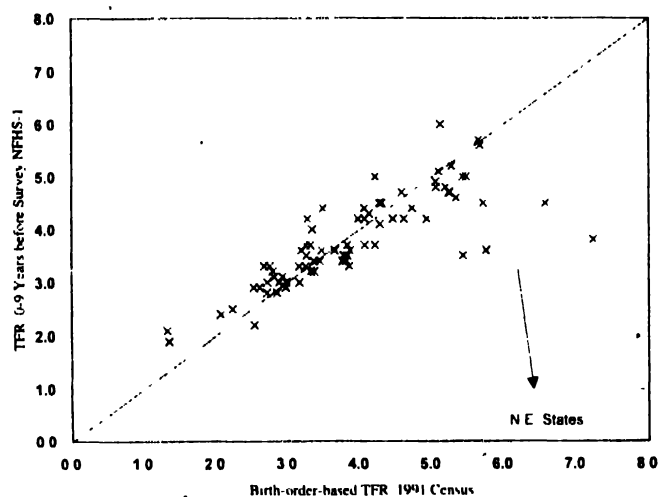


FIGURE 6: COMPARISON OF REGIONAL ESTIMATES OF TOTAL FERTILITY RATE FROM THE NFHS, 1992-93 WITH THOSE FROM 1991 CENSUS



mid-1970s. In absolute terms, on an average, total fertility had dropped by 0.9 births per woman, in every class interval of total fertility. In percentage terms however, regions with lower fertility levels in the mid-1970s, had experienced larger reductions in the subsequent 12-13 year period (Table 2). In an earlier analysis using the district-level census data, evidence was found of stagnation in fertility decline in areas with a medium level TFR [Bhat 1996]. The regional estimates presented here from the NFHS fail to corroborate

that finding. However, the NFHS estimates confirm the earlier finding that there had been substantial reductions in fertility throughout the length and breadth of the country, not just in a few pockets here and there. In all the 76 regions, the TFR estimate for 1987-88 was lower than the cohort fertility (i.e., CFS) estimate for the mid-1970s.

Figures 3 and 4 show the regional maps of completed family size and period total fertility. To enhance comparability, we have used identical graphical patterns for the same class intervals in the two figures.

FIGURE 7: ESTIMATED LEVELS OF UNDER-5 MORTALITY RATE ( $Q_5$ ) IN 76 REGIONAL DIVISIONS, NFHS, 1992-93

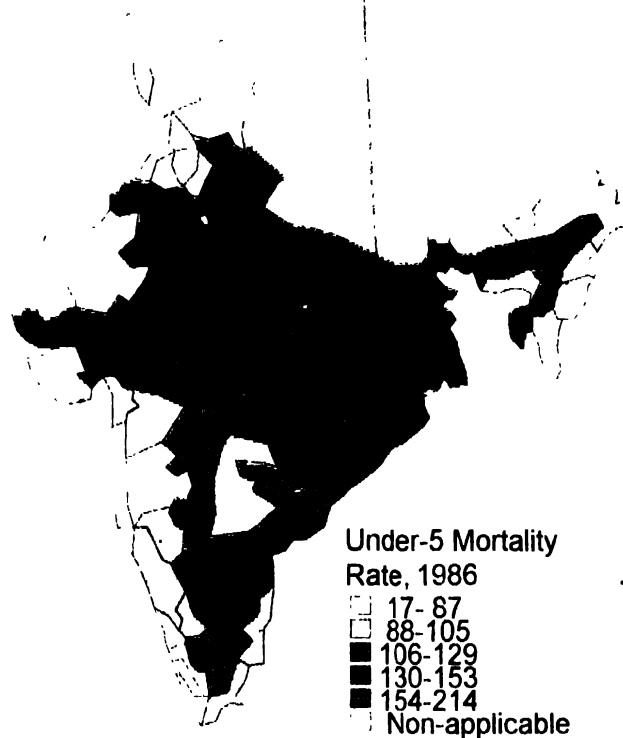


FIGURE 8: COMPARISON OF REGIONAL ESTIMATES OF UNDER-5 MORTALITY RATE ( $Q_5$ ) FROM THE NFHS, 1992-93 WITH THOSE FROM THE 1991 CENSUS

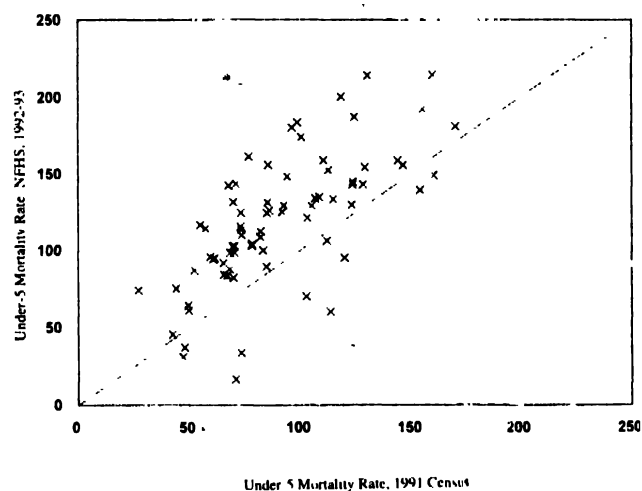


Figure 3 shows that around 1975, the total fertility was above five in entire Assam and Bihar, northern Bengal, Uttar Pradesh with the exception of Kumaon region, northern and eastern Madhya Pradesh and parts of Haryana and Rajasthan. All these regions are geographically contiguous. On the other hand, total fertility was under four in some pockets, in almost entire Kerala, Kongunad of Tamil Nadu, Konkan and Western Ghat regions of Maharashtra (Desh), and in coastal Andhra Pradesh. As Figure 4 shows, by the late 1980s, the area

FIGURE 9: SINGULATE MEAN AGE AT MARRIAGE OF WOMEN (SMAM) IN 76 REGIONAL DIVISIONS, NFHS, 1992-93

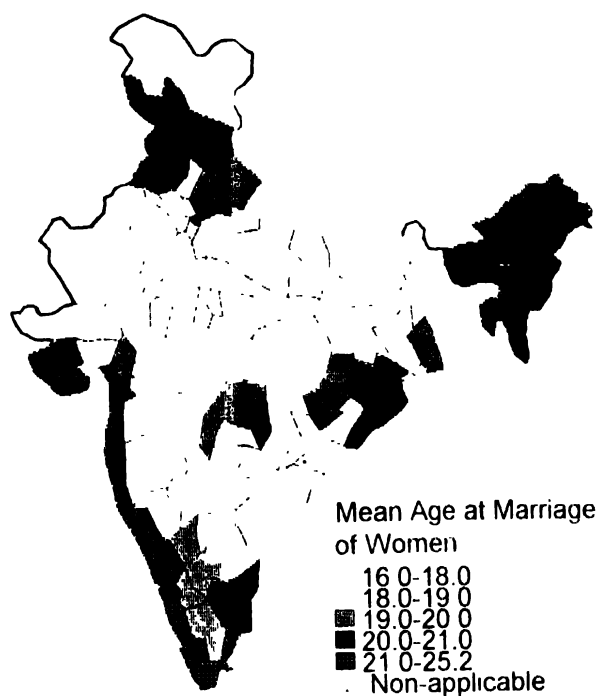


FIGURE 10: PERCENTAGE OF CURRENTLY MARRIED WOMEN USING ANY METHOD OF CONTRACEPTION IN 76 REGIONAL DIVISIONS, NFHS, 1992-93

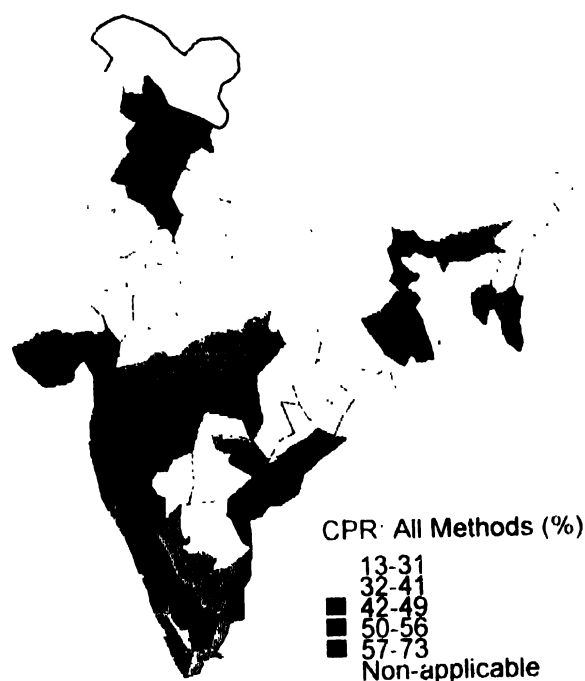


FIGURE 11: PERCENTAGE OF TEMPORARY METHOD USERS AMONG USERS OF ALL METHODS OF CONTRACEPTION IN 76 REGIONAL DIVISIONS, NFHS, 1992-93

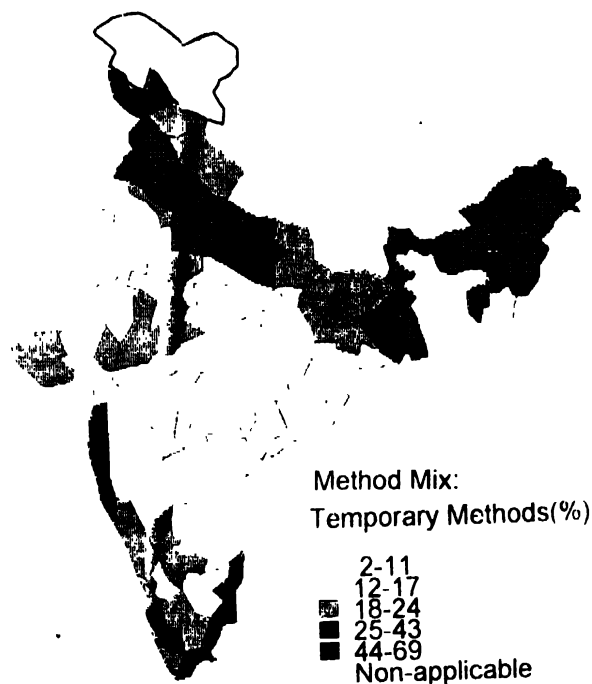
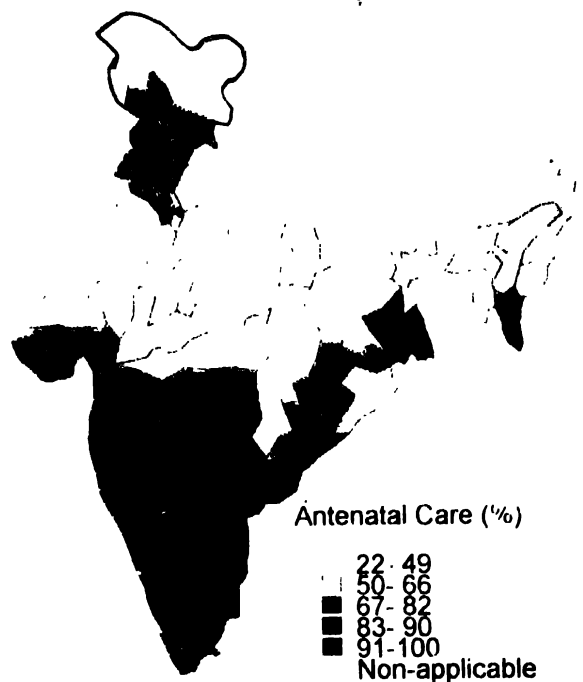


FIGURE 12: PERCENTAGE OF WOMEN RECEIVING ANTENATAL CARE DURING PREGNANCY IN 76 REGIONAL DIVISIONS, NFHS, 1992-93



with high fertility (i.e., TFR above five) had shrunk considerably in size. It covered only north Bihar plain (Maithila/Tirhut region), Uttar Pradesh excluding Kumaon and Chambal divisions of Madhya Pradesh (Malwa north). In the entire south, excluding the semi-arid regions of Deccan pla-

teau, total fertility had dropped below 4 by 1987; and in most parts of Kerala, Tamil Nadu and in Konkan coast, TFR was below 3. The total fertility had fallen below 4 in a few regions of northern and eastern India too. In the north, these were adjoining regions of Punjab, Haryana,

Himachal Pradesh and Jammu. In the east, they were Orissa, southern Bengal and southern states in the north-eastern India.

Figure 5 shows the decline in total fertility implied by the comparison of CFS with TFR. The class intervals used in the map are according to the percentile dis-



FIGURE 13: PERCENTAGE OF BIRTHS ASSISTED BY TRAINED HEALTH PROFESSIONALS IN 76 REGIONAL DIVISIONS, NFHS, 1992-93

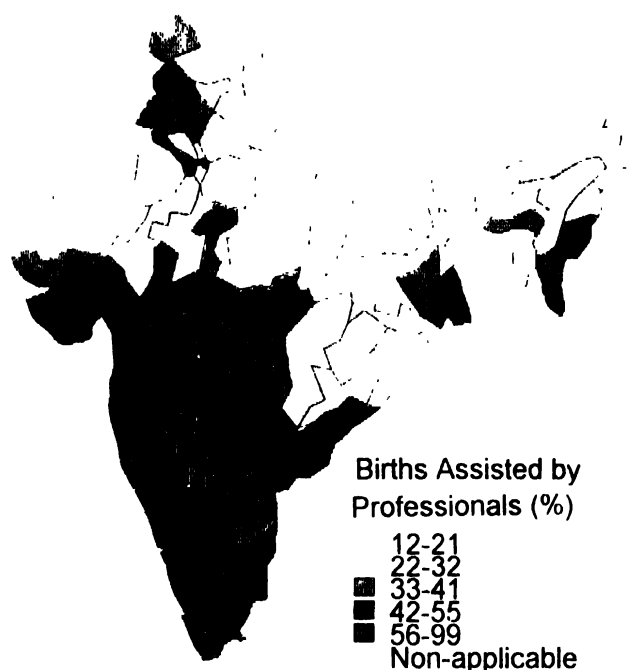
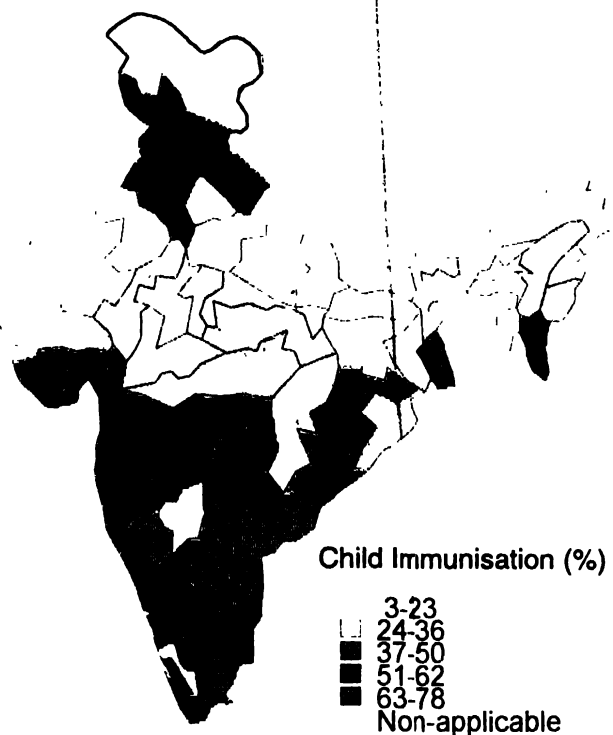


FIGURE 14: PERCENTAGE OF FULLY-IMMUNISED CHILDREN OF AGE 12-23 MONTHS IN 76 REGIONAL DIVISIONS, NFHS, 1992-93



tribution of regions. In the 76 regions, the implied drop in total fertility varied from 0.1 birth per woman in southern uplands of Uttar Pradesh (Bundelkhand region) to 1.8 births in south Malabar and western hill region of Kerala. It was earlier observed that the magnitude of decline was not a function of the level of CFS. Figure 5 however shows that there was some regional variation in absolute quantum of declines in fertility. Most regions of Kerala, Tamil Nadu and Karnataka had a decline of more than 1 birth per woman, roughly during the period 1975-87. Assam, Saurashtra region of Gujarat, Jammu and a few other pockets appear to have had a fall in fertility of similar magnitude. But in most parts of Rajasthan, Madhya Pradesh, Uttar Pradesh and Bihar, fertility had declined by less than 1 birth per woman. Thus fertility decline appears to be driven by some region-specific factors rather than simply by the level of fertility.

How reliable are these findings? Fortunately, an alternate source is available to check the reliability of regional patterns of fertility thrown up by the NFHS estimates. It is possible to estimate total fertility from the 1991 Census data through several methods at the district level. They can be pooled to provide estimates at the regional level. As a part of another project, we have made estimates of TFR at the district level using the birth-order data of the 1991 Census. These have been recast to produce re-

gional estimates and are shown in Appendix Table A3. The census-based estimates refer to the year 1990 and they can usefully be compared with the TFR estimate from the NFHS, roughly for the period 1987-88.

Although the estimates of TFR from the two sources refer to slightly different time periods, at the all-India level, the two estimates are identical at 4.0 births per woman. In assuming that fertility levels were falling during this period, the comparison suggests that the estimate of TFR from the NFHS for all-India had a slight

downward bias. In Figure 6 we have plotted the census-based estimates for 1990 against the NFHS-based estimates for 1987-88. The consistency between the estimates from the two sources appears to be quite good, except for a few conspicuous outliers. All of the outlying regions are from north-eastern India for which the TFR estimates from the NFHS are substantially lower than the census-based estimates, some of them by as much as 2 births per woman. Specifically these regions are Nagaland, Mizoram, Meghalaya, Manipur

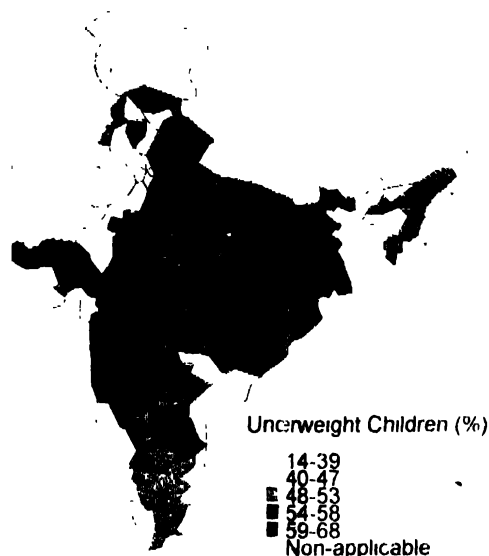
TABLE 3. PERCENTAGE OF HOUSEHOLDS HAVING VARIOUS ASSETS AND WEIGHT GIVEN TO EACH ASSET IN DERIVING A COMPOSITE INDEX, NFHS 1992-93, ALL-INDIA

Sr No	Assets	Percentage of Households with Assets		Inverse Ratio to Landholding Percentage		Assigned Weight in Rural Areas
		Rural	Urban	Rural	Urban	
1	Livestock	67.0	14.3	1.0	1.3	1
2	Land (any)	64.0	19.0	1.0	1.0	1
3	Irrigated land	37.1	10.0	1.7	1.9	1
4	Clock/watch	43.1	78.7	1.5	0.2	2
5	Bicycle	39.7	47.5	1.6	0.4	2
6	Electrified house	38.7	82.8	1.7	0.2	2
7	Radio	31.6	59.4	2.0	0.3	2
8	Semi-pucca house	28.4	26.2	2.3	0.7	2
9	Sewing machine	11.3	35.7	5.7	0.5	3
10	Pucca house	11.2	56.6	5.7	0.3	3
11	Television	8.9	51.7	7.2	0.4	3
12	Motorcycle/scooter	3.8	19.2	16.8	1.0	3
13	Refrigerator	1.7	20.1	37.6	0.9	3
14	Car	0.3	3.2	213.3	5.9	3
	Total sample	64138	24424			29 *

Note: \* The maximum possible is only 29 since a household can have either a pucca house or a semi-pucca house, but not both.

Source: International Institute of Population Sciences (1995).

FIGURE 15: PERCENTAGE OF CHILDREN OF 1-47 MONTHS WHO WERE UNDERWEIGHT FOR THEIR AGE IN 76 REGIONAL DIVISIONS, NFHS, 1992-93

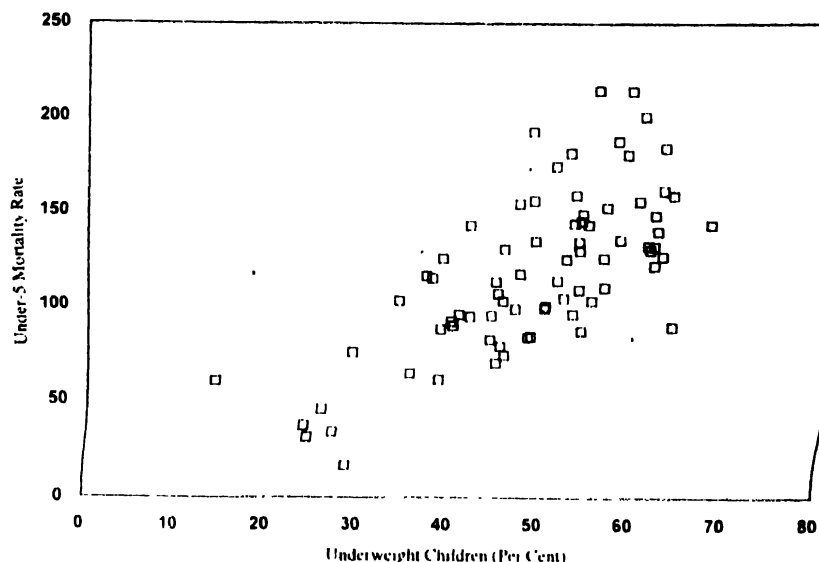


and north-western region of Assam valley. Although both the sources could be in error, we are inclined to suspect the accuracy of the NFHS estimates in these cases as there are reasons to believe that NFHS data collection work in these regions had suffered on account of the lack of familiarity of fieldworkers with the terrain. The overall correlation between the estimates from the two sources is 0.80. However if the estimates for the north-eastern regions are excluded, the correlation rises to 0.92. This is a remarkable level of consistency, given the approximate nature of the birth-order-based estimates of TFR, poor quality of census data on fertility, and the sampling errors in the NFHS-based estimates.

We turn our attention now to the estimates of mortality. Although the NFHS had included a question on deaths in the household during the two years preceding the survey, the data could be severely affected by sampling and non-sampling errors. Even the state-level estimates of crude death rate carry a relative sampling error of about 5 percent. However, child mortality estimates (including infant mortality) derived from the responses to questions put to women on their fertility and surviving children are subject to less severe forms of errors. Hence we shall confine our discussion to estimates of child mortality.

There are two alternate approaches for estimating child mortality from the NFHS data. Using the information on dates of birth of children from woman's birth-history data, the probabilities of survival from birth to various childhood ages can be estimated. Alternatively, estimates of child mortality can be made using the

FIGURE 16: COMPARISON OF REGIONAL ESTIMATES OF UNDER-5 MORTALITY RATE ( $q_5$ ) WITH PERCENTAGE OF UNDERWEIGHT CHILDREN OF AGE 1-47 MONTHS, NFHS, 1992-93



'Brass-method' from the data on children ever born and children surviving among women of various ages. In this indirect method, the birth history information is not used, but the trajectory of births in the years preceding the survey is approximated from the distribution of children ever-born to women of different age groups. The first method gives the exact estimate if the input data are free of errors. The second makes less demand on the data, but gives only approximate levels.

In the NFHS reports, estimates derived from the former method are presented. However, application of the second method to all-India data has shown that it provides higher estimates of child mortality that are closer to the SRS estimates [Bhat 1998]. It may be noted that the direct method would underestimate child mortality if the reported ages of children are higher than their true age (i.e., occurrence of birth is displaced backward in time). Since there is evidence suggesting that such errors were present in the NFHS birth history data [Bhat 1995], we have used the second method for making regional estimates of child mortality.

In Table A3 of the Appendix we have presented the 'graduated' estimates of under-5 mortality rate ( $q_5$ ) for the 76 regions. Graduation is the process of smoothing or averaging estimates derived for different ages with the help of a model or a mathematical function. Generally, estimates of under-5 mortality are not recommended for use without graduation because they are based only on the responses of women aged 30-34 years at the time of interview. Our estimates of  $q_5$

were derived after graduating the child mortality estimates ( $q_2$ ,  $q_1$ ,  $q_5$  and  $q_{10}$ ) derived from the responses of women aged 20-39 years at the time of the survey. Another point to be noted is that child mortality estimates derived from the survey do not refer to the survey year, but to a period that depends on the age intervals of women used in their computation. The  $q_5$  estimates presented here refer approximately to a time period six years before the survey, or roughly to the year 1986-87.

For India as a whole, the estimated level of under-5 mortality was 137 per 1,000 births in 1986-87. In the 76 regions its level varied from 214 in north-western uplands of Madhya Pradesh (Chambal ravines) to 17 in Nagaland. The lower limit of the range was probably an underestimate; the next lowest figure was 31 in central coast of Kerala. Figure 7 gives the map showing the regional variation in child mortality. The five class intervals used in the map have equal number of cases. The top 40 per cent of the regions where under-5 mortality exceeded 130 per 1,000 births in the late 1980s, were in Assam, Orissa, Madhya Pradesh, Uttar Pradesh (excluding the Uttarakhand region), north Bihar, eastern Rajasthan, northern parts of Gujarat and West Bengal. In much of Uttar Pradesh, Madhya Pradesh and Orissa, the under-5 mortality was over 150 per 1,000. Regions in south India where child mortality exceeded 130 births per woman were in Hyderabad-Karnataka region, Rayalaseema, and Baramahal region (eastern uplands) of Tamil Nadu. On the other hand, the bottom 40 per cent of the regions where  $q_5$  was under 90 per thousand were either in west coast of India,

adjoining Ghat sections, or in north-western plains and Himalayan region, or in north-eastern India. However, among these, quality of NFHS data for the north-eastern regions appears suspect.

In the case of child mortality too, the 1991 Census provides some data for checking the dependability of the NFHS estimates. The indirect estimates of child mortality from the 1991 Census have been computed at the district level by the census organisation and other researchers [India, Registrar General 1997; Rajan and Mohanachandran 1998]. We have also independently generated similar estimates from the census data, with only minor changes in estimation methodology. In particular, we have graduated the child mortality estimates ( $q_2$  and  $q_3$ ) computed from the responses of women aged 20-29 years at the time of the census. Data for older women were not used, as they appear to suffer from serious recall errors. The estimates of under-5 mortality so derived can be aggregated to provide estimates at the regional level. These have been shown in the Appendix Table A3. The census-based estimates refer to a time period just one year later than the NFHS-based estimates (i.e., 1987-88).

Figure 8 shows the scatter plot of the estimated of child mortality derived from the two sources for the 76 regions. Although there is a positive association between the two sets of estimates, the correspondence between the two is not very satisfactory. For most regions, the NFHS-based estimates of child mortality are significantly higher than the census-based estimates. At the national level, the estimated under-five mortality rate is 137 per 1,000 from the NFHS whereas it is 97 from the 1991 Census, though both refer to approximately the same time period. Such a large discrepancy could not have occurred from the sampling errors in the NFHS. Further, as reported earlier, the NFHS estimate is close to SRS estimate for the same time period. Therefore the only conclusion that can be derived is the poor quality of the 1991 Census data on child mortality.

There are, however, a few regions for which the NFHS data imply lower child mortality than the census. These regions are the following: north Malabar and south coast of Kerala, the desert region of Rajasthan, Nagaland, Meghalaya and Mizoram states of north-east India. Among these, child mortality estimates from the NFHS are unbelievably low for the extremely arid region of Rajasthan and for the north-eastern states. They could be a result of the problems in data collection in these difficult regions. Owing to some

recent media attention to the topic, a brief comment may be in order on the low figures found in two regions of Kerala.

Although in the two regions of Kerala the census-based estimates are higher than the NFHS estimates, for the state as a whole, the two sources suggest very similar levels of under-5 mortality rate (47 and 45 per 1,000, respectively). This is because in south Malabar and Hill districts, NFHS estimate is higher than the census-based estimates. In comparison, the under-five mortality rate for the state implied by the SRS child death rates for the same period was lower by about 20-25 per cent (36 per 1,000). However, much larger difference is seen in the estimates of infant mortality, if the census-based child mortality estimate is converted into an estimate of infant mortality, using a 'model' life table. This is because infant mortality estimates derived from indirect methods are sensitive to the assumption regarding the age patterns of mortality within the childhood ages. The estimates of under-

5 mortality are less sensitive to this assumption. Hence they should be used rather than the infant mortality whenever the comparison involves estimates based on indirect methods.

Returning to the subject of regional variations at the national level, the problem is not simply that estimates from one source are considerably lower than the other. There is considerable disagreement on the spatial variation in child mortality levels. The overall correlation between the estimates from the two sources is only 0.70. In our judgment, the major part of the blame for the relatively poor consistency should go to the poor quality of the census data on child mortality. Even in the case of Kerala just discussed, the NFHS appears to provide a more reasonable spatial pattern of child mortality variation than the census, even though the former was subject to greater sampling variability. The strong geographical clustering of regions of high and low levels of child mortality that is seen in Figure 7 could not

TABLE 4. DATA ON SELECTED HEALTH AND SOCIO-ECONOMIC INDICATORS FOR SLUM, SEMI-SLUM AND NON-SLUM AREAS OF DELHI, AND THEIR COMPARISON WITH CONDITIONS IN UTTAR PRADESH AND BIHAR, NFHS 1992-93

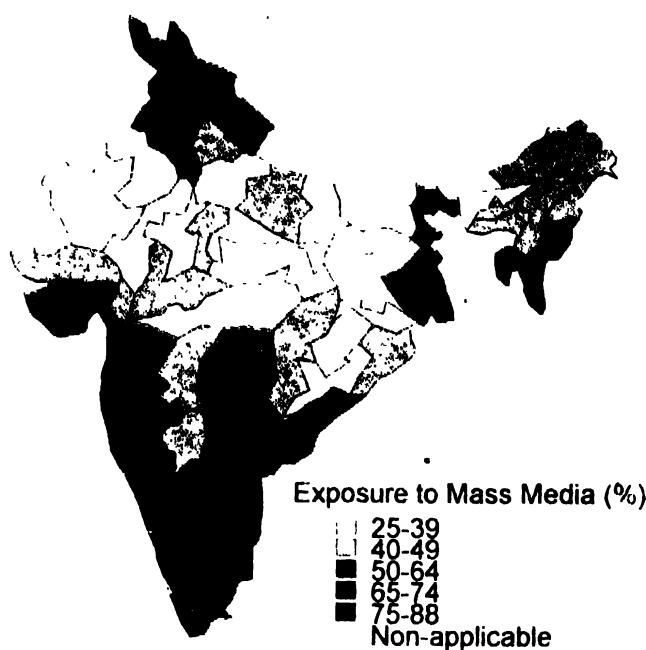
Indicators	Slums	Semi-Slums	Non-Slums	Urban Delhi	Uttar Pradesh	Bihar
<i>Sample distribution</i>						
Households	1266	802	1309	3377	10110	4748
Ever-married women	1090	786	1313	3189	11438	5949
<i>Living conditions</i>						
Pucca house	63.4	86.9	93.2	80.5	20.1	15.5
Electricity	90.0	98.3	98.8	95.4	31.9	16.6
Persons per room *	3.4	2.7	1.9	2.7	3.0	2.8
Flush toilet	54.6	79.8	92.2	75.2	12.7	13.2
Access to piped drinking water	75.8	85.5	96.2	86.0	18.0	8.5
Gas/electricity for cooking	19.8	59.0	81.5	53.0	9.1	5.3
Radio	46.5	69.7	81.3	65.5	32.6	26.9
Television	47.9	79.4	88.5	71.1	16.8	10.6
Refrigerator	11.2	42.1	74.8	43.2	5.7	3.4
Bicycle	41.7	44.4	41.5	42.3	58.8	37.7
Motorcycle/scooter	9.5	23.3	46.8	27.2	7.4	6.2
Motor car	0.4	3.4	20.1	8.7	0.9	0.9
<i>Health and mortality</i>						
Under-5 mortality rate*	122	93	54	92	183	154
Underweight children	52.2	33.9	29.8	40.3	51.4	62.2
Antenatal care	77.9	88.4	95.4	86.3	47.3	38.0
Institutional deliveries	25.8	51.2	79.1	49.7	12.0	11.9
Trained birth attendance	36.7	61.9	83.9	58.5	18.0	19.1
Fully-immunised children	50.0	60.6	70.6	59.2	19.9	10.8
<i>Fertility and family planning</i>						
Completed family size*	5.1	4.7	3.3	4.3	6.0	5.2
Total fertility rate*	4.5	3.5	2.5	3.4	5.3	4.8
Mean age at marriage of women*	19.2	21.2	22.7	21.1	18.5	17.3
Contraceptive prevalence rate	49.8	63.2	68.3	60.7	19.8	23.2
Sex preference	39.8	34.5	20.1	30.4	56.6	55.8
<i>Social indicators</i>						
Literacy of ever-married women	34.5	61.5	88.5	63.4	24.3	21.7
Literacy of their husbands	72.2	86.4	96.6	85.7	64.9	55.3
Per cent Muslims	12.9	10.6	6.3	9.6	17.3	15.7
Joint households	31.3	33.0	36.5	33.7	48.3	50.2
<i>Female work participation:</i>						
a) Salaried/wage employment	10.8	9.7	12.6	11.3	3.2	15.5
b) Unpaid/self-employed	9.8	8.5	7.7	8.6	10.2	9.4
Exposure to mass media	75.8	90.6	95.1	87.4	35.5	29.5

Notes. \* Except for these indicators, all are in percentages, na - not applicable.

FIGURE 17: PERCENTAGE OF WOMEN IN RURAL AREAS WHO WERE VISITED AT HOME BY A HEALTH WORKER EITHER FOR ANTENATAL CARE, OR FOR FAMILY PLANNING FOLLOW-UP SERVICE IN 76 REGIONAL DIVISIONS, NFHS, 1992-93



FIGURE 18: PERCENTAGE OF WOMEN REGULARLY EXPOSED TO ANY MASS MEDIA IN 76 REGIONAL DIVISIONS, NFHS, 1992-93



have arisen if the NFHS estimates were subject to large sampling errors. The regional estimates of malnutrition among children, discussed later in this paper, show stronger correlation with NFHS-based estimates of child mortality (0.71), than with the census-based estimates (0.47). Therefore, barring a few instances already mentioned, the regional estimates of child mortality based on the NFHS seem more dependable.

### III Proximate Determinants and Programmatic Variables

The proximate determinants are the intervening (or intermediate) variables that the socio-economic and policy variables must influence in order to lower the fertility and mortality levels. From the NFHS data set we have extracted data for three proximate determinants, namely, age at first marriage of women, separation of spouses, and knowledge and use of contraceptive methods. The NFHS also provides data on two other important proximate determinants, breastfeeding and induced abortion. The examination of state-level information on breastfeeding duration suggests that it is not prone to a great deal of regional variation, hence it is not considered here. The data on induced abortions are of suspect quality, and would be subject to large sampling variability if estimated at the regional level. Hence, the

variable was dropped from the analysis.

On proximate determinants of child mortality, we have considered the extent of antenatal care of pregnant women, place of delivery and person attending the delivery, child immunisation and nutritional levels of children. Besides these, we have also extracted data for a few policy variables, such as the extent of home visits made by the health workers and reach of family planning messages through electronic media. The proximate determinants of fertility are first taken up for discussion.

*Proximate determinants of fertility:* The NFHS has collected direct information on age at first marriage of ever-married women and their husbands from which the mean or median ages at marriage can be computed for various time periods or cohorts. Alternatively, the estimates of 'singulate' mean age at first marriage (SMAM) can be computed indirectly from the age-sex-marital status of the population. Since estimates from the indirect method are likely to be less prone to sampling fluctuations, we have followed the second method.

The mean age at marriage of females was about 19 years at the all-India level. In the 76 regions, the level of SMAM varied from 16 years in the north-eastern uplands of Madhya Pradesh (Bundelkhand/Baghelkhand region) to 25 years in Goa. Figure 9 shows the map of the regional estimates of SMAMs for females. The regional contrasts are striking. The mean

age marriage of females is over 21 years on entire west coast of India, Saurashtra, and in parts of Punjab, Himachal Pradesh, Jammu, Assam, Manipur and Tripura. On the other hand the mean age at marriage is lower than the legal minimum of 18 years in the whole of Rajasthan, Madhya Pradesh, north Bihar and in central Deccan plateau, covering parts of Maharashtra, Karnataka and Andhra Pradesh. It is interesting to note that spatial variations do not respect any state boundaries; nor can the differences be characterised simply as a disparity between the north and the south.

In Table A3 we also have provided data on the proportion of currently married women among all women in the age interval 15-49 years, by region. They show very similar spatial patterns of variation as the SMAMs. Hence they are not discussed here.

Separation of spouses is another proximate determinant that affects fertility. Although the data on it were collected in the NFHS, they were not discussed in the survey reports. Table A3 of the Appendix gives data on currently married women of ages 15-49 years whose husbands were living elsewhere at the time of the survey. It should be noted the NFHS had also covered women who were visitors to the sample households to compensate for the usual residents who had gone elsewhere temporarily. The inclusion of visiting women would overstate the extent of separation of spouses that result from labour

# CRISES, REFORMS AND RECOVERY

Experience and Outlook for 2000-2010

*An invitation conference*

*At SCOPE Convention Centre, SCOPE Complex, Lodi Road, New Delhi (India)*

*3-5 January 2000*

*Jointly organised by*

*Faculty of Management Studies, University of Delhi*

*Indian Industrial Relations Association*

*International Management Institute*

*Standing Conference of Public Enterprises*

Economies, industries and enterprises all over the world have experienced excessive turbulence recently in their fortunes. Socialist command economies collapsed. Failure of even the miracle market-economies of East Asia and others brought global shock waves all over. Prosperous and stable economies of West Europe experienced high incidence of unemployment. Their social security system came under severe strains. The question that is being asked is: Is social disintegration the price of economic integration?

Financial institutions and capital market demonstrated their malfunctioning. Labour markets faced turbulence. Unemployment, downsizing, deskilling, delayering and performance-linked compensation emerged as familiar recipes of reform. Is labour becoming a redundant resource in the process of globalisation, liberalisation and privatisation?

Technological aids became necessary for competitive efficiency. But the social fall out demanded pointed attention. Can technological change be without tears?

Search for transparency, accountability and better results led to capital reforms and industry specific reforms. Regulatory authorities have emerged in different forms and shapes. Better corporate governance became urgent necessity. Restructuring, mergers and acquisitions, strategic alliances, sickness and closures followed all over. What has been the balance of experiences in issues in this regard? How does one cope with the resultant inequity in the distribution of pains and gains? What are the prospects for a better and brighter future in terms of competitive efficiency, employment effects, and social equity?

The conference would focus on the following areas:

- Policies of financial institutions – international and national – and their impact
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The conference will review and analyse the trends and explore alternative ways to coping up with the emerging challenges.

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Papers providing comparative analysis of trends in selected sectors with country, industry and enterprise focus are welcome.

Please send suggestions on the theme/sub-themes and proposals for papers. Conference papers on any sub-themes can be sent in word97 format through email along with a hard copy and diskette by separate post latest by **10 December 1999**. It is proposed to publish the conference proceedings in one or more volumes after the conference.

Local hospitality would be provided, on prior information and confirmation, to international resource persons and invited local (Indian) resource persons contributing papers.

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FIGURE 19: COMPARISON OF REGIONAL ESTIMATES OF POVERTY AND WEALTH STATUS MEASURES BASED ON HOUSEHOLD ASSETS, NFHS, 1992-93

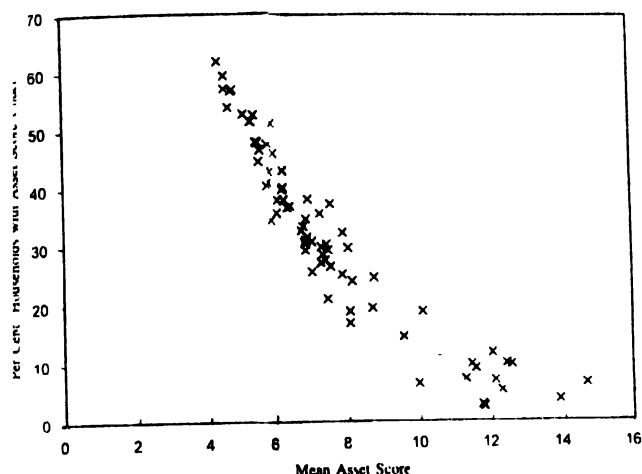
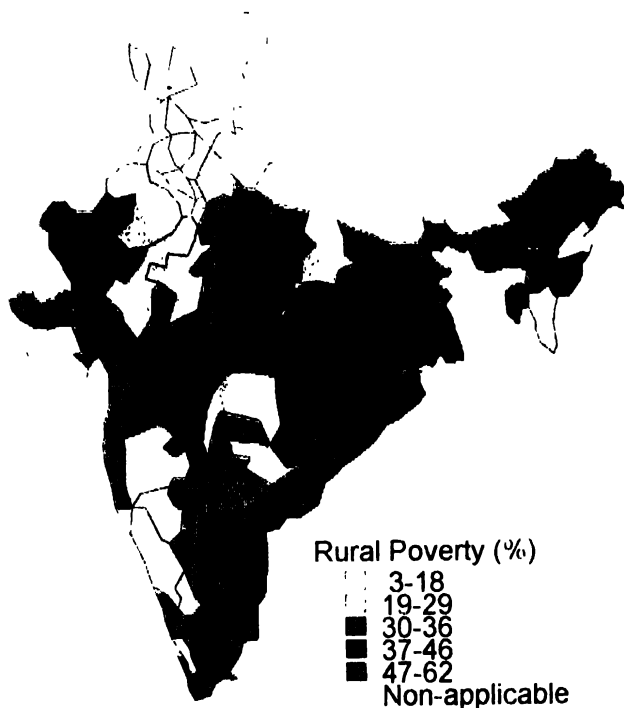


FIGURE 20: PERCENTAGE OF RURAL HOUSEHOLDS WITH AN ASSET INDEX SCORE OF UNDER 5 IN 76 REGIONAL DIVISIONS, NFHS, 1992-93



migration or delayed cohabitation. Therefore we have computed this indicator after eliminating visitors from the sample.

Generally, the percentage of currently married women who were living away from their husbands was less than five. However, a few regions recorded substantially higher percentages of spousal separation. They were Himachal Pradesh (25), Jammu (17), Uttarakhand (22), eastern Uttar Pradesh (21), north Bihar plain (14), south Bihar plain (11 per cent) and Kerala (15). These are known to be regions from where young men go out in search of employment, or join the army, leaving behind their wives

and children. What may however come as a surprise is the extent of separation of spouses suggested by these figures.

Perhaps the most important proximate determinant of fertility is the level of contraceptive use. In India as whole, 41 per cent of currently married women in the age interval 15-49 (or their husbands) were using a method of contraception at the time of the survey. In the 76 regions, the contraceptive prevalence rate varied from 13 per cent in Nagaland to 73 per cent in the central Kerala coast. Figure 10 shows a map of regional estimates of contraceptive prevalence rate derived from

FIGURE 21: COMPARISON OF REGIONAL ESTIMATES OF RURAL POVERTY BASED ON ASSET HOLDINGS WITH PERCENTAGE OF UNDERWEIGHT CHILDREN OF 1-47 MONTHS, NFHS, 1992-93

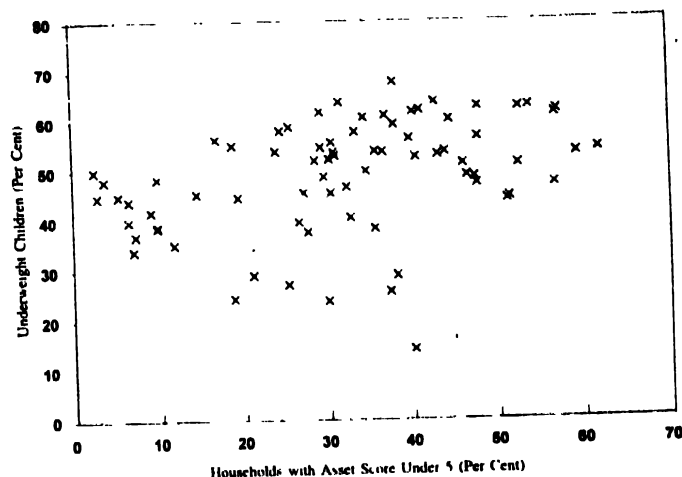
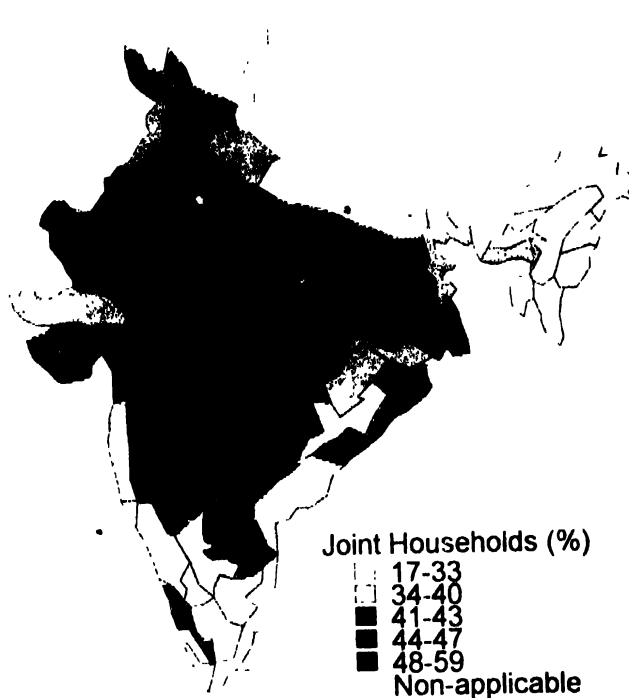


FIGURE 22: PERCENTAGE OF JOINT HOUSEHOLDS IN 76 REGIONAL DIVISIONS, NFHS, 1992-93



the NFHS data. The regional contrast bears some resemblance to the spatial variation in age at marriage of females. Regions with high contraceptive prevalence rates (over 50 per cent) form four distinct blocks: the whole of west coast of India, adjoining hilly tracts, and Saurashtra form one block. The coastal regions of Andhra Pradesh and Tamil Nadu form another block, but much narrower than the one on the west coast. The north-western region comprising of Punjab, Himachal, east Jammu and Haryana form the third block. The fourth block is made up of West Bengal, Tripura and Mizoram, separated by Bangladesh.

The regions of low contraceptive prevalence cover a very vast area. The bottom 20 per cent of the regions, where less than one-third of the women were practising contraception, were in Bihar, Uttar Pradesh (excluding the Kumaon region), and Madhya Pradesh, north of Narmada valley. Outside this mega-region, low contraceptive levels were found in the Rajasthan desert, Tel-Mahanadi region of Orissa and in northern states of north-eastern India (Arunachal Pradesh, Meghalaya and Nagaland).

The composition of users by contraceptive method also shows significant spatial variation. Table A3 shows the percentages of currently married women who are using modern temporary methods (IUD, pill and condom), and traditional methods (periodic abstinence, withdrawal, etc), separately. The percentage of sterilisation users can be obtained from the data as a residual. Figure 11 presents a map showing the spatial variation in the percentage of temporary method users (both modern and traditional) among all method users. At the national level, only one-fourth of the users of contraception were using a temporary method. However, adopters of temporary methods accounted for a sizeable portion of contraceptive users in the entire sub-Himalayan belt running from Punjab to Arunachal Pradesh. Both in the western and eastern extremes of this region percentage of temporary method users accounted for about half of all users.

However in the western extreme, condom use was more common and in the eastern end, traditional method users (mainly periodic abstinence) predominated. In the other parts of the country, temporary method use was sporadic, except in the west coast of India and in the extreme south. Even where it was relatively high, it did not exceed 30 per cent of all users.

The NFHS data on contraceptive prevalence rate by regional divisions can be cross-checked using the data on couple protection rate derived from the service statistics. However, it would not serve any great purpose, except to highlight the many limitations of the official statistics. The NFHS estimates on contraceptive practice are not subject to significant sampling errors and the relevant data were not too difficult to collect. However, it is not clear whether different methods being used have the same effect on fertility. In particular, the protection against the risk of conception conferred by traditional methods and condom use may be limited.

*Proximate determinants of maternal and child mortality:* Of the four proximate determinants discussed here, the indicators of maternal care would be considered first as they show similar patterns of spatial variation. The data on maternal care were collected in the NFHS for all the births that occurred to women during the four years preceding the interview. We have however used data only for the last birth

that occurred in this period. The bias resulting from restricting the sample to the last birth is negligible, while it considerably simplifies the data analysis. Of the several indicators of maternal care on which the NFHS has provided data, we have selected two, the percentage of women who received antenatal care during pregnancy and percentage of births attended by a trained health professional. In Table A3, data have also been provided on institutional births, but they would not be taken up for discussion here.

In the country as a whole, 65 per cent of the women reported that they had received antenatal care (ANC) during the last pregnancy, but the regional estimates suggest a range of variation from 22 in the extremely arid region of Rajasthan to 100 per cent in the central coast of Kerala. As Figure 12 shows, level of antenatal care was over 80 per cent in most areas of peninsular India. In coastal areas and in the extreme south, the levels crossed the 90 per cent mark. The relatively backward regions in this respect were Marathwada, Hyderabad-Karnataka region and Orissa. Elsewhere in India, relatively high levels of ANC have been reported in north western region, south Bengal and Mizoram. The most backward areas, where ANC levels are under 50 per cent, were Rajasthan, Bihar, northern and eastern Madhya Pradesh, most regions of Uttar Pradesh and north-western parts of Assam valley.

TABLE 5: MOST BACKWARD REGION IN EACH MAJOR STATE AND FIVE MOST BACKWARD REGIONS AT THE ALL-INDIA LEVEL WITH RESPECT TO EIGHT INDICATORS OF DEVELOPMENT, NFHS, 1992-93

State (Codes)	Asset Poverty	Underweight Children	Under-5 Mortality Rate	Trained Birth Attendance	Child Immunisation	Total Fertility Rate	Contraceptive Practice	Female Literacy	Overall Assessment
Andhra Pradesh (AP)	North Coast	North Coast	North Coast	Rayalaseema	North Coast	Rayalaseema	Rayalaseema	Rayalaseema	Rayalaseema
Assam (AS)	NW Valley	NW Valley	East Assam	SW Valley	NW Valley	SW Valley	East Assam	SW Valley	No consensus
Bihar (BH)	South Plain	North Plain	North Plain	North Plain	North Plain	North Plain	North Plain	North Plain	North Plain
Gujarat (GJ)	East Plain	East Plain	Sabarmati-Mahi Plain	Kachchh and N Plain	Kachchh and North Plain	Kachchh and N Plain	Kachchh and North Plain	Kachchh and North Plain	Kachchh and North Plain
Haryana (HR)	South Plain	SE Plain	SE Plain	Central Plain	South Plain	SE Plain	SE Plain	Central Plain	SE Plain
Karnataka (KK)	NE Plateau	NE Plateau	NE Plateau	NE Plateau	NE Plateau	NE Plateau	NE Plateau	NE Plateau	NE Plateau
Kerala (KR)	South Coast	S Malabar and Hill Region	S Malabar and Hill Region	S Malabar and Hill Region	S Malabar and Hill Region	S Malabar and Hill Region	S Malabar and Hill Region	S Malabar and Hill Region	S Malabar and Hill Region
Madhya Pradesh (MP)	Narmada Valley	Chhattisgarh and Bastar	NW Uplands	NF Uplands	NE Uplands	NW Uplands	NE Uplands	NE Uplands	NE Uplands
Maharashtra (MH)	Marathwada	Khandesh	Vidharbha	Marathwada	Marathwada	Marathwada	Konkan Coast	Marathwada	Marathwada
Orissa (OR)	South Plateau	Tel Mahanadi Region	Coast and Delta	South Plateau	Coast and Delta	Coast and Delta	Tel-Mahanadi Region	Tel-Mahanadi Region	All except N Hills
Punjab (PJ)	NW Plain	NW Plain	South Plain	South Plain	South Plain	NW Plain	South Plain	South Plains	South Plain
Rajasthan (RJ)	South Arid Plain	Chambal-Banas Basin	Chambal-Banas Basin	South Arid Plain	South Arid Plain	Chambal-Banas Basin	South Arid Plain	South Arid Plain	South Arid Plain
Tamil Nadu (TN)	Coromandel	E Uplands	E Uplands	E Uplands	Coromandel	SE Coast	E Uplands	E Uplands	E Uplands
Uttar Pradesh (UP)	South Uplands	Oudh Plain	South Uplands	South Uplands	SW Plain	South Uplands	Bhojpur Plain	South Uplands	South Uplands
West Bengal (WB)	North Bengal	West Plain	North Bengal	North Bengal	North Bengal	North Bengal	North Bengal	North Bengal	North Bengal
All-India	S Plateau (OR) NW Valley (AS) N Coast (AP) S Plain (BH) SW Valley (AS)	Chhattisgarh-Bastar (MP) Malwa Plateau (MP) Coast and Delta (MH) N Plain (BH) NE Plateau (KK)	North-western Uplands (MP) S Uplands (UP) Oudh Plain (UP) Coast and Delta Region (OR) SW Plain (UP)	S Arid Plain (RJ) S Plateau (OR) S Uplands (UP) Bhojpur Plain (UP) N Plain (BH)	Nagaland N Plain (BH) Meghalaya S Arid Plain (RJ) NW Valley (AS) N Plain (BH)	S Uplands (UP) SW Plain (UP) Bhojpur Plain (UP) Plain (UP) North-western Uplands (MP) N Plain (BH)	Nagaland Bhojpur Plain (UP) Oudh Plain (UP) SW Plain (UP) Meghalaya Plain (RJ) Tel-Mahanadi Region (OR)	S Arid Plain (RJ) Tel-Mahanadi Region (OR) Chambal-Banas Basin (RJ) N Plain (BH) N Arid Plain (RJ) Plain (RJ)	N Plain (BH) S Uplands (UP) S Arid Plain (RJ) Bhojpur Plain (UP) SW Plain (UP)



FIGURE 23: PERCENTAGE OF WOMEN MARRIED TO A BLOOD RELATIVE IN 76 REGIONAL DIVISIONS, NFHS, 1992-93

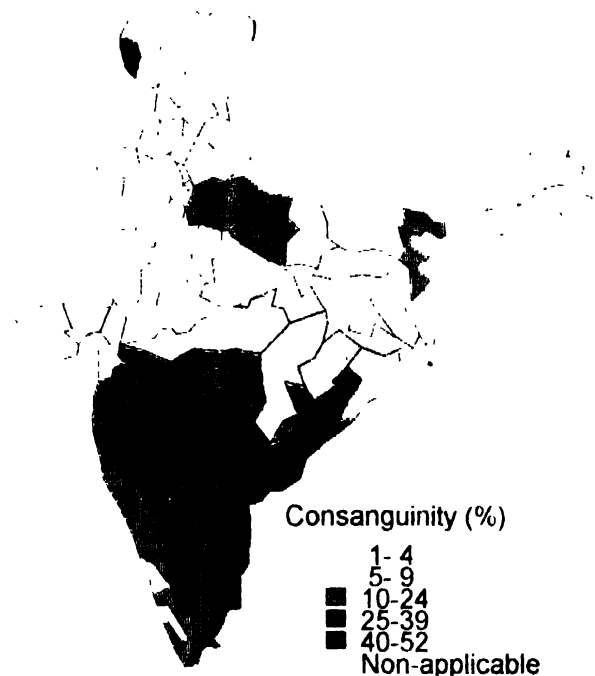
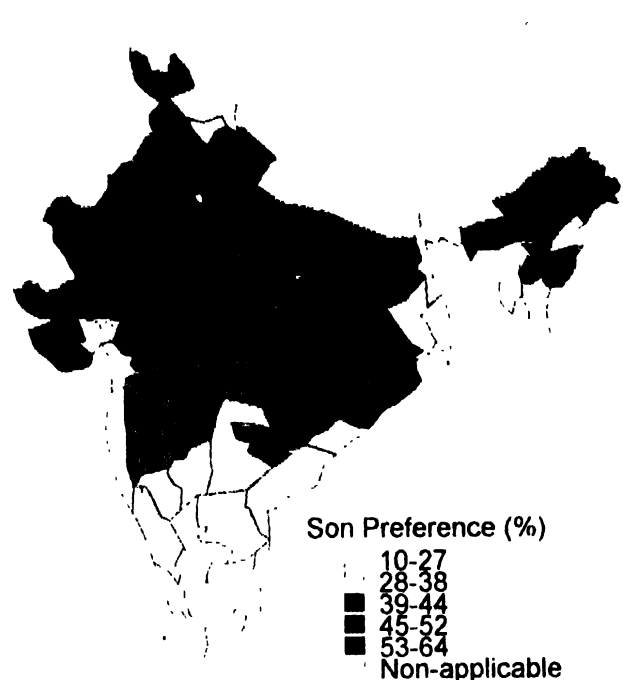


FIGURE 24: PERCENTAGE OF WOMEN WHO WANTED MORE BOYS THAN GIRLS IN THEIR IDEAL FAMILY SIZE, 76 REGIONAL DIVISIONS, NFHS, 1992-93



The data on assistance at deliveries show that 36 per cent of the births were attended by trained health professionals in India as a whole. But regional estimates varied from 12 per cent in desert region of Rajasthan to 99 per cent in the central Kerala coast. The spatial variation is very similar to that of ANC (Figure 13). High levels were reported in almost entire peninsular India except the central semi-arid stretch, and Orissa. In the continental part, regions reporting high levels of birth attended by trained personnel were either in the north-western region or near the Bay of Bengal. The entire middle stretch starting from western Rajasthan to Bihar was the most backward area in this respect. Assam and northern states of north-eastern India also performed poorly.

We shall now take up for discussion the two indicators related to child health and survival: immunisation and nutrition. The immunisation indicator shows the percentage of fully immunised children among those who were aged 12 to 23 months at the time of the survey. Children who had a BCG vaccination, three polio drops, three DPT and one measles vaccination at any time before the interview have been taken to be fully immunised. The age cut-off of 12-23 months has the effect of reducing the sample sizes considerably (sample per region was in the range of 100-150 children). Nonetheless the variable shows regional pattern of variation similar to that of the two maternal care

variables (Figure 14). Some differences in details are as follows. In the 76 regions the percentage of fully immunised children varied from 12 in Nagaland to 79 in Bist Doab of Punjab. All regions of Maharashtra and Tamil Nadu showed high levels of immunisation, but none of the regions had reached universal immunisation. Generally, the range here was between 50-75 per cent. Interestingly, Kerala lagged behind in this respect, but primarily because of south Malabar and Hill districts, where less than 35 per cent of the children were fully immunised. The entire Andhra Pradesh and northern Karnataka in the south also showed relatively poor levels of immunisation coverage. In the north, the north-western region showed high coverage. The backward regions where immunisation levels did not rise above 25 per cent were in Rajasthan, Bihar, Uttar Pradesh, excluding the Kumaon region, Assam valley and north-eastern states.

One of the significant contributions of the NFHS was in assessing levels of malnutrition among children through anthropometric measures. The weight of children under four years old was measured using a spring balance (Slater scale), and height was measured in the lying position for children under two years of age and in the standing position for older children. Unfortunately, the height measurement was not taken in a group of states that were in the first phase of the survey.

Therefore we have extracted only weight-for-age data from the NFHS data files for all the children under four years of age.

The percentage of underweight children was estimated by comparing children's weight for age with an international reference population of well-fed children recommended by the World Health Organisation (1983). Children who were more than two standard deviation units below the median of this standard were considered as underweight. The computations were made using the ANTHRO software package of the Centre for Disease Control, Atlanta, US. This programme flags children who had improbable weight (or height) for their age. In the NFHS reports the percentages of malnourished children reported are those that were computed after excluding such children from the sample. The number of such dropped cases was about 6 per cent of all children at the all-India level.

It is, however, not clear as to whether such children should be dropped, as it may lead to selective omission of children whose ages were underreported (or overreported). We have computed the levels of malnutrition by omitting as well as including these children, but have found the differences to be very marginal. In order to maintain the comparability with the figures presented in the NFHS reports, in Table A3 we have shown the percentages of malnourished children after omitting the 'flagged' children, even though

it amounted to significant loss of cases. The weight-for-age data from the NFHS suggest a very high level of child malnutrition in India. While as much as 54 per cent of the children were underweight for their age at the all-India level, less than 3 per cent of children fell into this category in the international standard population.

Figure 15 displays a map showing the regional variation in child malnutrition as measured by weight for age. The percentage of malnourished children varies from 14 per cent in Rajasthan desert to 68 per cent in Chhattisgarh and Bastar region of Madhya Pradesh. Since fieldwork in the desert region of Rajasthan was probably not of high quality, we may take the next lowest figure of 24 per cent in north Malabar (21 per cent if all children are considered) as the best region in India in this respect. But against the international standard population's 3 per cent mark, even this figure seems too high.

The NFHS anthropometric data show relatively better nutritional status of children on the west coast of India, Saurashtra, Coromandel and Andhra coasts, north-western plains and hills, and north-eastern states. On the other hand, relatively poor nutritional status of children is reported from Bihar, Uttar Pradesh, Madhya Pradesh, Orissa, West Bengal, north Gujarat, much of Maharashtra Plateau, Hyderabad-Karnataka region and Rayalaseema.

How do the regional estimates of child malnutrition compare with regional patterns in child mortality? A scatter plot of the two is shown in Figure 16. The overall correlation between the two is 0.71. Given that there are other factors influencing child mortality and malnutrition, this should be termed as a satisfactory correspondence.

**Programmatic variables:** Unfortunately there are not many programmatic variables on which the first round of NFHS had collected data. A lot more is being promised in the second round of the NFHS that is currently in progress. From the first round, we have selected two variables, the frequency of home visits by the health workers and the media-reach on family planning.

In the NFHS, information on two types of home visits was gathered. First, women were asked whether they had received any visit from a health worker for antenatal check-up during pregnancy for children born during the four years preceding the survey. Second, users of family planning methods were asked whether they had received a follow-up visit from a health worker after acceptance. As home visits are made only in rural areas, the 2 percentages were computed for rural areas of each

region, and are shown in Table A3. In addition, we have computed the weighted average of the 2 percentages to reflect the extent of home visits being made by the health workers in rural areas for either ANC or follow-up services. The combined index has substantially lower sampling error than its two constituents have. Hence it is being used here.

Figure 17 displays the map showing the spatial variation in the home visits made by health workers, primarily by the auxiliary nurse-midwife. At the national level, home visits by the ANM were reported by only 29 per cent of the women who were eligible for such visits. In the 76 regions, this percentage varied from just 2 in Arunachal Pradesh to 61 in southern Karnataka. The regions that fall in the top 20 per cent bracket were in Karnataka, Gujarat, Konkan and coastal Andhra. Overall, the frequency of home visits was above average in peninsular India, including Orissa and southern and eastern parts of Madhya Pradesh. Interestingly, Kerala and parts of Maharashtra fared poorly in this regard. In much of north and eastern regions of India, health workers rarely made home visits even in rural areas. In Assam and north-eastern India, Bihar plateau, and arid regions of Rajasthan such visits are extremely rare.

To explore the reach of mass media, respondents in the NFHS were asked whether they listened to radio at least once a week, watch television at least once a week, and went to cinema at least once in a month. The respondents were also asked specifically, whether they heard a family planning message on radio or television during the month prior to the survey. From answers to these questions it was possible to compute the exposure to each of the mass media, or any of the media, and percentage of women who said that they had heard a family planning message on the electronic media. All these percentages have been shown in Table A3 of the Appendix. Here however, we shall discuss only one of them, percentage of women exposed to any media. Figure 18 displays the map showing the spatial variation in this variable.

At the national level 53 per cent of women reported regular exposure to mass media. But in the 76 regions, the exposure varied from 24 per cent in north Bihar plains to 88 per cent in central Kerala coast. In general, exposure to mass media was very high on the west coast of India, Tamil Nadu, Andhra Pradesh and southern Karnataka. The exposure levels were moderate in Gujarat and interior Maharashtra. In the north, areas of high

exposure were concentrated in north-western regions and around the Bay of Bengal. In much of northern plains and central uplands, media exposure was quite low (under 40 per cent). Obviously, both low exposure to mass media and infrequent field visits by health workers posed severe problems in spreading health and family planning messages in the relatively high fertility regions of northern India.

#### IV Socio-Economic Variables

From the NFHS data files, we have extracted the following socio-economic variables which we thought could have a significant influence on demographic processes: asset holdings, joint households, female work participation, female literacy, percentage of Muslims, son preference, consanguinity, natal links and numeracy in ideal family size. Among these, data on female literacy and Muslim population have already been discussed. The space and time constraint does not permit us to discuss all of the remaining variables in detail. We shall therefore concentrate on variables on whose spatial variation not much is known yet.

One such variable is income or poverty. The NFHS made no direct attempt to measure income because of the well known problems in collecting this information. However, data on ownership of several household assets and consumer durable goods were collected, from which an index can be constructed to assess the wealth status of households or the standard of living of its members. This measure can be computed by assigning weights to various asset holdings. These weights could be arbitrarily assigned or arrived at by factor analysis. Although factor analytical approach is statistically more rigorous, it does not directly take into account either the substitutability of assets or their market price. A simpler approach that makes the weights inversely proportional to the proportion of population owning the asset is perhaps more appropriate in this case. In order to make the quantity consumed/owned correctly reflect the relative prices, population should be homogeneous with respect to tastes.

Table 3 shows the data on household ownership of some selected assets in rural and urban India. The assets considered are ownership of livestock, irrigated and non-irrigated land, type of house (pucca or semi-pucca), its electrification, and eight consumer durable goods, ranging from clock/watch to motor car. Items that were thought to be largely determined by supply factors were kept out of the list (e.g., access

to safe drinking water). There is considerable difference between urban and rural areas in the structure of asset ownership. Not surprisingly, ownership of land and livestock was much more common in rural areas and consumer durable goods in urban areas. This difference could not solely be due to the difference in urban-rural incomes; parts of it must be due to differences in the structure of economy, and in preference patterns. Land being such an important asset in rural areas, it does not seem proper to compute a composite asset index by excluding it.

Therefore we decided to construct the asset index for rural areas only. Examination of asset ownership patterns in rural areas showed that certain consumer goods such as refrigerator and car would get too high a weight in the composite index if one goes solely on the basis of the inverse of possession ratios. Therefore we assigned a weight to each asset that ranged from a minimum of one to a maximum of three, roughly in accordance with their inverse possession ratios (Table 3). The asset index so constructed had a range of 0 to 29 at the household level. At the regional level, two different forms of this index have been used. First is the mean value of the index, which is a sort of proxy for income (or wealth status). The second is the proportion of rural households in the region that had an asset score of less than five. This is intended as a proxy measure for poverty. The index score of 5 was chosen as the poverty line because 34 per cent of rural households at the all-India level had asset scores lower than this. That the two measures can be interpreted in this manner is borne out by their scatter plot shown in Figure 19. As can be seen, as the mean asset score rises from about four to 10, the percentage of households with asset scores of less than five falls quite rapidly from about 60 per cent to 10 per cent. But further increase in the mean asset score brings only very small reductions in the estimated percentages of households with a low asset score.

The regional estimates of both forms of the asset index measure are given in Table A3. Figure 20 shows the map of the regional estimates of the asset-poverty index. The index varied from 3 per cent in Himachal Pradesh to 62 per cent in southern plateau region of Orissa. A clear east-west divide is discernible in the spatial variation of rural poverty. The index suggests high levels of poverty in Assam, Bihar and on the entire east coast of India. The regions adjoining them, namely, West Bengal, interior-Orissa and eastern Madhya Pradesh, Narmada valley, semi-arid parts

of Deccan Plateau and eastern uplands of Tamil Nadu, also show high levels of poverty. On the other hand, regions with low poverty are to be found in the north-western India, Saurashtra and west coast of India. The only region in the west that shows comparatively high poverty level is the desert region of Rajasthan.

Much has been written about the relationship between poverty and malnutrition. Interestingly however, our regional estimates of the two do not suggest strong correspondence (Figure 21). Although there are regions where both rural poverty and child malnutrition levels are estimated to be high (e.g., Bihar, Mahanadi basin, semi-arid regions of Deccan plateau), the overall correlation between the two is only 0.38. Assuming that our poverty estimates are not grossly misleading, there must be a lot more to the nutritional problem than simply the poverty level. As Sukhatme argued for malnutrition, diet and disease environment matter more than simply the purchasing power of households (e.g., Sukhatme 1987). Our finding that regional estimates of child malnutrition are strongly correlated with child mortality rates, but not with asset holdings of households is consistent with this view.

Another economic variable on which the NFHS has collected data is on current work status of women. As the survey was carried out in different months in different states, the data could be affected by the seasonality factor. Another limitation is that the data refer only to ever-married women in the age interval 13-49 years. At the national level, 31 per cent of the women were working, 12 per cent as unpaid family workers, 16 per cent as employees and 3 per cent as self-employed. Table A3 shows the percentage of women who were economically active and percentage of women who were employed by someone else in the 76 regional divisions. The two indicators show more or less similar patterns of regional variation. Work participation by women was high in Andhra Pradesh, Tamil Nadu and interior parts of Karnataka and Maharashtra; it was relatively low on the west coast of India, and infrequent in much of north India (map not shown).

We shall now turn our attention to a few socio-cultural variables that are commonly thought to have significant bearing on demographic processes, especially fertility levels. One such variable is the prevalence of joint families. The joint family system is expected to promote high fertility because, young women in joint families enjoy less autonomy, costs and care of children are shared, new ideas and innovations are likely to be resisted. Since

the seminal analysis of the 1961 Census data and other ethnographic materials by Kolenda (1987), to the best of our knowledge, there has not been any systematic attempt to study the regional patterns in family structure. We therefore examined the NFHS data on this issue, though the information was not tabulated in the published survey reports. We have used a fairly broad definition of the joint family, wherein more than one married or widowed or divorced or separated persons of the same sex are living together. Thus it is inclusive of 'supplemented-nuclear' family wherein a married son along with his wife lives with a widowed mother or widowed father.

In Table A3 of the Appendix, we have given two relevant statistics in the regard, per cent of households that were joint, and percentage of ever-married women in the age group 15-49 living in a joint household. That the joint family continues to be a fairly common type of living arrangement is revealed by the fact that at the national level 44 per cent of the households covered in the NFHS were joint, and 58 per cent of ever-married women of reproductive ages were living in joint households. Thus the unit of analysis - households versus individuals - matters in measuring the extent of joint family living in India. However both measures suggest similar regional patterns. Figure 22 shows the map of percentage of joint households by regional divisions. The prevalence of joint households varied from 17 per cent in Nagaland to 59 per cent in eastern Uttar Pradesh. The joint households are more common in north India, excluding the sub-Himalayan region. In the south, joint households are more frequent only in Maharashtra plateau and northern Karnataka. They are relatively rare in north eastern-region of India, and in the south, especially Tamil Nadu. Kolenda's hypothesis that joint families are more prevalent in the Gangetic plains than in central India is not supported by our data. However the data confirms the assertion that the proportion of joint families is higher in north Karnataka compared to the Konkan region. In fact, the data suggest that the entire Maharashtra plateau had a high prevalence of joint families.

Consanguinity, marriage between blood relatives, is another significant sociological variable relevant to the fertility of couples and mortality and morbidity of their children. All ever-married women in the NFHS sample were asked whether they were related to their husband before marriage. Although the collected data are not detailed enough to compute an inbreeding

coefficient, they are sufficient to indicate the extent of consanguinity in the population. At the national level, 15 per cent of ever-married women had married a blood relative. Figure 23 displays a map showing the regional variation in consanguinity. The practice appears to be confined primarily to Tamil Nadu, Deccan plateau and coastal Andhra Pradesh. In these regions, the percentage of consanguineous marriages rose to 40 to 50 per cent of all marriages. On the west coast, consanguineous marriages were less frequent, and accounted for only 10 to 20 per cent of marriages. In the rest of India, consanguineous marriages were extremely rare, generally as low as 2 per cent. However, in west Jammu 34 per cent of marriages were consanguineous perhaps due to the custom of cross-cousin marriages among Muslims of this region.

Son preference is known to be another important socio-cultural factor influencing fertility levels in India. The existence of son preference can be demonstrated by several means. The most direct method is to examine the sex composition of ideal family size. The percentage of ever married women who reported more boys than girls in their ideal family size has been shown in Table A3 for each region. Figure 24 displays the map showing the spatial variation in this son preference index. A very clear north-south divide can be observed in the map. At the national level, 42 per cent of women had reported preference for more boys than girls in their ideal family size. The proportion of women wanting more boys than girls varied from 10 per cent in Kongunad region of Tamil Nadu to 64 per cent in Bundelkhand region of Uttar Pradesh. In the entire northern plains and central upland regions, son preference is quite strong and more than 50 per cent of the women reported more boys than girls in their ideal family size. Son preference gradually diminished as one moves south of Satpura hill range, and attained low levels in Tamil Nadu. Interestingly, on this indicator, coastal regions of peninsular India did not outperform the interior regions. In the east, West Bengal, Assam and north-eastern states showed relatively moderate degrees of son preference. There also is a pocket around Himachal Pradesh where son preference is of moderate intensity.

We shall briefly discuss two other indicators on which data were extracted from the NFHS data files. One of these is the percentage of home deliveries that occurred in the natal home of the women. The variable could be used as an indicator of the continued contact of a married woman

## Appendix

TABLE A1: REGIONAL CLASSIFICATION OF DISTRICTS AND SAMPLE SIZE BY REGIONS IN NFHS, 1992-93

States and Regions*	Districts in the Region as per 1991 Census	Sample House-holds	Sample Ever-Married Women
Andhra Pradesh		4,208	4,276
1 North Coast	Srikakulam, Vizianagaram, Visakhapatnam.	544	515
2 South Coast	East Godavari, West Godavari, Krishna, Guntur, Prakasam, Nellore.	1,422	1,384
3 Rayalaseema	Chittoor, Cuddapah, Anantapur, Kurnool.	692	701
4 Telengana	Mahbubnagar, Rangareddy, Hyderabad, Madak, Nizamabad, Adilabad, Nalgonda.	1,012	1,125
5 Godavari Depression	Karimnagar, Warangal, Khammam.	538	551
Assam		3,255	3,006
6 NW Valley	Goalpara, Kamrup, Marigaon, Nagaon.	808	755
7 SW Valley	Dhubri, Bongaigaon, Barpeta, Nalbari, Sonitpur.	1,011	946
8 E Valley and Cachar	Golaghat, Jorhat, Sibsagar, Dibrugarh, Tinsukia, Karbi Anglong, Lakhimpur, Dhemaji, Cachar, Karimganj, Hailakandi.	1,436	1,305
Bihar		4,748	5,949
9 N Plain	Purnia, Araria, Kishanganj, Darbhanga, Madhubani, Sitamarhi, Muzzafarpur, Vaishali, Saran, Siwan, Gopalganj, Pashchim Champaran, Purba Champaran, Samastipur, Saharsa, Madhepura, Katihar.	2,150	2,663
10 S Plain	Begusarai, Nalanda, Aurangabad, Patna, Rohtas, Bhojpur, Khagaria, Munger, Bhagalpur, Nawada, Jehanabad, Gaya.	1,333	1,737
11 S Plateau	Godda, Sahibganj, Dumka, Deoghar, Palamu, Lohardaga, Gumla, Ranchi, Dhanbad, Giridih, Hazaribag, Pashchimi and Purbi Singhbhum.	1,265	1,549
Gujarat		3,875	3,832
12 Saurashtra	Jamnagar, Rajkot, Surendranagar, Bhavnagar, Amreli, Junagadh.	1,012	1,015
13 Kachchh and N Plain	Kachchh, Banaskantha, Sabarkantha, Mahesana.	815	743
14 Sabarmati-Mahi Plain	Gandhinagar, Ahmedabad, Kheda.	786	783
15 E Plain	Panchmahals, Vadodara.	579	604
16 S Plain	Bharuch, Surat, Valsad, The Dangs.	683	687
Haryana		2,735	2,846
17 NE Plain	Ambala, Yamunanagar, Kurukshetra, Kaithal, Karnal, Panipat.	771	806
18 SE Plain	Sonapat, Faridabad, Gurgaon.	700	705
19 S Plain	Mahendragarh, Rewari, Bhiwari, Sirsa.	493	554
20 C Plain	Jind, Rohtak, Hisar.	771	781
Himachal Pradesh		3,119	2,962
21 North	Chamba, Lahul and Spiti, Kinnaur, Kangra, Hamirpur, Una, Mandi, Kullu.	2,347	2,214
22 South	Bilaspur, Shimla, Solan, Sirmour.	772	748
Jammu		2,839	2,766
23 East	Doda, Udhampur, Kathua, Jammu.	2,290	2,238
24 West	Rajauri, Punch.	549	528
Karnataka		4,269	4,413
25 NE Plateau	Bidar, Bijapur, Gulbarga, Raichur.	785	814
26 NW Plateau	Belgaum, Dharwad.	687	733
27 C Plateau	Bangalore, Bellary, Chitradurga, Kolar, Tumkur.	1,545	1,612
28 S Plateau	Hassan, Mandya, Mysore.	628	668
29 Malenad and Coast	Dakshin Kannad, Uttara Kannad, Kodagu, Chikmagalur, Shimoga.	624	586
Kerala		4,387	4,332
30 N Malabar	Kannur, Kozhikode, Wayanad, Kasaragod.	1,030	1,127
31 S Malabar and W Hills	Malappuram, Palakkad, Idukki.	926	1,037
32 C Coast	Thrissur, Ernakulam, Kottayam.	1,215	1,118
33 South Coast	Alappuzha, Pathanamthitta, Kollam, Thiruvananthapuram.	1,216	1,050
Madhya Pradesh		5,857	6,254
34 NW Uplands	Morena, Bhind, Gwalior, Datia, Shivpuri, Guna.	578	601
35 NE Uplands	Tikamgarh, Chhatarpur, Panna, Sagar, Damoh, Satna, Rewa, Vidhisha, Shahdol, Sidhi, Surguja, Jabua, Dhar, Bhopal, Sehore, Raisen, Mandasaur, Ratlam, Ujjain, Shajapur, Dewas, Indore, Rajgarh.	1,323	1,433
36 Malwa Plateau	West Nimar (Khargone), East Nimar (Khandwa), Betul, Hoshangabad, Jabalpur, Narsimhapur, Chhindwara, Seoni, Balaghat.	1,410	1,541
37 Narmada Range	Bilaspur, Raigarh, Rajnandgaon, Durg, Raipur, Bastar.	1,207	1,252
38 Chhattisgarh and Bastar		1,339	1,427

(Contd)

**Appendix**  
**TABLE A1 (Contd)**

States and Regions*	Districts in the Region as per 1991 Census	Sample House-holds	Sample Ever-Married Women
<b>Maharashtra</b>		<b>4,063</b>	<b>4,106</b>
39 Konkan	Greater Bombay, Thane, Raigarh, Ratnagiri, Sindhudurg.	1,180	1,090
40 Khandesh	Dhule, Jalgaon, Nashik.	501	510
41 Desh	Pune, Satara, Sangli, Solapur, Kolhapur, Ahmadnagar	946	1,059
42 Marathawada	Aurangabad, Jalna, Parbhani, Bid, Osmanabad, Latur, Buldana, Akola, Amravati	725	782
43 Vidarbha	Nanded, Yavatmal, Wardha, Nagpur, Bhandara, Chandrapur, Gadchiroli	711	665
<b>Orissa</b>		<b>4,602</b>	<b>4,257</b>
44 N Hills	Sundargarh, Kendujhar, Mayurbhanj	704	661
45 Tel-Mahanadhi region	Sambalpur, Balangir, Kalahandi.	979	843
46 S Plateau	Phulabani, Koraput.	629	514
47 Coast and Delta	Baleshwar, Cuttack, Dhenkanal, Ganjam, Puri	2,291	2,239
<b>Punjab</b>		<b>3,213</b>	<b>2,995</b>
48 NW Plain	Gurdaspur, Amritsar, Firozpur.	1,003	914
49 Bisht Doab	Jalandhar, Kapurthala, Hoshiarpur, Rupnagar	868	794
50 E Plain	Ludhiana, Patiala, Sangrur.	849	803
51 S Plain	Bathinda, Faridkot.	493	484
<b>Rajasthan</b>		<b>5,014</b>	<b>5,211</b>
52 N Arid Plain	Ganganagar, Churu, Jhunjhunwa, Sikar, Nagaur.	1,208	1,341
53 S Arid Plain	Bikaner, Jodhpur, Pali, Barmer, Jalor, Jaisalmer.	781	766
54 Arawalli Range	Alwar, Jaipur, Ajmer, Sirohi, Udaipur, Durgapur, Banswara, Chittaurgarh.	1,799	1,859
55 Banas-Chambal Basin	Bharatpur, Dhaulpur, Sawai Madhopur, Tonk, Bundi, Kota, Jhalawar, Bhilwara.	1,226	1,245
<b>Tamil Nadu</b>		<b>4,287</b>	<b>3,948</b>
56 Kongunad and Nilgiri	Nilgiri, Periyar, Coimbatore, Madurai, Dindigul.	891	791
57 E Uplands	Dharmapuri, North Arcot, Tiruchirappalli, Tiruvannamalai, Salem.	1,190	1,158
58 Coromandel	Thanjavur, Madras, South Arcot, Chengalpattu.	1,375	1,274
59 SE Coast	Kanyakumari, Chidambaram, Tirunelveli, Pudukkottai, Ramanathapuram, Pasumpon, Kamarajar.	831	725
<b>Uttar Pradesh</b>		<b>10,110</b>	<b>11,438</b>
60 N Hills	Nainital, Tehri Garhwal, Almora, Chamoli, Dehradun, Garhwal, Pithoragarh, Uttarkashi	459	451
61 NE Plain	Bijnor, Ghaziabad, Hardwar, Meerut, Moradabad, Rampur, Saharanpur, Muzzafarnagar.	1,320	1,355
62 SW Plain	Agra, Aligarh, Bareilly, Budaun, Bulandshahr, Etah, Farrukhabad, Firozabad, Mainpuri, Pilibhit, Etawah, Shajahanpur, Kheri, Mathura.	2,419	2,559
63 Oudh Plain	Allahabad, Gonda, Haidoi, Pratapgarh, Rae Bareilly, Sitapur, Sultanpur, Bahraich, Barabanki, Faizabad, Fatehpur, Kanpur Dehat, Kanpur Nagar	2,863	3,201
64 Bhojpur Plain	Lucknow, Unnao.	576	744
65 S Uplands	Azamgarh, Basti, Deoria, Gorakhpur, Jaunpur, Ballia, Maharajganj, Siddharthnagar, Ballia, Ghazipur, Varanasi.	2,473	3,127
<b>West Bengal</b>		<b>576</b>	<b>744</b>
66 N Bengal	Banda, Lalitpur, Hamirpur, Jalaun, Jhansi, Mirzapur, Sonbhadra.	4,238	4,322
67 S Delta	Jalpaiguri, Darjiling, Koch Bihar, West Dinajpur, Maldah, Murshidabad.	1,100	1,133
68 W Plain	Nadia, Calcutta, Haora, Hugli, North 24 Paraganas, South 24 Paraganas, Burdwan.	2,044	1,990
Arunachal Pradesh (69)	Medinipur, Bankura, Birbhum, Puruliya	1,094	1,200
Manipur (70)	Entire state	961	882
Meghalaya (71)	Entire state	1,086	953
Mizoram (72)	Entire state	992	1,137
Nagaland (73)	Entire state	1,087	1,045
Tripura (74)	Entire state	1,060	1,149
Goa (75)	Entire state	1,139	1,100
Delhi (76)	Entire NCT	3,741	3,141
Slums		3,677	3,189
Semi-Slums		1266	1090
Non-Slums		802	786
		1309	1313

Note: N-North; W-West; NE-North East; S-South; C-Central; SE-South East; E-East; NW-North West; SW-South West.

with her natal family. In regions where the natal family is expected to take the responsibility of maternal and child care services, they may be the ones who motivate the daughter to accept family planning [Raju 1998]. As sterilisation of females is generally done following delivery, either the direct or indirect involvement of natal family in the decision-making process could be suspected. At the national level, only 14 per cent of the home deliveries were in natal home, but they were generally over 25 per cent in east coast and plateau regions of peninsular India.

Another variable we thought useful from the point of view of fertility analysis is the extent of non-numeric responses to the question on ideal family size. It is claimed that one of the pre-conditions for secular declines in fertility is that family size should come within the 'calculus of conscious choice', and the sign that this is occurring can be gleaned from the percentage of women who report 'up to God' and other non-numeric responses to the survey questions on ideal or desired family size [van de Walle 1992]. Therefore we have shown in Table A3 the percentage of women who gave non-numeric responses to the question on ideal family size in the NFHS. At the national level, only 10 per cent of the women gave non-numeric responses, and regional estimates varied from 0.2 to 26 per cent. The high fertility regions of north India did have relatively more women giving non-numeric responses; but some regions in the south too reported comparatively high percentage of such women (Andhra Pradesh, Karnataka and Kerala). Perhaps interviewer biases also influenced the recording of answers to this question.

## V

### Slums and Affluent Colonies of Delhi

An issue on which data are urgently needed but were not provided in the NFHS reports relates to the health and living conditions in slums of large cities. Small sample size prevented the presentation of such information. While this limitation holds for most cities, the case of Delhi is different. In urban areas of Delhi, a total of 3,377 households and 3,189 ever-married women were interviewed from 225 urban blocks. This sample size should be large enough to permit separate estimates for slum-dwellers. Unfortunately, in order to conceal their identity, codes of primary sampling units (PSUs) of the survey have been randomised before the NFHS data files were made available for public use. Appreciating the need for separate data for slums, we made an at-

tempt to identify the PSUs that were in slum areas by examining the characteristics of respondents. We focused on two characteristics of sample PSUs, literacy level of sampled women and percentage of women who had lived in a village until they were 12 years old (thus migrants to Delhi). Even though the average sample size for a PSU was only 14 women, the two variables had a fairly high correlation (-0.68). PSUs with a literacy rate of under 60 per cent and over 40 per cent migrants among women were classified as belonging to slum areas. PSUs with a literacy rate of over 60 per cent and migrant population of under 40 per cent were classified as belonging to non-slum areas. All other PSUs were categorised as 'semi-slums'. The threshold levels of literacy and migration were so chosen that sample women in slums would be close to the percentage of slum population in Delhi. The end result of this exercise was that 34 per cent of ever-married women in 79 PSUs were classified as slum-dwellers, 25 per cent of women in 54 PSUs as residents of 'semi-slum' settlements and 41 per cent of women in 92 PSUs as living in non-slum areas. In terms of households the distribution was 37 per cent in slums, 24 per cent in semi-slums and 39 per cent in non-slums.

Table 4 gives information on 29 selected indicators derived from the NFHS data files for slums and non-slum areas of the city. Table A3 of the Appendix shows data for a few more variables. For ready comparison, in Table 4 we have also shown data for Uttar Pradesh and Bihar. According to the 1991 Census, these two states accounted for two-thirds of net migrants to Delhi during the 10-year period preceding the census (55 per cent from Uttar Pradesh and 13 per cent from Bihar).

The data on housing conditions show that 63 per cent of slum households were living in pucca houses whereas 87 and 93 per cent of households were living in such houses in semi-slum and non-slum areas, respectively. One would have expected a much worse situation in the slums. This may cast some doubt on the validity of the criteria used for defining a slum. However, it may be noted that 80 per cent of dwelling units in urban Delhi have been classified as pucca in the NFHS. According to the 1991 Census its percentage is even higher (85 per cent). Since about 30-50 per cent of Delhi's population is considered to be living in slums [Mitra 1994], a significant percentage of slum-dwellers must be living in pucca houses.

Even though 90 per cent of dwelling units in slums had an electricity connection, they were overcrowded with 3.4

## Appendix

TABLE A2: DETAILED DESCRIPTION OF VARIABLES EXTRACTED FROM NFHS DATA FILES FOR 76 REGIONAL DIVISIONS

Sl No	Variable Name	Description
1	FLIT	Percentage of literate females. The 1991 Census data is for ages 7+ whereas the NFHS data is for ever-married women of ages 13-49 years.
2	MUSLIM	Percentage of Muslims. The 1991 Census data is for all members of the household whereas the NFHS data is for ever-married women of ages 13-49 years.
3	TFR	Total fertility rate. The estimate from the census is for 1990 and from the NFHS is for 1987-88. The 1991 Census estimate was derived from the birth-order distribution of births during the year preceding the census. The NFHS estimate was derived from the births to women 0-9 years before the survey. It may have a slight downward bias owing to exclusion of births to non-surveyed women of ages 50 years and over.
4	q5	Graduated estimate of under-5 mortality rate per 1000 live births. The estimates refer approximately to the period 1986-88. Both 1991 Census and NFHS estimates were derived indirectly from the data on children-ever born and children surviving. In the case of census, graduation is based on separate estimates of q2, and q3, and in the case of NFHS it is based on q2, q3 q5, and q10.
5	CFS	Completed family size (i.e. mean children ever-born) of women aged 40-49 at the time of the NFHS, 1992-93
6	SMAM	Mean age at first marriage of females computed from age-sex-marital status data of the sample population.
7	CMW	Percentage of currently married women in the age interval 15-49 years.
8	CPR	Percentage of currently married women who were using a method of family planning at the time of the survey.
9	MOD	Percentage of currently married women who were using a modern, temporary method of family planning at the time of the survey.
10	TRAD	Percentage of currently married women who were using a traditional method of family planning at the time of the survey.
11	AWAY	Percentage of currently married women whose husbands were not staying with them at the time of the survey.
12	ANCR	Percentage of women who received antenatal care during pregnancy of their last birth that occurred during the four years preceding the survey.
13	PUBL	Percentage of births delivered in public institutions among the last births that occurred during the four years preceding the survey.
14	PRIV	Percentage of births delivered in private institutions among the last births that occurred during the four years preceding the survey.
15	ATTND	Percentage of births assisted by trained health professionals among the last births that occurred during the four years preceding the survey.
16	CIMMU	Percentage of fully immunised children (BCG+3 DPT+3 Polio+ Measles vaccinations) among those aged 12-23 months at the time of the survey
17	MAL	Percentage of children 1-47 months who were underweight (below -2SD of the WHO/NCHS standard) for their reported age (excludes children of 'improbable' weight).
18	FOLO	Percentage of current users of modern family planning methods in rural areas who after acceptance received follow-up visit at home from a health worker.
19	ANCS	Percentage of women in rural areas who were visited at home by a health worker for antenatal care among those who had their last birth during the four years preceding the survey.
20	AVIST	Percentage of women in rural areas who were visited by a health worker at home either for antenatal care or for family planning follow-up services, among those who are eligible for such visits.
21	KNOW	Percentage of ever-married women reporting the knowledge of at least one modern, temporary method of family planning (includes women who reported the knowledge after probe)
22	M-RDIO	Percentage of ever-married women reporting that they heard a family planning message on radio in the month prior to the interview.
23	M-TV	Percentage of ever-married women reporting that they saw a family planning message on television in the month prior to the interview
24	M-ANY	Percentage of ever-married women reporting that they heard a radio or television message on family planning in the month prior to the interview.
25	MEAN	Mean score of the asset index. This is a weighted index constructed from the data on household's ownership of irrigated and non-irrigated land, livestock, type of house, its electrification, and possession of eight consumer durable goods. The weight given for each asset was inversely related to the proportion of rural households holding that asset. The index has a range of variation from 0 to 29.
26	BLINE	Percentage of rural households having an asset score of less than 5.
27	WORK	Percentage of ever-married women who reported that they were currently working, aside from own housework
28	WAGE	Percentage of ever-married women who were employed by someone else.
29	E-RDIO	Percentage of ever-married women who listened to radio at least once a week.
30	E-TV	Percentage of ever-married women who watched television at least once a week.
31	E-CIN	Percentage of ever-married women who went to a cinema at least once a month.
32	E-ANY	Percentage of ever-married women who were regularly exposed to any media.
33	SONPR	Percentage of ever-married women who reported more number of boys than girls in their ideal family size.
34	JHH	Percentage of joint households. The joint household is taken to be one where more than one married/widowed/divorced/separated person of the same sex are living together.
35	MWJH	Percentage of ever-married women of ages 15-49 years living in a joint household.
36	INBRD	Percentage of ever-married women who were married to a blood relative.
37	NATAL	Percentage of home deliveries during the four years prior to the survey that were delivered in the natal home of the woman.
38	NNUM	Percentage of ever-married women who gave non-numeric response to the question on ideal family size.



persons per room. In comparison, the number of persons per room was 2.7 in semi-slum and 1.9 in non-slums. About three-fourths of the slum households had access to piped drinking water and over half of the households had either own or shared flush toilet. Almost half of the slum households had radio or television sets, which seem to have become an integral part of metropolitan living. A little over 40 per cent of slum households owned a bicycle; the same was true for households in non-slum areas. Of course, households in affluent parts of the city also owned motorcycles/scooters (47 per cent) and cars (20 per cent). However, what distinguished the slum and non-slum households the most was the use of gas/electricity for cooking and possession of a refrigerator. Only 20 per cent of the households in slums used gas/electricity for cooking, as against 59 per cent in semi-slums and 82 per cent in non-slum areas. Similarly, only 11 per cent of slum-dwellers had a refrigerator as against 42 per cent of the semi-slum dwellers and 75 per cent of the non-slum residents.

Although living conditions in slums were worse than in non-slums, they were distinctly better than those prevailing in states from where a majority of the migrants come. In Bihar and Uttar Pradesh, only 15-25 per cent of the residential houses were classified as pucca; only 15-30 per cent had an electricity connection; 10-20 per cent had piped water supply; 13 per cent had a flush toilet; 25-30 per cent had a radio; 10-15 per cent had a television set. Only on two indicators residents of the two states had a slight edge over the slum-dwellers in Delhi: With 2.8 to 3.0 persons per room, dwelling units were less overcrowded, and 40-60 per cent of the households had a bicycle. It may, however, be kept in mind that the state-level figures probably give better than actual account of living conditions in places of origin because among migrants in slums the proportion of those from rural areas must be higher than the proportion of the rural population in the state.

On health and mortality also, Delhi slums fared better than the states of Uttar Pradesh and Bihar. The estimated under-five mortality rate was about 122 per thousand in slums, 93 in semi-slums and 54 in non-slum areas around 1986-87. On the other hand, the rate was 154 in Bihar and 183 in Uttar Pradesh. The same picture emerges with respect to maternal and child care. While in Delhi slums 78 per cent of the pregnant women had received antenatal care and 50 per cent of the children were fully immunised, corresponding figures

for Bihar and Uttar Pradesh ranged around 40-50 per cent and 18-19 per cent, respectively. However, there was not much difference between Delhi slums and the two main states of their origin with respect to child malnutrition. If 52 per cent of children of under age four years were underweight for their age in Delhi slums, it was 51 per cent in Uttar Pradesh and 62 per cent in Bihar. Of course, there was a significant difference between slum areas and non-slum areas in Delhi in this respect. The percentage of underweight children was 52 in slums, 34 in semi-slums and 30 in non-slum areas of Delhi.

The situation with respect to fertility and family planning too was not much different. Around 1987-88, the level of TFR was 4.5 in slums, 3.5 in semi-slums and 2.5 in non-slum areas. In comparison, in Uttar Pradesh and Bihar it was 5.3 and 4.8, respectively. A comparison of TFR with CFS indicated that fertility decline in recent years was larger in semi-slum localities (1.2 births) than either in slums (0.6 births) or in non-slum regions (0.8 births). The differentials in fertility levels were associated with variations in age at marriage of females and in contraceptive practice. For example, the mean age at marriage was 19 years in the slums of Delhi, while it was 17 to 18 years in Bihar and Uttar Pradesh; about half the currently married women in Delhi slums were using a method of family planning but only one out of five women in Bihar and Uttar Pradesh was doing so. Interestingly, even the son-preference index showed similar patterns of variation. In Bihar and Uttar Pradesh about 56 per cent of women had reported more boys than girls in their ideal family size, but figures were 40 per cent in the slums of Delhi, 35 per cent in semi-slums and 20 per cent in non-slums. The downward trend in son preference with better living conditions in Delhi is certainly encouraging.

Why do slums of Delhi fare better than the areas from where they receive migrants? Some answers to this question can be found in the differentials with respect to their characteristics. If only 22 to 24 per cent of ever-married women were literate in Bihar and Uttar Pradesh, 34 per cent of the women were literate in slums of Delhi, even though this is substantially lower than the 89 per cent in non-slum areas. Similar differences could also be found in the literacy level of their husbands. The slum-dwellers of Delhi also had a relatively high exposure to mass media. Over 76 per cent of women in slums of Delhi were regularly exposed to the mass media, whereas only 30-35 per

cent of women in Bihar and Uttar Pradesh enjoyed such exposure.

Differences between slums and non-slum areas on a few other social indicators may also be of interest: about 13 per cent of slum-dwellers were Muslim, whereas they constituted 11 per cent of the semi-slum population and only 6 per cent of the non-slum residents. Evidently, poverty was higher among Muslims. The joint households were somewhat more common in non-slum areas than in slums (36 and 31 per cent, respectively). The large difference between the prevalence of joint households among slum-dwellers in Delhi and in their place of origin in Uttar Pradesh and Bihar (56 per cent) shows that urbanisation has led to nucleation of households, probably because of the scarcity of space in the dwelling units. The observed differentials in work participation rate of women were small. There was, however, a suggestion of a U-shaped pattern of variation with affluence in the percentage of women working for wages or salaries; about 11 per cent of women in slums were working for wages or salaries, as against 10 per cent in semi-slums and 13 per cent in non-slums. On the other hand, unpaid work declined with better living conditions: 10 per cent in slums, 9 per cent in semi-slums and 8 per cent in non-slums.

## VI Conclusions

The foregoing analysis shows that the rich data from the first NFHS can profitably be analysed at the regional level. The strong geographical clustering of regions on many variables and the gradual spatial progression seen from high to low values prove that sampling variability is not a major obstacle to such an analysis. It has been further shown that the regional estimates computed by pooling the 1991 Census data on indicators on which information can be collected with relative ease, such as on literacy and religion, compare well with those derived from the NFHS. However, on indicators of fertility and mortality, the experience is mixed. On fertility, the levels and regional patterns suggested by the NFHS data are consistent with those obtained indirectly from the birth-order information from the census, except for some north-eastern states, where the NFHS appears to have underestimated fertility levels. On child mortality, the NFHS data not only suggest substantially higher levels than the census, but the indicated regional pattern also differs from that derived from the census data. Even though the estimates of child mortality from the NFHS were subject to greater sampling



# Appendix

TABLE A3: KEY DEMOGRAPHIC AND SOCIO-ECONOMIC INDICATORS FOR 76 REGIONAL DIVISIONS, NFHS 1992-93

States and Regions	FLIT		MUSLIM		TFR		95		CPR	Temporary Methods			Institutional Deliveries			MAL			
	Census	NFHS	Census	NFHS	Census	NFHS	MOD	TRAD		AWAY	ANC	PUBL	PRIV	ATTND	CIMMU				
All-India	39.3	36.9	12.1	11.4	4.0	4.0	97	137	40.7	77.4	5.6	4.2	5.7	64.5	14.9	11.8	35.8	35.1	53.9
Andhra Pradesh	32.7	31.3	8.9	8.4	3.2	3.2	63	117	47.4	79.5	1.8	0.5	1.4	88.4	14.2	19.1	51.0	44.0	51.7
1 North coast	27.9	23.1	1.0	1.7	3.0	2.9	94	148	3.4	18.1	0.8	0.6	1.2	86.9	10.2	5.1	44.3	36.7	61.7
2 South coast	39.8	41.0	5.8	10.6	2.7	3.0	55	117	56.5	78.8	1.8	0.6	1.3	91.1	15.8	27.4	59.7	42.7	47.1
3 Rayalaseema	30.6	22.7	12.6	12.0	3.2	3.7	70	132	40.8	78.8	1.6	0.1	0.5	86.3	10.1	9.1	38.8	42.3	60.9
4 Telangana	30.6	31.0	15.0	8.2	3.8	3.4	59	96	40.8	78.8	2.8	0.7	0.9	84.7	17.4	21.5	51.0	45.8	52.9
5 Godavari depression	26.3	26.5	5.7	4.8	3.2	3.0	57	114	45.4	83.5	1.0	0.0	3.5	94.7	13.4	21.4	54.8	50.9	37.5
Assam	43.0	40.7	28.0	26.1	5.1	4.5	116	164	43.0	65.4	5.4	23.1	4.7	51.9	8.9	3.6	19.8	19.3	50.2
6 NW valley	47.7	48.0	38.2	38.8	5.7	4.5	111	159	47.6	72.2	7.7	24.9	4.9	51.2	6.8	4.6	17.5	10.8	53.2
7 SW valley	35.0	35.4	36.5	33.4	5.0	4.8	129	154	65.2	67.8	4.7	21.3	7.0	48.9	7.6	3.1	17.3	20.6	47.1
8 E valley and Cachar	47.2	40.4	15.8	13.8	4.9	4.2	101	174	40.9	62.7	4.6	23.3	3.0	54.7	11.1	3.5	23.2	23.0	51.0
Bihar	22.9	21.7	14.8	15.7	5.0	4.8	94	154	23.2	84.1	2.9	1.5	10.9	38.0	5.7	6.2	19.1	10.8	62.2
9 N plain	17.9	15.7	20.1	22.4	5.1	5.1	99	184	21.5	86.2	2.1	1.1	14.0	37.5	4.1	3.5	15.2	9.0	62.7
10 S plain	27.4	27.7	9.6	12.3	5.2	4.7	93	130	22.7	84.1	3.9	1.4	11.4	37.4	5.8	11.5	23.4	13.3	61.2
11 S plateau	25.7	25.5	12.2	8.0	4.7	4.4	98	126	26.8	80.7	3.4	2.4	4.8	39.7	8.7	5.1	21.3	11.4	62.5
Gujarat	48.6	44.7	8.7	8.5	3.6	3.4	88	123	49.3	75.2	5.9	2.4	2.2	77.5	16.2	21.5	44.8	48.8	49.4
12 Saurashtra	48.4	46.2	8.6	7.7	4.1	4.2	115	134	50.3	71.2	7.6	2.4	2.8	81.1	18.1	17.4	49.9	46.2	45.2
13 Kachchh and N plain	40.4	30.0	8.6	7.7	4.1	4.2	115	134	38.6	78.8	5.1	1.6	2.6	64.3	11.1	17.1	35.5	32.7	53.5
14 Sabarmati-Mahi plain	58.3	53.8	10.2	8.5	3.3	3.2	86	156	50.6	75.6	5.6	2.3	1.0	82.5	24.6	25.0	53.7	65.8	48.6
15 E plain	39.9	42.2	6.5	8.8	3.9	3.6	105	129	47.0	79.1	6.4	3.8	2.7	73.9	15.0	21.3	40.3	46.0	53.6
16 S plain	53.5	50.1	9.2	4.5	2.7	2.8	68	98	60.3	73.6	3.9	2.2	1.7	89.6	11.7	31.3	44.8	60.6	46.6
Haryana	40.5	36.2	4.6	4.3	3.5	3.4	71	121	49.7	81.2	9.6	5.3	7.1	74.2	9.1	8.6	32.0	52.0	37.6
17 NE plain	45.0	40.8	2.9	0.8	3.3	4.2	69	103	51.9	75.9	10.8	4.8	4.8	81.7	9.5	6.8	35.3	60.2	33.9
18 SE plain	41.0	38.4	16.7	15.0	4.2	5.0	68	142	45.6	82.9	12.1	6.9	6.5	66.5	7.8	12.9	30.8	49.7	41.7
19 S plain	36.9	33.4	0.5	0.2	3.3	4.0	73	125	48.5	82.9	6.1	3.0	8.8	76.0	11.4	8.5	37.3	44.3	38.6
20 C plain	34.3	31.5	0.8	0.4	3.5	4.4	73	116	52.0	84.2	8.6	6.1	9.2	73.4	8.4	6.0	26.3	50.8	36.8
Himachal Pradesh	52.1	50.3	1.7	1.3	3.1	3.4	95	102	58.4	71.2	8.6	4.0	25.3	75.5	14.9	1.6	26.5	62.2	48.6
21 North	54.3	49.5	1.5	1.5	3.4	3.4	83	100	57.3	70.8	8.6	3.9	27.3	74.9	13.5	1.3	25.1	64.6	49.9
22 South	53.5	52.8	2.1	0.7	3.2	3.3	112	106	61.6	72.6	8.5	4.4	19.3	77.0	18.7	2.4	30.7	53.3	44.7
Jammu	-	43.3	29.6	17.0	-	3.6	-	82	49.4	68.8	10.0	9.7	16.6	80.0	17.0	5.3	32.4	65.7	43.9
23 East	-	45.9	19.5	6.3	-	3.4	-	79	51.9	68.4	10.6	10.2	16.2	84.9	17.8	6.5	36.5	69.3	44.9
24 West	-	32.4	71.3	61.6	-	4.3	-	90	39.2	70.4	7.5	7.9	18.3	62.7	13.9	1.2	18.0	54.1	39.7
Karnataka	44.3	38.4	11.6	10.6	3.4	3.5	80	123	49.4	72.4	4.9	1.8	5.9	85.3	21.3	16.9	52.4	50.3	53.4
25 NE plateau	29.8	22.1	15.1	12.1	4.6	4.7	77	161	33.9	75.2	1.3	0.8	0.8	71.7	9.1	8.0	35.4	30.3	62.6
26 NW plateau	41.9	37.9	13.3	10.2	3.5	3.6	78	103	52.1	75.2	2.5	1.6	0.6	86.8	22.0	22.9	62.8	40.2	54.9
27 C plateau	48.5	41.3	10.9	11.5	3.2	3.3	85	125	48.4	73.6	7.2	1.5	1.3	86.7	27.0	16.0	54.5	63.2	52.1
28 S plateau	39.3	34.6	7.0	8.8	2.7	3.3	78	104	57.2	72.8	3.4	0.5	3.1	92.8	23.6	12.0	46.2	62.5	51.9
29 Malenad and coast	59.0	57.9	12.2	8.7	3.0	3.0	65	92	60.3	62.7	7.6	5.4	5.1	95.0	23.1	34.4	71.0	59.1	39.5
Kerala	86.2	84.0	23.3	19.1	1.9	2.3	47	45	58.7	66.7	6.1	8.9	14.9	98.4	39.4	49.4	90.7	53.6	28.5
30 N Malabar	84.5	84.0	31.1	24.8	2.2	2.5	48	37	58.7	66.7	5.0	7.3	16.0	98.3	43.5	49.1	94.1	63.8	23.8
31 S Malabar and W hills	80.9	80.0	42.1	42.2	2.8	3.1	50	61	47.4	67.3	5.8	8.6	19.9	96.6	32.4	40.2	76.1	33.9	38.2
32 C coast	89.6	89.1	12.6	10.1	1.3	1.9	47	31	73.1	62.0	7.2	11.0	10.4	100.0	32.4	66.5	99.5	59.8	24.3
33 South coast	87.8	82.6	12.1	5.8	1.3	2.1	43	46	73.1	62.0	6.3	8.5	13.6	99.1	51.2	42.9	95.9	61.6	25.6
Madhya Pradesh	28.8	25.6	5.0	4.9	4.5	4.4	151	163	36.7	84.8	4.0	1.0	1.6	53.9	12.3	4.0	30.7	28.1	60.9
34 NW uplands	25.0	29.2	4.3	5.5	5.2	5.2	161	214	29.9	85.4	4.0	2.7	1.4	54.8	24.1	3.3	36.1	29.1	55.6
35 NE uplands	23.8	19.3	3.6	3.8	5.0	4.9	171	181	29.5	90.1	2.2	0.7	2.7	43.6	10.3	1.8	18.9	23.5	52.6
36 Malwa plateau	30.1	29.1	10.2	9.0	4.3	4.5	144	159	39.6	86.6	6.3	0.9	1.1	62.9	16.9	7.6	41.6	32.9	63.6
37 Narmada range	34.0	28.2	5.2	4.9	4.3	4.1	154	140	43.6	82.2	4.1	0.2	1.7	61.7	10.8	3.8	36.3	25.7	62.0
38 Chhatisgarh and Bastar	28.8	24.2	1.6	1.3	4.1	4.4	128	143	38.0	79.9	3.3	1.3	1.1	48.3	5.1	2.8	24.4	30.6	67.7

Continued

(Contd)

Appendix  
TABLE A3 (Contd)

States and Regions	FLIT				MUSLIM		TFK		q5		CFS		SMAM		CMW		CPR		Temporalay Methods		Institutional Deliveries				MAL								
	Census		NFHS		Census	NFHS	Census	NFHS	Census	NFHS	Census	NFHS	Census	NFHS	Census	NFHS	Census	NFHS	MOD	TRAD	AWAY	ANCR	PUBL	PRIV		ATTND	CIMMU						
Maharashtra	52.3	49.8	9.7	11.1	3.4	3.3	72	98	43	19.1	75.5	54.1	6.4	1.2	5.1	84.5	21.8	23.6	54.6	62.7	54.6	23.6	54.6	62.7	54.6	23.6	54.6	62.7	54.6	23.6	54.6	62.7	54.6
39 Konkan	67.1	62.5	12.6	14.8	2.8	2.8	27	7.4	3.7	21.2	68.9	49.5	10.3	2.1	6.9	91.1	36.5	36.7	81.3	71.0	45.3	36.7	81.3	71.0	45.3	36.7	81.3	71.0	45.3	36.7	81.3	71.0	45.3
40 Khandesh	47.1	47.1	9.1	11.0	3.8	3.7	85	89	5.2	18.4	78.7	60.4	7.2	1.9	0.9	84.3	14.9	18.3	55.5	56.5	63.6	18.3	55.5	56.5	63.6	18.3	55.5	56.5	63.6	18.3	55.5	56.5	63.6
41 Desh	51.6	48.7	6.5	3.5	2.8	3.2	52	87	3.9	18.0	80.2	60.1	3.1	0.7	9.4	83.6	18.7	78.3	55.7	65.6	53.8	78.3	55.7	65.6	53.8	78.3	55.7	65.6	53.8	78.3	55.7	65.6	53.8
42 Marathwada	41.9	38.6	13.1	19.6	4.0	4.2	82	109	4.8	17.8	80.4	49.9	5.6	1.3	1.6	79.2	14.5	14.7	32.7	52.4	53.0	14.5	14.7	32.7	52.4	14.5	14.7	32.7	52.4	14.5	14.7	32.7	52.4
43 Vidarbha	48.8	46.2	6.1	6.3	3.6	3.6	103	121	4.9	19.5	72.9	52.4	5.9	0.0	2.4	82.7	18.6	12.0	38.9	66.0	61.6	18.6	12.0	38.9	66.0	18.6	12.0	38.9	66.0	18.6	12.0	38.9	66.0
Orissa	34.7	32.6	1.8	1.5	3.9	3.6	150	172	4.9	20.2	71.8	36.3	3.0	1.7	3.4	64.3	12.3	2.0	20.9	35.9	52.6	12.3	2.0	20.9	35.9	12.3	2.0	20.9	35.9	12.3	2.0	20.9	35.9
44 N hills	30.7	30.0	1.6	1.1	3.8	3.5	124	145	4.3	20.7	71.1	39.7	4.0	1.5	2.9	70.6	12.5	4.3	23.6	46.6	53.8	12.5	4.3	23.6	46.6	12.5	4.3	23.6	46.6	12.5	4.3	23.6	46.6
45 Tel-Mahanadi region	25.2	18.6	0.6	2.5	3.8	3.4	146	156	4.4	19.9	74.1	30.8	1.2	0.8	0.5	68.2	9.4	1.0	22.9	39.9	60.0	9.4	1.0	22.9	39.9	9.4	1.0	22.9	39.9	9.4	1.0	22.9	39.9
46 S plateau	14.7	22.8	0.4	0.1	3.8	3.5	161	149	3.7	18.7	72.5	33.6	3.8	1.0	2.0	67.3	6.1	0.0	12.2	46.6	53.9	6.1	0.0	12.2	46.6	6.1	0.0	12.2	46.6	6.1	0.0	12.2	46.6
47 Coast and delta	43.7	40.8	2.7	1.7	4.1	3.7	155	192	5.4	20.7	71.0	38.1	3.3	2.2	3.0	60.2	14.7	2.1	21.4	28.0	48.5	14.7	2.1	21.4	28.0	14.7	2.1	21.4	28.0	14.7	2.1	21.4	28.0
Punjab	50.4	47.4	1.2	1.2	3.0	3.3	68	84	4.2	21.2	71.2	58.7	17.4	7.4	4.8	88.0	9.9	16.5	50.1	61.7	45.5	9.9	16.5	50.1	61.7	9.9	16.5	50.1	61.7	45.5	50.1	61.7	45.5
48 NW plain	47.8	45.2	0.3	0.0	3.2	3.6	66	84	4.4	21.3	71.0	58.2	16.7	7.1	3.9	85.9	9.1	15.2	55.3	78.5	43.8	9.1	15.2	55.3	78.5	9.1	15.2	55.3	78.5	43.8	43.8	78.5	43.8
49 Bisht Doab	60.2	58.3	0.7	0.2	2.9	3.0	70	82	4.2	21.9	69.7	57.2	17.2	8.1	9.1	94.9	8.4	15.3	49.6	48.0	48.0	8.4	15.3	49.6	48.0	8.4	15.3	49.6	48.0	48.0	15.3	49.6	48.0
50 E plain	51.3	47.0	2.9	3.9	2.7	3.3	67	84	4.0	21.2	70.6	62.3	18.8	8.9	3.0	91.3	12.9	20.7	51.0	63.9	38.4	12.9	20.7	51.0	63.9	12.9	20.7	51.0	63.9	38.4	38.4	51.0	63.9
51 S plain	38.2	34.5	0.5	0.8	3.3	3.5	68	88	4.0	20.0	75.6	56.4	16.5	4.5	2.5	76.9	8.7	13.9	40.0	50.0	38.4	8.7	13.9	40.0	50.0	8.7	13.9	40.0	50.0	38.4	38.4	40.0	50.0
Rajasthan	20.4	17.8	8.0	5.5	4.8	4.5	111	118	5.0	17.3	84.7	31.8	3.3	0.8	4.1	33.0	9.3	2.3	22.1	20.7	41.7	9.3	2.3	22.1	20.7	9.3	2.3	22.1	20.7	41.7	41.7	20.7	41.7
52 N Arid plain	20.7	16.6	9.1	6.3	4.3	4.5	82	113	5.6	17.0	86.2	38.9	2.8	0.9	9.0	27.5	6.5	2.9	20.4	44.4	44.4	27.5	6.5	2.9	20.4	27.5	6.5	2.9	20.4	44.4	44.4	20.4	44.4
53 S Arid plain	16.8	11.9	9.3	9.7	5.5	4.6	114	60	4.8	17.7	84.6	22.6	1.9	0.0	1.4	22.0	6.9	1.1	11.8	10.3	14.0	6.9	1.1	11.8	10.3	6.9	1.1	11.8	10.3	14.0	14.0	10.3	14.0
54 Arawalli range	23.2	23.0	6.7	4.0	4.6	4.2	123	130	4.5	17.7	82.5	32.2	4.4	0.3	3.5	44.7	13.7	2.9	32.3	24.5	45.4	13.7	2.9	32.3	24.5	13.7	2.9	32.3	24.5	45.4	45.4	24.5	45.4
55 Banas-Chambal basin	18.8	15.1	8.0	4.2	5.2	4.8	124	143	5.2	16.6	86.8	29.3	2.9	2.1	1.8	29.2	7.9	1.5	16.3	22.5	54.6	7.9	1.5	16.3	22.5	7.9	1.5	16.3	22.5	54.6	54.6	22.5	54.6
Tamil Nadu	51.3	49.9	5.5	5.4	2.5	2.8	69	114	4.2	20.5	71.4	49.8	5.7	4.6	3.3	94.7	33.5	30.0	71.9	63.9	49.1	33.5	30.0	71.9	63.9	33.5	30.0	71.9	63.9	49.1	49.1	63.9	49.1
56 Kongunad and Nilgiri	51.2	46.8	4.8	6.2	2.1	2.4	73	113	3.7	19.8	71.7	50.7	6.1	2.8	2.1	93.5	34.5	34.9	75.0	62.7	51.2	34.5	34.9	75.0	62.7	34.5	34.9	75.0	62.7	51.2	51.2	62.7	51.2
57 E uplands	43.4	43.3	4.8	5.0	2.6	2.9	71	144	4.3	20.5	73.2	47.4	3.8	3.0	2.1	93.7	23.2	26.9	60.2	67.4	53.0	23.2	26.9	60.2	67.4	23.2	26.9	60.2	67.4	53.0	53.0	67.4	53.0
58 Coromandel	55.1	54.7	5.7	5.8	2.5	2.9	62	95	4.3	20.7	72.0	52.6	7.2	6.0	1.8	95.7	43.6	36.7	77.9	60.4	43.9	43.6	36.7	77.9	60.4	43.6	36.7	77.9	60.4	43.9	43.9	60.4	43.9
59 S E coast	56.3	55.3	6.6	4.5	2.9	3.1	70	99	4.5	21.5	67.3	47.8	5.4	6.6	0.9	95.9	30.3	26.7	75.7	66.7	49.8	30.3	26.7	75.7	66.7	30.3	26.7	75.7	66.7	49.8	49.8	66.7	49.8
Uttar Pradesh	25.3	24.3	17.3	15.8	5.4	5.3	124	183	6.0	18.5	80.4	19.8	5.5	1.3	9.8	47.3	7.3	4.7	18.0	19.9	58.9	7.3	4.7	18.0	19.9	7.3	4.7	18.0	19.9	58.9	58.9	19.9	58.9
60 N hills	43.1	34.3	6.2	9.3	4.1	4.7	92	125	4.9	19.8	73.6	38.4	6.9	1.9	22.4	46.3	7.4	2.9	29.8	39.5	56.2	7.4	2.9	29.8	39.5	7.4	2.9	29.8	39.5	56.2	56.2	39.5	56.2
61 NE plain	28.6	33.0	34.8	29.5	5.5	5.0	109	135	5.8	18.6	78.1	18.9	10.5	3.1	2.6	51.3	6.7	11.7	26.5	21.2	57.9	6.7	11.7	26.5	21.2	6.7	11.7	26.5	21.2	57.9	57.9	21.2	57.9
62 SW plain	23.9	25.4	16.2	16.7	5.4	5.0	118	200	5.9	18.5	81.9	16.7	5.2	0.8	5.0	45.5	9.3	4.8	18.6	19.2	60.5	9.3	4.8	18.6	19.2	9.3	4.8	18.6	19.2	60.5	60.5	19.2	60.5
63 Oudh plain	23.9	25.4	16.2	16.7	5.4	5.0	118	200	5.8	18.3	81.6	15.7	3.0	0.6	20.9	56.8	7.4	2.9	14.4	20.4	58.7	7.4	2.9	14.4	20.4	7.4	2.9	14.4	20.4	58.7	58.7	20.4	58.7
64 Rhoipur plain	22.2	19.9	14.0	12.3	5.7	5.6	92	180	6.1	16.6	88.9	26.2	1.8	1.7	9.5	43.1	6.9	2.2	13.8	26.6	59.1	6.9	2.2	13.8	26.6	6.9	2.2	13.8	26.6	59.1	59.1	26.6	59.1
65 S Uplands	22.8	19.8	6.9	2.4	5.1	6.0	130	214	4.7	18.9	74.5	57.7	6.7	20.1	3.8	76.9	26.7	6.2	34.8	33.7	57.9	26.7	6.2	34.8	33.7	26.7	6.2	34.8	33.7	57.9	57.9	33.7	57.9
West Bengal	46.6	49.5	23.6	20.7	3.7	3.6	89	128	4.7	18.9	74.5	57.7	6.7	20.1	3.8	76.9	26.7	6.2	34.8	33.7	57.9	26.7	6.2	34.8	33.7	26.7	6.2	34.8	33.7	57.9	57.9	33.7	

## Appendix

TABLE A3 (Contd)

States and Regions	Home Visit by Health Workers in Rural Areas				FP Message from Mass Media				Asset Index (Rural)				Exposure to Mass Media				Joint Household																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
	FOLO		ANCS		AVIST		KNOW		M-RDIO		M-TV		M-ANY		MEAN		BLINE		WORK		WAGEE-RDIO		E-TV		E-CIN		E-ANY		SONPR		JHH		MWJH		INBRD		NATAL		NNUM																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							

Appendix  
TABLE A3 (Contd)

States and Regions	Home Visit by Health Workers in Rural Areas				FP Message from Mass Media				Asset Index (Rural)				Exposure to Mass Media				Joint Household				
	FOLO				KNOW				M-RDIO				M-TV				E-CIN				
	ANCS	AVIST	AVIST	AVIST	KNOW	M-RDIO	M-TV	M-ANY	MEAN	BLINE	WORK	WAGE	E-RDIO	E-TV	E-ANY	SONPR	JHH	MWJH	INBRD	NATAL	NNUM
Maharashtra	27.6	36.9	32.0	76.0	41.8	41.2	51.5	7.0	33.0	49.0	25.6	52.4	46.4	14.9	62.9	35.9	44.7	58.8	25.5	30.3	3.8
39 Konkani	43.3	57.4	50.7	85.6	54.0	57.5	65.3	6.9	30.6	32.8	17.8	62.0	65.3	13.5	75.7	26.3	40.1	52.8	18.4	22.6	4.0
40 Khandesh	33.6	48.5	40.5	69.4	46.1	43.3	53.3	5.9	42.9	49.2	25.3	51.2	48.6	17.3	63.7	38.6	42.5	55.8	23.0	37.0	0.8
41 Dakh	18.1	26.7	21.8	71.0	43.4	32.8	47.9	8.1	24.1	55.8	20.0	56.7	40.9	16.2	63.9	40.0	51.0	68.5	27.3	45.3	2.6
42 Marathwada	24.5	30.2	27.4	75.5	36.7	32.1	40.7	5.7	44.1	57.8	35.8	37.8	32.1	12.4	47.1	39.3	48.3	61.4	35.7	21.3	5.8
43 Vidarbha	41.7	44.2	42.9	74.0	40.2	36.8	45.9	7.5	29.5	54.1	35.3	47.7	39.3	16.1	58.2	39.3	41.8	52.9	24.0	24.0	5.6
Orissa	55.0	34.9	43.2	59.2	23.7	12.1	26.1	5.5	47.2	24.9	18.3	34.9	16.1	7.4	39.5	45.1	39.3	53.1	7.0	8.9	15.8
44 N hills	54.1	41.3	48.6	56.4	18.6	13.9	21.9	6.1	35.9	28.5	21.0	30.1	18.3	6.9	36.3	40.9	36.1	50.0	5.8	8.6	13.3
45 Tel-Mahanadi region	57.1	36.6	44.4	45.9	18.3	10.1	20.3	5.4	44.6	26.9	18.9	26.7	12.4	5.0	30.0	51.3	37.5	50.5	6.5	7.6	24.0
46 S plateau	60.0	50.6	54.0	34.3	15.0	8.2	17.1	4.3	61.9	47.2	37.8	24.8	11.7	4.8	29.3	43.7	31.0	40.1	16.0	9.1	24.4
47 Coast and delta	53.7	27.7	38.8	70.8	29.2	13.1	31.5	5.6	47.5	18.0	12.8	41.7	17.8	9.0	46.4	44.5	43.3	58.2	5.4	9.4	11.5
Punjab	32.3	7.9	20.4	93.7	32.9	54.5	59.9	13.4	7.5	7.7	4.7	42.0	57.3	2.3	65.5	48.0	40.6	52.4	1.6	12.0	2.0
48 NW plain	37.1	9.3	23.1	91.5	32.9	52.0	58.8	12.4	10.0	6.7	4.5	42.6	57.0	3.2	65.9	54.2	39.4	50.2	2.2	6.5	2.5
49 Bisth Doab	36.6	10.4	23.9	95.3	42.2	66.5	73.4	14.7	6.5	8.3	4.7	52.6	69.0	1.3	79.5	42.9	40.9	53.4	1.5	7.7	2.3
50 E plain	27.5	7.8	18.1	94.4	29.5	53.2	55.7	13.9	3.7	9.6	6.0	37.7	54.8	2.1	60.3	42.8	40.8	52.5	1.1	17.4	1.9
51 S plain	25.5	2.0	14.3	93.8	22.7	41.9	46.7	12.6	9.8	5.6	2.9	30.6	42.6	2.7	50.6	53.2	42.2	54.9	1.7	21.1	0.6
Rajasthan	28.4	13.5	18.6	58.3	31.7	20.1	33.3	7.3	28.2	31.5	6.1	27.2	17.9	5.2	30.1	57.6	46.9	62.0	2.0	6.4	9.7
52 N Arid plain	19.8	5.3	11.2	71.5	35.3	22.7	36.1	8.7	19.5	33.9	7.1	24.2	15.8	2.8	27.0	61.7	48.8	62.8	2.3	5.9	17.2
53 S Arid plain	25.0	8.5	13.1	44.5	24.7	11.6	25.3	6.3	40.2	26.4	4.8	24.7	12.9	3.4	25.6	62.7	44.9	58.7	3.1	6.1	4.4
54 Arwal range	34.0	19.7	24.6	52.3	35.9	24.8	38.0	7.3	27.3	27.2	6.2	33.4	23.5	8.7	36.6	54.2	49.5	65.4	1.7	10.4	6.5
55 Banas-Chambal Basin	34.9	16.8	22.3	61.6	25.9	15.5	28.0	6.9	29.5	38.3	5.6	22.7	14.9	3.6	26.5	55.5	42.5	58.1	1.4	2.1	9.6
Tamil Nadu	37.5	50.2	43.4	84.6	45.0	39.6	51.9	6.2	44.5	46.7	35.3	59.8	50.4	42.6	78.0	11.5	33.0	44.2	46.4	21.0	1.7
56 Kongunad and Nilgiri	35.5	41.7	38.2	78.8	43.5	36.7	48.2	6.0	46.2	49.9	37.4	56.5	49.1	48.4	76.8	9.5	32.4	44.7	43.9	28.8	2.7
57 E uplands	38.4	55.6	46.4	83.6	45.7	36.2	52.5	6.3	43.2	52.3	36.5	56.4	45.3	40.8	74.6	11.8	34.2	46.2	52.4	15.5	1.0
58 Coimandol	36.1	47.3	41.4	89.9	51.3	49.1	59.7	5.9	51.3	38.9	32.5	64.0	58.2	44.3	83.0	10.3	31.5	40.9	42.0	19.8	0.2
59 SE coast	40.6	52.1	46.2	83.2	34.6	31.6	41.2	6.9	34.8	48.0	36.1	61.4	46.2	36.4	76.1	15.4	34.3	46.2	47.5	29.8	4.3
Uttar Pradesh	29.1	18.8	20.7	79.7	28.1	17.9	32.7	6.9	30.2	13.4	3.2	29.7	19.0	4.1	35.5	56.6	48.3	63.8	8.8	6.2	16.3
60 N hills	19.3	16.8	17.8	68.4	40.5	21.4	45.0	8.1	17.0	32.3	1.6	45.6	21.3	2.6	50.3	49.1	40.2	52.5	2.5	2.9	7.6
61 NE plain	23.9	14.7	16.7	84.5	37.0	37.8	49.3	8.8	24.7	6.8	0.9	35.4	38.0	6.4	48.4	51.9	41.3	55.1	8.2	1.0	10.7
62 SW plain	32.7	17.5	19.6	74.0	23.2	17.4	28.4	6.8	33.5	10.2	2.0	24.8	19.0	5.6	32.7	61.4	45.9	60.4	10.0	2.9	7.1
63 Oudh plain	29.3	14.9	17.1	83.5	33.1	19.1	37.0	5.9	34.5	15.7	4.3	35.9	20.6	3.8	40.5	52.0	44.6	59.5	11.7	9.0	25.7
64 Bhojpur plain	26.6	22.3	23.1	79.2	21.1	10.1	23.5	7.0	25.8	12.3	3.3	22.8	11.2	3.2	25.8	58.1	59.2	74.7	7.1	9.0	19.1
65 S uplands	41.4	27.4	31.3	83.9	27.4	8.6	30.4	6.1	38.1	19.1	7.3	29.1	8.7	1.2	31.9	64.0	53.0	71.3	4.1	4.0	10.7
West Bengal	19.0	16.6	17.6	89.8	27.3	19.2	34.2	5.8	42.6	23.0	13.2	48.3	33.3	16.1	61.3	31.9	42.3	55.4	6.2	11.8	8.8
66 N Bengal	17.3	11.2	13.4	88.3	30.8	19.5	37.3	5.4	47.9	30.4	20.3	45.8	29.9	10.8	56.6	38.0	37.3	49.8	9.6	9.6	10.6
67 S Delta	17.1	18.1	17.6	91.9	27.6	24.1	35.9	6.2	39.9	16.6	9.4	52.7	42.3	21.2	68.3	25.3	42.7	56.2	3.5	11.6	7.3
68 W plain	22.6	21.2	21.9	87.5	23.6	10.8	28.5	5.6	40.4	20.6	12.6	43.3	21.6	12.7	54.2	37.5	46.3	59.2	7.6	14.9	9.8
Arunachal Pradesh (69)	4.1	2.1	2.5	61.1	25.3	23.5	29.9	6.8	32.8	44.9	7.7	40.7	28.7	14.4	46.6	43.1	32.6	46.3	8.8	1.3	8.7
Manipur (70)	5.1	2.9	3.5	87.0	6.1	31.2	35.4	5.2	51.5	41.8	18.2	37.6	23.8	5.4	46.4	14.3	34.0	46.4	3.5	9.4	8.9
Meghalaya (71)	6.4	3.9	4.3	63.9	26.5	17.9	35.4	7.9	25.3	33.2	11.7	55.1	25.3	0.6	61.3	33.1	27.0	36.4	0.9	18.5	0.5
Mizoram (72)	16.0	18.0	16.8	85.4	49.7	18.1	38.6	7.9	25.3	43.7	5.1	42.4	22.5	1.5	44.6	27.8	17.3	25.3	2.6	0.9	11.9
Nagaland (73)	7.4	5.3	5.5	94.5	32.6	21.1	38.1	5.4	46.6	23.7	12.9	56.7	34.3	6.7	65.5	32.5	32.6	46.6	2.9	5.8	8.0
Tripura (74)	7.1	4.7	5.5	94.5	32.6	21.1	38.1	5.4	46.6	23.7	12.9	56.7	34.3	6.7	65.5	32.5	32.6	46.6	2.9	5.8	8.0
Goa (75)	28.8	24.1	26.4	89.1	60.2	63.1	74.2	12.0	11.8	29.7	18.0	69.3	70.6	3.9	85.2	27.8	31.0	42.9	14.4	20.0	2.9
Delhi (76)	8.5	8.0	8.2	96.5	60.9	76.7	79.3	-	-	19.3	10.9	63.7	82.8	5.7	75.8	30.2	33.1	44.4	6.1	4.0	5.9
Slums	-	-	-	93.5	49.7	63.2	67.7	-	-	20.6	10.8	52.4	68.5	4.3	75.8	39.8	31.3	40.3	7.0	3.9	8.1
Semi-slums	-	-	-	97.8	61.7	80.1	81.5	-	-	18.2	9.7	65.1	87.9	5.3	90.6	34.5	33.0	42.5	5.6	7.5	6.3
Non-slums	-	-	-	98.7	71.0	86.7	87.9	-	-	20.3	12.6	74.0	93.3	7.8	95.1	20.1	36.5	50.0	6.0	2.4	3.3

variability, the major share of the blame for the inconsistency should go to the poor quality of the census data on this subject.

The regional analysis of the NFHS data confirms that fertility has been declining everywhere: among the 76 regions considered in the analysis, there was not even a single one where the decline was not evident. Interestingly, declines in fertility during mid-1970s to late 1980s were not related to the initial level. However, there was a clear regional difference: in the extreme south (covering Kerala, Tamil Nadu, and parts of Karnataka and Andhra Pradesh), west coast of India and Gujarat the decline was more than one birth per woman whereas in the Hindi heartland it was by half a birth or less.

The observed regional variations in the levels of fertility, and the patterns of decline, cast doubts on the validity of any state-specific models of change. One finds four distinct clusters of low fertility regions in the Indian landscape. The two most advanced of these are in the south, along the coastal plains and the interior hill regions. The one on the west coast is both long and broad, and extends even to the Saurashtra peninsula. The narrower region in the east extends up to the north coast of Andhra Pradesh. Both regions become broader at the south end, and converge to form a single region of extremely low fertility. In the north, the cluster of low fertility regions is in the north-western region, comprising of Punjab, Himachal Pradesh, Jammu and northern parts of Haryana and Uttar Pradesh. Fertility levels here are substantially lower than in the Gangetic plains. In the east, the regions around the Bay of Bengal have a lower fertility. This cluster comprises of southern Gangetic delta, Tripura, Mizoram and Manipur. The adjoining regions in Bihar and Orissa too have a relatively low fertility. Such regional clustering is not unique to fertility and contraceptive practice; it is seen also in child mortality, antenatal care, child immunisation, etc.

It is encouraging that even in the so-called BIMARU states, a few regions show some dynamism. They are north-western arid plain and Aravalli hill range in Rajasthan, Malwa and Narmada valley range in Madhya Pradesh, southern plateau of Bihar and the Kumaon region of Uttar Pradesh. The most backward region in each state with respect to eight indicators, asset-poverty, malnutrition, child mortality, maternal and child care, fertility and contraception, and female literacy is shown in Table 5. The table also shows the five most backward regions in India on each of the eight indicators. Finally, an

overall assessment is provided by counting the number of times a region is listed as backward on the eight indicators. According to this assessment, the most backward regions of India are north Bihar plain (Maithila/Tirhut), Bundelkhand, Bhojpur, and south-western plains of Uttar Pradesh, and the extremely arid region of Rajasthan.

Reducing fertility in these regions, and more generally in north India, is a formidable task as they are backward in many respects. They have the highest levels of illiteracy, poverty, malnutrition, child mortality, son preference and joint family living. These problems are compounded by low exposure to mass media and limited extension work carried out by the health staff. In such regions fertility decline is largely guided by a slow process of diffusion, wherein new information and practices get transmitted only through personal contact.

The NFHS data also provide new insights on some old debates, such as the nexus between poverty, malnutrition and disease. The regional estimates of asset-poverty, child malnutrition (measured by weight-for-age) and child mortality show that while there is a strong relationship between child mortality and child malnutrition, that between poverty and malnutrition is weak. The association between malnutrition and disease receives stronger confirmation from the NFHS data than the link between poverty and malnutrition.

The data on the slums of Delhi show that although living conditions and health status of slum dwellers are worse than those of the residents of non-slum areas, they are distinctly better than those prevailing in states from where the majority of migrants to Delhi are drawn. The slum dwellers are particularly better off with respect to type of dwelling units, access to electricity, safe drinking water and flush toilet. They are more likely to own modern electronic goods, such as radio and television. More of their children are immunised and fewer tend to die. Their women are more likely to use antenatal and postnatal care services, and also to adopt a method of family planning. The advantage of slum dwellers seems to be derived from their higher literacy and more extensive exposure to the mass media relative to their counterparts resident in their places of origin. However, it also implies that migration to Delhi would continue until the living conditions in places of origin – mainly in Uttar Pradesh and Bihar – improve to the minimum levels found in cities.

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# Proximate Determinants of Fertility in India

## An Exploration of NFHS Data

Leela Visaria

*Variations in fertility are generally examined in terms of socio-economic factors such as education, income, caste, place of residence. These factors can affect fertility only through intermediate variables such as proportion of females married, prevalence of contraceptive use, incidence of induced abortion and the fertility-inhibiting effect on breastfeeding. This article attempts to estimate the values of the proximate determinants of fertility for major states after examining available evidence and interstate variations in these factors.*

### I Perspective

INDIA, the second most populous country of the world, had a population of 846 million at the time of the 1991 Census and an estimated 950 million at the end of 1997. The implicit average annual growth rate during 1981-91 was 2.1 per cent, only slightly lower than the 2.2 per cent observed during the two decades of 1961-81 [Gol 1993a]. The near-stagnation in the growth rate reflects the downward trends in both mortality and fertility. The continuing welcome decline in the death rate (from about 27 per 1,000 population at the time of India's independence in 1947 to about 10 in 1991) has compensated for the decline in the birth rate, which came down from 45 during the 1950s to 30 in 1991. By 1996, birth and death rates were down to 27 and 9, respectively.

Fertility has declined throughout the country, albeit at a varying pace, as is evident from the data available from the Sample Registration System (SRS) of India [Gol 1993b]. This continuous series of fertility estimates available for nearly 30 years for most of the major states enables us to understand the extent of transition from a relatively high level of fertility to moderate or low levels.<sup>1</sup> As shown in Table 1, among the major states of the country, about 10 per cent of the population (in the two southern states of Kerala and Tamil Nadu with a total population of 85 million in 1991) had already attained a below replacement level or replacement level total fertility rate (TFR) of 2.1 during 1991-93.<sup>2</sup> In seven other states with a total population of 338 million (40 per cent of the total), the total fertility rate, or the average number of children born to a woman, declined from 6 or more in the 1960s to half that level of close to 3.0 and ranged in a narrow band between 2.8 and 3.1 in 1993. The seven states are Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Orissa, Punjab and West Bengal. Even in the four large north Indian states of Uttar

Pradesh, Bihar, Madhya Pradesh and Rajasthan, with a total population of 336 million (close to 40 per cent of the total), which are regarded as the most backward in terms of demographic transition, the TFR has evidently declined by between 20 to 30 per cent during the past 10 to 20 years and in 1993 ranged between 4.2 and 5.2. Compared to the medium and low variants of the recent 1992 UN projections, [UN 1993, 1994]<sup>3</sup> which envisaged for India a TFR of 3.85 and 3.77 during 1990-95, TFR of 3.5 during 1991-93 was nearly 10 per cent lower than the medium projection. At the aggregate all-India level, fertility has declined at a faster rate than was expected by almost anybody.

In 1993, the rural TFR was estimated at 3.8 and urban TFR at 2.8. If rural-urban differences in TFR are presumed to be virtually negligible up to about early 1960s, or before fertility began to decline, rural fertility has declined by about one-third and urban fertility by over 50 per cent from a TFR of 6 in three decades. These figures suggest considerable progress of the order of 54 per cent in rural and 87 per cent in urban areas towards a replacement level of fertility or a TFR of 2.1.<sup>4</sup> The state-level estimates of TFR in urban areas are often based on a small sample and, therefore, three-year averages are more stable. Such estimates suggest a sharp decline in urban fertility to near or below replacement level not only in Kerala and Tamil Nadu but also in Assam, Himachal Pradesh and West Bengal. Only the four large north Indian states of Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh reported an urban TFR of between 3.3 and 3.7. This decline in urban fertility, with the urban sector constituting a total population of 215 million according to the 1991 Census (and estimated at 240 million in 1995 [UN 1995]), has considerable significance for the demographic situation in the country as a whole, because continuing interaction between urban and rural populations is likely to generate a fairly strong demonstration effect.

Such variations in fertility are generally examined and understood in terms of socio-economic factors such as education, income, caste, place of residence, etc. and their impact on fertility is measured cross-sectionally or over time, if data permit such an analysis. Research on variables that can explain the maximum variance or on possible pathways that can explain the route to decline in fertility has continued to attract the attention of social scientists, it has also been recognised that socio-economic factors can affect fertility only through intermediate variables, which determine the exposure to intercourse, to conception and carrying the pregnancy to full term such that it results in a livebirth. The analytical framework presented by Davis and Blake (1956: 211-35) nearly 40 years ago listed 11 such intermediate variables. Bongaarts (1982: 179-89) in early 1980s listed seven proximate determinants or the biological or behavioural factors of fertility through which all the socio-cultural and economic processes have to interact with fertility. These are: marriage, natural fecundability or frequency of intercourse, spontaneous intrauterine mortality, induced abortion, post-partum infecundability, use and effectiveness of contraception and onset of permanent sterility [Bongaarts and Potter 1983]. However, the available evidence suggests little variation between populations in the proximate determinants of natural fertility such as the risk of spontaneous intrauterine mortality or in the incidence of permanent sterility or in natural fecundability. Bongaarts demonstrated that 96 per cent of the variance in the fertility levels among societies is explained by the remaining four proximate determinants of regulated fertility or the proportion of females married, the prevalence of contraceptive use, the incidence of induced abortion and the fertility-inhibiting effect of breastfeeding.

In the formulation explicated by Bongaarts, the TFR is expressed as the product of four indices measuring their

fertility-inhibiting effect and the total fecundity rate (TF). The total fecundity rate is the average number of livebirths expected among women who during their entire reproductive period remain married, do not use any contraception, do not have any induced abortion and do not breastfeed their children. In such a hypothetical situation the value of TF is found to vary between 13 and 17, but Bongaarts has suggested the mean value of 15.3 births while testing the model. According to the model,

$$TFR = C(m) * C(c) * C(a) * C(i) * TF$$

where TFR is the total fertility rate, C(m) is the index of proportion of women married, C(c) is the index of contraception, C(a) is the index of induced abortion, C(i) is the index of lactational infecundability, and TF is the total fecundity rate.

Before estimating the values of each of the proximate determinants of fertility for all the major states of India, we need to examine the available evidence on the level and the observed interstate variations in the marriage patterns, breastfeeding practices, use of contraception, and of abortion which affect fertility.

## II

### Proximate Determinants of Fertility

(a) *Marriage*: The age at marriage (or entry into sexual union) and the proportion of women remaining single determine the number of women exposed to the risk of pregnancy and the duration of time for which they would be exposed to the risk of pregnancy. Throughout the world, women are at risk of pregnancy between the ages of 15 and 50 or for about 35 years. However, this duration is truncated when age at marriage or entry into sexual union is postponed or exit from marriage is advanced due to divorce, separation or death of a spouse. Further, assuming that there is no child-bearing outside marriage, if some proportion of women do not at all enter marriage, the overall fertility is reduced. In India, marriage continues to be both early and nearly universal, although there is some evidence that in metropolitan cities, the proportion of single women in the age group 40-44 may be going up. However, less than 1 per cent of urban women aged 40-44 were reported as single in 1991. On the other hand, age at marriage has been steadily going up for both women and men; for women it has gone up from 16 years in 1961 to 19 years in 1991, or by about one year in a decade.<sup>5</sup>

In a vast country such as India, there are significant interstate variations in the mean

age at marriage. Although throughout the country, marriage for women has tended to be nearly universal, the age of entry into marriage has varied a great deal. Among the major states, the difference between the highest estimate of mean age at marriage of women for Kerala (23.9 years) and the lowest for Rajasthan (17.6 years) was a little over six years according to the 1991 Census data. The proportion of women reported as single in the age group 15-19 was 88.5 per cent in Kerala; it was barely half of that (43.8 per cent) in Rajasthan. In the next age group of 20-24 years, the proportion of women reported as single in Kerala and Rajasthan was 43.4 and 5.8 per cent.

Like most demographic surveys, NFHS has also collected information on the marital status of the sample population for the major states of India. On the basis of the age-specific distribution of women by marital status, singulate mean age at marriage has been estimated for the states. At the time of the tabulation of the NFHS data, the comparable estimates based on the 1991 census were not available. Since the publication of the NFHS data, they have become available and are presented along with the 1981 estimates and those based on the NFHS data, in Table 2. The estimates confirm the upward trend in the mean age at marriage throughout the country.

(b) *Use of contraception*: The major determinant of fertility in modern times in most countries would be the use of contraception to regulate fertility. India has officially accepted a nationwide family planning programme since 1952, but the use of contraceptives did not spread widely for nearly two decades. The programme has, since the late 1960s, been collecting statistics on the distribution and acceptance of four methods provided by the pro-

gramme (condoms, IUD, oral pills and sterilisation) and has been converting them into couple protection rates (CPR-SS) on a yearly basis for all the major states of India.<sup>6</sup> In India, the couple protection rate has risen from about 13 per cent in 1970 to close to 45 per cent in the mid-1990s. However, we also have three nationwide surveys conducted in 1970, 1980 and 1989, by the Operations Research Group, Baroda<sup>7</sup> and the NFHS survey of 1992-93, which have provided estimates of method-specific contraceptive prevalence rates for the major states. Compared to the official statistics, the contraceptive prevalence rates based on the more recent surveys have indicated lower use of reversible methods and point to exaggeration or over-reporting in the official statistics.<sup>8</sup>

There is, no doubt, that the use of contraception to lower marital fertility has gone up throughout the country, although regional differences persist. According to the NFHS data, among the major states, contraceptive use ranged between a low of 20 per cent in the largest state of India, Uttar Pradesh, and a high of 63 per cent in the southern state of Kerala. However, in the country as a whole, sterilisation, mostly of females but to a small extent of males also, accounted for 75 per cent of all methods and 85 per cent of all modern methods in use. The trend has been similar throughout the country. The reliance on sterilisation is almost as high in Kerala as in the rest of the country. The only exceptions are the north-eastern states of Assam and Tripura, where close to half of contraceptive users reported using traditional methods such as rhythm. Nearly half of the Kerala couples had resorted to sterilisation. Further, for the majority of the users, sterilisation was the first and the last method of contraception; according to the NFHS 82 per cent of women had

TABLE 1: CHANGES IN TOTAL FERTILITY RATE IN MAJOR STATES OF INDIA

State	Total Fertility Rate			Per Cent Change		
	1970-72	1980-82	1990-92	1971-81	1981-91	1971-91
All India	5.2	4.5	3.7	13.5	17.8	28.8
Andhra Pradesh	4.7	3.9	3.0	17.0	23.1	36.2
Assam	5.5	4.1	3.4	25.5	17.1	38.2
Bihar	-	5.7	4.6	-	19.3	-
Gujarat	5.7	4.4	3.2	22.8	27.3	43.9
Haryana	6.4	5.0	3.9	21.9	22.0	39.1
Karnataka	4.4	3.6	3.1	18.2	13.9	29.5
Kerala	4.1	2.9	1.8	29.3	37.9	56.1
Madhya Pradesh	5.7	5.2	4.6	8.8	11.5	19.3
Maharashtra	4.5	3.7	3.0	17.8	18.9	33.3
Orissa	4.8	4.2	3.3	12.5	21.4	31.2
Punjab	5.3	4.0	3.1	24.5	22.5	41.5
Rajasthan	6.3	5.4	4.5	14.3	16.7	28.6
Tamil Nadu	3.9	3.4	2.2	12.8	35.3	41.0
Uttar Pradesh	6.7	5.8	5.2	13.4	10.3	22.4
West Bengal	-	4.2	3.2	-	23.8	-



not used any other method of contraception before accepting sterilisation. While the use-effectiveness of sterilisation is higher than that of other methods and certainly much higher than that of traditional methods, contraceptive use cannot increase very rapidly because couples adopt it only when they are ready to limit their family size.

(c) *Duration of breastfeeding and length of postpartum amenorrhoea*: It is reasonably well established that breastfeeding is the principal determinant of postpartum amenorrhoea and with the increase in the duration of breastfeeding, the duration of amenorrhoea rises. In order to estimate the effect of amenorrhoea on fertility, information on the duration of breastfeeding is essential. Although breastfeeding in India is known to be almost universal and prolonged, until recently very few surveys had collected information on the duration of breastfeeding and the associated postpartum amenorrhoea. According to the recent SRS data for 1990-92, the average birth intervals in India continue to be rather long, with more than 60 per cent of all second and higher order births reporting an interval of 24 months or more and only less than 5 per cent of the births occurring within 10 to 12 months of the previous birth [GoI 1993b: 25-26].

Jain and Adlakha (1982: 589-606) reviewed the data available from a few surveys conducted in the 1970s and concluded that the average duration of breastfeeding had declined by about two months from 22 months in the early 1970s to 20 months in the late 1970s. In a survey of four districts undertaken in Gujarat in 1989, the estimated mean duration of breastfeeding ranged between 21 and 26 months [Visaria et al 1995: 156]. It is often said that compared to rural women, urban women tend to breastfeed their children for a shorter duration, and the Gujarat data do confirm that the urban women tended to breastfeed their children for a shorter period (by two to three months) than rural women. The studies compiled by Jain and Adlakha did not conclusively support the existence of such rural-urban differentials in the 1970s. The size of the samples of some of the studies was perhaps not large enough to derive stable estimates for rural and urban areas separately.

The NFHS asked a set of questions to women who had children less than four years old which enabled them to derive estimates of median or mean duration of breastfeeding. For the country as a whole, the mean and median duration of breastfeeding was estimated at 26 and 24 months, respectively. However, there were

significant interstate differences in the mean duration of breastfeeding, which ranged from a low of 17 months in Tamil Nadu to 33 months in West Bengal. In the eastern region of the country, women tended to breastfeed their children for a somewhat longer duration than women in most other major states of the country. (See International Institute for Population Sciences, 1995; and NFHS 1992-93, p 279.)

Admittedly, breastfeeding of this long duration does not protect women from conception for the entire duration, partly because women do not exclusively breastfeed the children when they are a little older but supplement breast-milk with other feeds. The NFHS has estimated that in India, the median duration of postpartum amenorrhoea is nine months with a sizeable interstate variation. However, the period of lactational or postpartum amenorrhoea tends to overlap with that of abstinence from sexual relations between spouses. Throughout the country childbirth is almost always followed by several months of abstinence and its duration, which is ritually determined, does not vary a great deal. The NFHS has estimated the overlap between postpartum amenorrhoea and abstinence and derived the duration of net postpartum non-susceptibility for the country as a whole as well as for the major states. For all India, the median duration of net non-susceptibility to conception was estimated to be 10 months.

The NFHS does not take into account the likely overlap between the postpartum amenorrhoea and the use of modern methods of contraception, other than abstinence, because some women do start using contraception prior to resumption of

their menstruation. For example, health workers do encourage women to accept an IUD, within a few months of childbirth. When women have attained the desired number of children, a permanent method like tubectomy is also promoted and accepted a few days after delivery. To estimate accurately the net duration of postpartum infecundability, the overlap between postpartum amenorrhoea and abstinence as well as the use of other contraceptives needs to be estimated. However, in a survey of four districts of Gujarat, the overlap between postpartum amenorrhoea and use of contraception varied only between 1.7 and 2.6 months [Visaria et al 1995: 156].

(d) *Abortion*: The extent to which women resort to abortion has a direct effect on

TABLE 3: TOTAL FERTILITY RATE, MARITAL FERTILITY RATE AND INDEX OF MARRIAGE FOR MAJOR STATES OF INDIA, 1992-93

State	Total Fertility Rate	Marital Fertility Rate	Index Marriage C(m)
All-India	3.49	4.77	0.711
Andhra Pradesh	2.59	3.50	0.740
Assam	3.53	5.81	0.608
Bihar	4.00	4.89	0.818
Gujarat	2.99	5.08	0.589
Haryana	3.99	5.23	0.763
Karnataka	2.85	4.48	0.636
Kerala	2.00	4.12	0.485
Madhya Pradesh	3.90	4.72	0.826
Maharashtra	2.86	4.51	0.634
Orissa	2.92	4.58	0.638
Punjab	2.92	5.52	0.529
Rajasthan	3.63	4.73	0.767
Tamil Nadu	2.48	4.36	0.569
Uttar Pradesh	4.82	6.01	0.802
West Bengal	2.92	4.30	0.679

Note. Index of marriage (Cm) = Total fertility rate/total marital fertility rate.

TABLE 2: SINGULATE MEAN AGE AT MARRIAGE FOR WOMEN IN MAJOR STATES OF INDIA

State	1981 Census			1991 Census			1992-93 NFHS		
	Rural	Urban	All	Rural	Urban	All	Rural	Urban	All
All-India	17.8	20.1	18.4	19.0	21.3	19.6	19.3	21.5	20.0
Andhra Pradesh	16.8	18.9	17.3	17.9	20.1	18.5	17.3	20.3	18.1
Assam	NA	NA	NA	21.3	23.2	21.5	21.4	23.0	21.6
Bihar	16.3	18.7	16.7	17.5	20.0	17.9	17.6	20.3	18.0
Gujarat	19.1	20.5	19.5	19.8	21.3	20.3	20.0	20.6	20.2
Haryana	NA	NA	17.9	18.5	20.7	19.1	17.9	19.9	18.4
Karnataka	18.7	20.5	19.3	19.9	21.9	20.5	19.0	20.8	19.6
Kerala	21.7	22.4	21.8	23.5	24.9	23.9	21.7	23.2	22.1
Madhya Pradesh	16.0	19.0	16.7	17.5	20.2	18.2	16.7	19.7	17.4
Maharashtra	18.7	20.3	18.8	19.0	21.4	20.0	17.9	21.3	19.3
Orissa	18.9	19.9	19.1	20.3	21.8	20.5	20.4	21.8	20.7
Punjab	NA	NA	21.1	21.1	21.4	21.2	20.9	21.7	21.1
Rajasthan	15.8	18.0	16.3	17.1	19.2	17.6	17.9	20.5	18.4
Tamil Nadu	19.9	20.9	20.3	20.8	22.1	21.3	20.0	21.3	20.5
Uttar Pradesh	16.2	19.4	16.8	17.7	20.6	18.4	17.9	20.9	18.6
West Bengal	18.5	21.4	19.3	19.2	22.8	20.2	18.1	21.8	19.2

Note: In 1981, Punjab and Haryana constituted one state and although state level estimates of mean age at marriage for these states have been made, those for rural and urban areas are not made.

Sources: Goyal (1988, 97-119); 1981 and 1991 Census; and NFHS 1992-93.

fertility levels, independent of other proximate determinants, because abortion ends a pregnancy. Abortion may be spontaneous or deliberately induced to end an unwanted pregnancy or malformed pregnancy, which may be life-threatening, or to end a pregnancy with a foetus of the wrong sex. The extent of spontaneous abortions in a population may depend on the nutritional status of women or maternal health. However, induced abortions depend upon the cultural, religious and societal norms and attitudes as well as on the legal status of abortion in the country. In India, induced abortion has been legal since 1972 and yet there are no firm estimates of the number of such abortions performed in the country. The lack of information stems from the fact that, besides the governmental facilities, many women use private facilities for abortions. Abortions in these facilities are often performed by unqualified health practitioners and are rarely recorded.

In the early 1990s, a study undertaken to understand the extent to which women resorted to abortion in the country, estimated that 11 million abortions occurred in India annually, of which 60 per cent were probably induced and the remaining were spontaneous [Chabra and Nuna 1993: 17-27]. While collecting information on pregnancy history of women, questions on both spontaneous and induced abortions are invariably asked in many surveys. However, it is widely held that the incidence of induced abortion is grossly under-reported in the surveys for a complex set of reasons. There is still a stigma attached to reporting induced abortion. Women or couples often do not inform their immediate relatives about having resorted to abortion and are unlikely to report it to the investigators. Sometimes induced abortions are reported as spontaneous abortions. Even if the reference period of the survey requires women to recollect the outcomes of all pregnancies since marriage until the time of the survey, some events, which do not result in livebirths, are omitted. In the four-district Gujarat study, while 9 to 15 per cent of all women who were interviewed, reported having experienced a spontaneous abortion, only about 1 to 2 per cent reported an induced abortion. The total abortion rate worked out from the reported occurrences ranged between 0.1 and 0.2 per woman, with large rural-urban differences within the districts [Visaria et al 1995: 153].

The NFHS collected information on outcomes of all lifetime pregnancies from

all ever-married women in the survey and noted that women reported 4.5 and 1.3 per cent of all pregnancies as having ended in spontaneous and induced abortions, respectively. The NFHS report admits that the information collected on abortions is likely to be less accurate than on livebirths. In spite of the possibility that the incidence of induced abortion in India is on the increase, its estimates tend to be very low so that the effect of this factor on total fertility is also estimated to be very small.

### III Estimation of Proximate Determinants of Fertility

While Bongaarts's analytical framework lends itself well to measuring the impact of proximate determinants of regulated fertility, either over time or between sub-

populations within a region, to understand their individual contribution, data on all these factors were not readily collected in one survey until recently. Pooling information from different surveys poses problems of comparison in terms of sampling design, reference period and geographical coverage of surveys. In India, for the first time, data on marriage, use of contraception, duration of breastfeeding and length of postpartum amenorrhoea and outcome of pregnancies are available from one source – the 1992-93 National Family Health Survey (NFHS). These data enable us to estimate the values of proximate determinants of fertility for all the major states. The state samples of the NFHS were based on the population size of the states and ranged between 2,766 respondent women in Jammu and Kashmir

TABLE 4: CONTRACEPTIVE USE RATE BY METHOD AND INDEX OF CONTRACEPTION FOR MAJOR STATES OF INDIA, 1992-93

State	Contraceptive Use by Method				Contraceptive Prevalence Rate	UE	Index of Contraception C(c)
	Sterilisation	IUD	Oral Pills	Other Methods			
All India	.309	.019	.012	.067	40.7	.385	0.584
Andhra Pradesh	.452	.006	.005	.012	47.4	.552	0.492
Assam	.146	.009	.028	.247	43.0	.330	0.643
Bihar	.187	.005	.011	.028	23.2	.227	0.755
Gujarat	.410	.030	.010	.035	49.3	.472	0.490
Haryana	.348	.032	.012	.105	49.7	.463	0.500
Karnataka	.427	.032	.004	.030	49.4	.463	0.500
Kerala	.483	.027	.005	.118	63.3	.597	0.255
Madhya Pradesh	.317	.011	.007	.032	36.7	.355	0.617
Maharashtra	.465	.025	.014	.037	54.1	.528	0.430
Orissa	.317	.015	.009	.023	36.3	.355	0.617
Punjab	.340	.063	.022	.163	58.7	.534	0.423
Rajasthan	.278	.012	.005	.024	31.9	.310	0.665
Tamil Nadu	.396	.036	.006	.062	49.8	.478	0.484
Uttar Pradesh	.131	.011	.010	.047	19.8	.183	0.802
West Bengal	.308	.013	.036	.220	57.7	.506	0.453

TABLE 5: TOTAL ABORTION RATE, INDEX OF ABORTION AND OF POSTPARTUM INFECUNDABILITY FOR THE MAJOR STATES OF INDIA, 1992-93

State	Total Abortion Rate	Index of Abortion C(a)	Median No of Months of PA	Postpartum Abstinence	Postpartum Non-susceptibility	Index of Postpartum Amenorrhoea C(i)
All India	.048	0.991	9.0	3.4	10.2	0.698
Andhra Pradesh	.022	0.995	9.1	4.3	10.1	0.699
Assam	.110	0.982	10.2	2.9	10.9	0.680
Bihar	.013	0.998	9.9	2.9	10.6	0.687
Gujarat	.026	0.995	8.9	2.9	9.4	0.717
Haryana	.067	0.990	8.9	2.0	8.9	0.730
Karnataka	.034	0.993	8.6	5.3	10.0	0.702
Kerala	.034	0.989	5.4	4.8	7.3	0.775
Madhya Pradesh	.025	0.996	8.3	2.5	9.4	0.717
Maharashtra	.031	0.993	8.5	4.5	9.8	0.707
Orissa	.028	0.995	8.5	4.7	10.2	0.699
Punjab	.054	0.988	4.1	2.4	4.4	0.873
Rajasthan	.043	0.994	8.0	2.0	8.6	0.738
Tamil Nadu	.124	0.971	5.6	5.6	9.3	0.719
Uttar Pradesh	.047	0.995	8.9	2.9	9.5	0.714
West Bengal	.028	0.994	9.5	2.3	10.0	0.702

Notes: Data are collected from mothers of children born during the three years preceding the survey.

Medians are based on current status.

Non-susceptible is defined as amenorrhoeic or abstaining or both.

and 11,438 in Uttar Pradesh.<sup>9</sup> With such a sample size, it was possible to derive reasonably stable state level estimates of the contribution of proximate determinants which would help understand the transition from natural to controlled fertility in the 15 major states of the country. (Jammu and Kashmir is not included in this analysis because NFHS was conducted only in the Jammu region and the 1991 Census was not conducted in Jammu and Kashmir.)

(a) *Index of marriage*: The index of marriage  $C(m)$  is estimated from the information on total fertility rates (TFR) and total marital fertility rates (TMFR) as reported by the NFHS. These rates are based on the births during the three-year period of 1990-92 before the year of the survey. The index of marriage is estimated as  $TFR/TMFR$ . The values for the major states of India are shown in Table 3. The value of  $C(m)$  measures the effect of age at marriage on fertility and increases with an increase in the age at marriage. In other words,  $C(m)$  expresses the effect of non-marriage in terms of a reduction in fertility per woman. As is evident, the interstate variations in TFR ranged between a low of 2.0 for Kerala to more than twice that level of 4.8 for Uttar Pradesh. The total marital fertility ranged between a low value of 3.5 for Andhra Pradesh to 6.0 for Uttar Pradesh.<sup>10</sup>

(b) *Index of contraception*: The index of contraception  $C(c)$  is estimated from the information on method-specific contraceptive prevalence rates and use effectiveness of various methods. These data are converted into an equation:  $C(c) = 1 - 1.08u$ , where  $u$  is the contraceptive prevalence and  $e$  is the average effectiveness. The value of  $e$  is a weighted average, with method-specific prevalence rates as weights. The average effectiveness is assumed to be 1.0 for sterilisation, 0.95 for IUD, 0.90 for oral pills and 0.7 for all other methods, including condoms. The method-specific contraceptive use rates, the average effectiveness and the estimated index of contraception are given in Table 4. The value of  $C(c)$  measures the fertility-inhibiting effect of contraceptive use. A high value of  $C(c)$  is associated with low use of contraception. If contraceptive practice were absent or completely inefficient,  $C(c)$  would be 1.0. Among the states, as one would expect, the estimated  $C(c)$  ranges between a high of 0.80 in Uttar Pradesh and a low of 0.36 in Kerala.

(c) *Index of postpartum infecundability*: The index of postpartum infecundability  $C(i)$  is derived from the estimates of postpartum amenorrhoea ( $i$ ) and by using a relationship, where  $C(i) = 20/(18.5 + i)$ .

Duration of postpartum infecundability is estimated on the basis of responses to a set of questions asked of women who gave birth(s) during the three-year period preceding the survey. The questions related to current postpartum amenorrhoea, if any, and the number of months without menstruation after each childbirth that occurred

in the last three years. Women were also asked about the duration of abstinence from sexual intercourse after childbirth and about the length of breastfeeding of each child born in the past three years. These data have been used to estimate the gross duration of postpartum infecundability, the overlap between postpartum

TABLE 6: VALUES OF SELECTED FERTILITY INDICES FOR MAJOR STATES OF INDIA, 1992-93

State	TFR	$C(m)$	$C(c)$	$C(a)$	$C(i)$	TF
All India	3.39	0.711	0.584	0.991	0.697	11.8
Andhra Pradesh	2.59	0.740	0.492	0.995	0.699	10.2
Assam	3.53	0.608	0.643	0.982	0.680	13.5
Bihar	4.00	0.818	0.755	0.998	0.687	9.5
Gujarat	2.99	0.589	0.490	0.995	0.717	14.5
Haryana	3.99	0.763	0.500	0.990	0.730	14.5
Karnataka	2.85	0.636	0.500	0.993	0.702	12.8
Kerala	2.00	0.485	0.355	0.989	0.775	15.2
Madhya Pradesh	3.90	0.826	0.617	0.996	0.717	10.7
Maharashtra	2.86	0.634	0.430	0.993	0.707	15.0
Orissa	2.92	0.638	0.617	0.995	0.699	10.7
Punjab	2.92	0.529	0.423	0.988	0.873	15.1
Rajasthan	3.63	0.767	0.665	0.994	0.738	9.7
Tamil Nadu	2.48	0.569	0.484	0.971	0.719	12.9
Uttar Pradesh	4.82	0.802	0.802	0.995	0.714	10.5
West Bengal	2.92	0.679	0.453	0.994	0.702	13.6

Notes:  $C(m)$  = Index of marriage  
 $C(c)$  = Index of contraception  
 $C(a)$  = Index of abortion  
 $C(i)$  = Index of postpartum infecundability  
 $(TF)$  = Total fecundity rate  
 $C(m) = TFR/TM$   
 $C(c) * C(a) = TM/TN$   
 $C(i) = TN/TF$   
 where  $TFR$  is total fertility rate,  $TM$  is total marital fertility rate,  $TN$  is total natural marital fertility rate and  $TF$  is total fecundity rate  
 These can be rearranged as:  
 $TFR = C(m) * TM$   
 $TM = C(c) * C(a) * TN$   
 $TN = C(i) * TF$   
 Further simplified, they can be expressed as:  
 $TFR = C(m) * C(c) * C(a) * C(i) * TF$   
 $TM = C(c) * C(a) * C(i) * TF$   
 $TN = C(i) * TF$

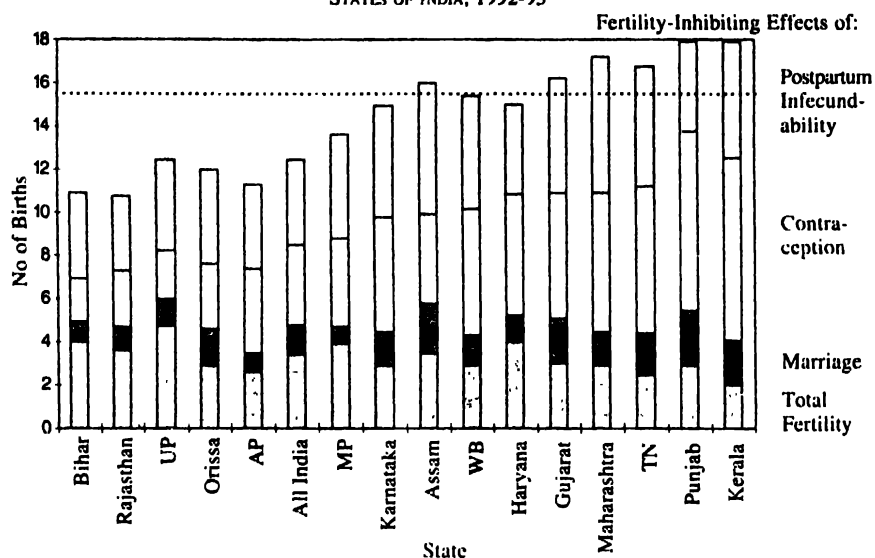
Source: Estimation procedures are based on Bongaarts and Potter (1983, 78-87)

TABLE 7: MEASURES OF FERTILITY INDICES AND THEIR COMPUTATIVE VALUES IN TERMS OF NUMBER OF BIRTHS FOR MAJOR STATES OF INDIA, 1992-93

State	Values of Fertility Indices				Actual Values of Fertility Indices			
	TFR	TM	TFR	TN	TM	TFR	TM	TN
All India	3.4	1.4	3.4	3.6	3.4	4.8	8.2	11.8
Bihar	4.0	0.9	1.6	3.0	4.0	4.9	6.5	9.5
Rajasthan	3.6	1.1	2.5	2.1	3.6	4.7	7.2	9.7
Uttar Pradesh	4.8	1.2	1.5	3.0	4.8	5.0	7.5	10.5
Orissa	2.9	1.7	2.9	3.2	2.9	4.6	7.5	10.7
Andhra Pradesh	2.6	0.9	3.6	3.1	2.6	3.5	7.1	10.2
Madhya Pradesh	3.9	0.8	4.0	3.0	3.9	4.7	7.7	10.7
Karnataka	2.9	1.6	4.5	3.8	2.9	4.5	9.0	12.8
Assam	3.5	2.3	3.3	4.4	3.5	5.8	9.1	13.5
West Bengal	2.9	1.4	5.2	4.1	2.9	4.3	9.5	13.6
Haryana	4.0	1.2	5.4	3.9	4.0	5.2	10.6	14.5
Gujarat	3.0	2.1	4.9	4.5	3.0	5.1	10.0	14.5
Maharashtra	2.9	1.6	6.1	5.7	2.9	4.5	10.6	15.0
Tamil Nadu	2.5	1.9	4.9	3.6	2.5	4.4	9.3	12.9
Punjab	2.9	2.6	7.7	1.9	2.9	5.5	13.2	15.1
Kerala	2.0	2.1	7.7	3.4	2.0	4.1	11.8	15.2

Notes: TFR : Total fertility rate  
 TM : Total marital fertility rate  
 TN : Total natural marital fertility rate  
 TF : Total fecundity rate

FIGURE: ESTIMATED AVERAGE TOTAL FECUNDITY RATES (TF), TOTAL NATURAL MARITAL FERTILITY RATE (TN), TOTAL MARITAL FERTILITY RATES (TM), AND TOTAL FERTILITY RATES (TFR) FOR MAJOR STATES OF INDIA, 1992-93



infecundability and abstinence, and the net duration of postpartum infecundability. The estimates of these measures and the index of postpartum infecundability are shown in Table 5.

The effect of postpartum infecundability operates on fertility through changes in birth interval. Bongaarts has estimated that if no breastfeeding and postpartum abstinence are practised, the birth interval averages about 20 months. This is the sum of 1.5 months of minimum postpartum anovulation, 7.5 months of waiting time to conception, 2 months of time added by spontaneous intrauterine mortality, and 9 months for a full-term pregnancy. The index  $C(i)$  is thus estimated as  $20/18.5 + i$ . Among the states, the estimate of  $C(i)$  ranged from a high of 0.87 in Punjab to a low of 0.68 in Assam.

(d) *Index of abortion*: The index of abortion  $C(a)$  is estimated from the reported lifetime experience of induced abortions, contraceptive use ( $u$ ) and total fertility rate (TFR) using the equation:

$C(a) = TFR / (TFR + 0.4(1 + u)TA)$ . Data to estimate the total abortion rate (TA), which is equal to the average number of induced abortions per woman at the end of the reproductive period if induced abortion rates remain at prevailing levels throughout the reproductive period, are not available in the NFHS. Therefore, information on the outcome of all lifetime pregnancies is used to derive approximate estimates of total abortion rate. TA is calculated by multiplying the total fertility rate by the proportion of induced abortions among all live births. The estimates of the index of abortion for all the states are also given in Table 5. As is evident in the table

the values of  $C(a)$  in all the states with the sole exception of Tamil Nadu are greater than 0.98. We have therefore not considered the insignificant fertility inhibiting effect of abortion in the model discussed here.

Table 6 gives the values of the indices of the four proximate determinants and the estimates of the total fecundity rates implied by these determinants. The data are graphically depicted in the Figure in terms of fertility inhibiting effects of the proximate determinants for each of the major states of India. The structure of the Figure suggests that if the effect of delayed marriage is removed without any other change in fertility behaviour, fertility level will increase to total marital fertility rate (TM). If the practice of contraception and induced abortion are also eliminated, the fertility will rise to a level of the total natural marital fertility rate (TN). In addition, if women do not breastfeed their children and do not practise postpartum abstinence, the fertility will increase to the total fecundity rate (TF). Fertility is below its maximum value because of delayed marriage, use of contraception, induced abortion and postpartum infecundability induced by breastfeeding and abstinence.

#### IV Findings and Discussion

Bongaarts has empirically shown that the TF values range between 13 and 17 births per woman with an average near 15 and has suggested that values outside this range are very likely due to some errors in data or estimation procedures.<sup>11</sup> For India as a whole, the total fecundity rate was estimated to be 11.8 births, which is

lower than the average of 15.3 by a little over three births. According to the district level Gujarat study cited earlier, the estimated TF values for all the four districts were also lower than 15.3 and ranged between 10.9 and 13.4 births [Visaria et al 1995:146]. While the estimates for nine of the 15 states (Gujarat, Haryana, Kerala, Maharashtra, Punjab, Assam, Tamil Nadu, West Bengal and Karnataka) fall within the range of 13 and 15, the TF values of the remaining 6 states are lower than 12.5 (Table 6). The estimated total fecundity rate in all the four large north Indian states and Orissa and Andhra Pradesh is less than 11 births. The quality of data used to derive the various estimates of proximate determinants needs to be closely scrutinised to understand the extent of errors in the survey in the reporting of age at marriage, duration of breastfeeding, onset of menstruation, etc.

However, the possibility that the natural fecundability of Indian women is lower also needs to be explored. It is sometimes alleged that lower nutrition and higher secondary sterility along with cultural and religious practices leading to a lowering of coital frequency may result in lower fecundability of women in cultures like that of India. In an analysis using various sources, including the ORG and the NFHS data, Jain estimated a value of TF around 13 births for the early 1970s and surmised that a lower value of TF for India is quite plausible because of terminal abstinence, low frequency of intercourse, malnutrition and seasonal migration of men in search of work [Jain 1996]. Some qualitative inquiries do support the view that frequency of intercourse among Indian couples is significantly reduced or even permanently terminated once a son is married and a daughter-in-law is present in the house, even if the woman is still in her early forties. The issue needs more data based exploration. Similarly, separation of spouses on account of migration of men for work would lower the risk of pregnancy and increase the inter-birth intervals even in the absence of use of contraception. More research is needed to fully explore the effect of short-term migration on fertility.

The figure provides some insights into how the proximate determinant model operates. (The values are shown in Table 7.) The major states are arranged according to the estimated value of TF or total fecundity rate. It is evident that the transition from natural to controlled fertility in states such as Kerala, Punjab and Tamil Nadu is accompanied by a large increase in the use of contraception. The contri-

bution of use of contraception to depressing the total fecundity was between 1.5 and 2.5 births in Bihar, Rajasthan, Uttar Pradesh; it was above 7 births in the case of Kerala and Punjab and 6 in the case of Maharashtra. In spite of the fact that the TF estimates for Bihar and Uttar Pradesh are lower than those of Punjab and Kerala, contraception depressed TF by less than 20 per cent in Bihar and Uttar Pradesh but by more than 50 per cent in Punjab and Kerala. (The contraceptive prevalence rate ranged between 20 in Uttar Pradesh and 23 in Bihar and 63 and 59 in Kerala and Punjab, respectively.)

The effect of a decline in the proportions married on the total fecundity or the fertility inhibiting influence of delayed marriage on total fecundity is much less than that of contraception. It ranged between 0.8 births in Madhya Pradesh and 2.6 births in Punjab and did not show a uniform pattern. The estimated value of  $C(m)$  or the index of marriage in the states of Madhya Pradesh, Bihar and Uttar Pradesh was above 0.8. At the other end of the spectrum, in the states of Tamil Nadu, Punjab and Kerala,  $C(m)$  ranged between 0.57 and 0.48, suggesting that the fertility inhibiting influence of late marriage on TF was relatively high. The states of Gujarat and Assam, with a relatively higher mean age at marriage were also in the latter category of states. However, even in the states with low values of the index of marriage, marriage continues to be universal.<sup>12</sup> The low value of  $C(m)$  in states like Kerala, Punjab and Tamil Nadu is largely due to a relatively high mean age at marriage. In the four large north Indian states and in Andhra Pradesh, the age at marriage is lower than the national average. With an increase in urbanisation, spread of education and some of the other urban values through mass media, we can expect the age at marriage of women in these states to go up in the near future. In the more industrialised and urbanised states, some women may also choose a career over marriage and thus decrease the proportion of the married. However, such changes tend to be slow.

Transition from natural to controlled fertility is typically accompanied by a shortening of postpartum infecundability. Women tend to breastfeed infants for shorter duration and resort to using contraception to control fertility. The estimated duration of postpartum infecundability ranged between the high values of 10.6 and 10.9 months in Assam and Bihar and the low value of 4.4 months in Punjab. This factor depressed total fecundity by just about 2 births in Punjab

but close to 6 births in Maharashtra. In Punjab, the limited effect of postpartum infecundability on total fecundity is compensated by greater use of contraception. The relatively large role of this factor in depressing total fecundity implies that there is considerable scope or potential for fertility to increase in states such as Maharashtra, Gujarat and West Bengal if the infant feeding practices change. There is some evidence that the duration of breastfeeding in urban areas is somewhat shorter than in the rural areas. It is possible that the urban influence may spread to rural areas and rural women may also shorten the duration of breastfeeding their babies. If such a decline in the breastfeeding is not accompanied by an increase in the use of contraception, fertility can go up. Also, with a reduction in postpartum infecundability, inter-birth intervals can become shorter, unless there are compensating increases in the use of reversible methods of contraception.

Further, there are indications that the desired fertility is close to or below the replacement level in many parts of the country, including in the areas where the actual fertility is still relatively high. This implies that for attaining or realising that desired goal, couples will have to practise reversible methods of contraception or lower the age at sterilisation. The NFHS data indicate that the median age of women at the time of sterilisation was 27 years. Among those who were sterilised during the two years preceding the survey, the median age was 26.3 years. In states like Tamil Nadu, Maharashtra, Karnataka, Andhra Pradesh, the median age of women, who were sterilised two years prior to the survey, was less than 25 at the time of sterilisation. The implications of such a process or trend need to be fully explored.

Another factor not fully explored in demographic literature relates to the pathways through which India can attain the demographic goal of attaining the net reproduction rate of unity as early as possible. It is argued that significant changes will be required in socio-economic conditions to achieve this goal. However, these changes have to operate through fertility inhibiting processes such as increase in the mean age at marriage or in the proportion of women choosing permanent spinsterhood and in the control of marital fertility through the use of contraception or induced abortion. A countervailing fertility-enhancing factor would be a reduction in the duration of breastfeeding and the consequent shortening of the length of postpartum amenorrhoea. Admittedly, not all these

processes are easily amenable to direct or indirect policy interventions. If, in spite of some increase in the mean age of marriage, marriage continues to remain universal in India, what would be the contraceptive prevalence level required to attain the net reproduction rate of one? If the urban and modern influences contribute to enhancing fertility to a certain extent by reducing the mean duration of breastfeeding, what would be the contraceptive use required to reach the replacement level of fertility?

According to some rough estimates, if we assume no change in the value of all the proximate determinants except for the use of contraception, the TFR of 2.1 or the replacement level can be achieved with rate of contraceptive use rate of 65 to 70 per cent at all India level. It would be very difficult to achieve this level of contraceptive use with major emphasis on sterilisation as a method. However, according to the NFHS data, sterilisation is the most used method of contraception throughout India, accounting for 76 per cent of the current contraceptive prevalence. Modern reversible methods, which accounted for less than 14 per cent of the current use of contraception, would have to be promoted in a big way to hasten the pace of fertility decline.

In order to promote the use of family planning, we have to address the issue of strong son preference with its roots in social mores and which contributes to raising wanted fertility and leads to some unwanted fertility. Measures to weaken the preference for sons include improving the status of women through education and employment.<sup>13</sup> There are very few direct policy interventions to enhance women's autonomy, and improve their bargaining or negotiating capacity within the household, except education which is sensitive to women's needs and which is provided to both boys and girls from early ages. Equally important is lowering of infant and child mortality. Strong policy intervention on this front would not only enhance the credibility of the health personnel and the government among the people, but would also raise the acceptance of the family planning programme among those who are hesitant to do so. A lower infant and child mortality will help reduce the wanted fertility insofar as the couples try to replace the deceased children and also seek to 'insure' against the loss of children, which often occurs when couple can no longer replace the lost children.

The policy options to raise the age at marriage are limited to influencing the enrolment and continuation of girls in

schools until the age of 14 or so, and an educational campaign to convey the advantages of late age at marriage (and avoiding teenage pregnancies). However, in spite of the rhetoric about universalisation of schooling up to the age of 14, the issue of schooling of girls is closely linked to the availability of schools within the small villages. Parents are often reluctant to send their young daughters to schools in the nearby villages because they fear for their safety. This is a larger social issue resulting from the socio-political climate prevailing in many parts of the country, which cannot be easily tackled by campaigning for education for girl children. Viable, acceptable and high quality alternatives to formal schooling need to be thought about and promoted.

Overall, in the wake of indications from the data available from the Sample Registration System and the NFHS of a faster than expected decline in fertility and the removal of quantitative method-specific family planning targets, the Indian policy-makers must now show flexibility in addressing the needs of the population. The state-specific trends, constraints, and socio-economic-political situation require region-specific policies and programmes especially in states (and districts), which have lagged behind and need to be helped to catch up with the rest of the country.

### Notes

[This is an extensively revised version of the paper presented at the seminar on Comparative Perspectives on Fertility Transition in South Asia, organised by the IUSSP Committee on Fertility and Family Planning and held at Islamabad, Pakistan, during December 1996.]

- 1 In some regions of India, the SRS took a little longer to fully establish itself so that estimates of vital rates are either not available for or are underestimated in the initial years. In such cases, an unusual upward swing in vital rates is noted over time implying lower than the true level of decline. Notwithstanding some of these problems, the overall quality of the SRS data is considered quite robust to infer regional patterns and time trends.
- 2 The total fertility rate or the TFR shows the average number of children expected to be born to a cohort of women if at successive ages during their reproductive period, they bear children at the same rate as was observed during a specified period. While calculating the TFR, no allowance is made for any mortality and equal weights are assigned to successive five-year age groups. A crude birth rate, on the other hand, is a weighted average of the age specific fertility rates, with weights based on the age distribution of the population. As a result, the TFR shows a faster decline in fertility than the crude birth

rate of the population.

- 3 The 1994 revision of the UN population projections places the medium and low variants of TFR during 1990-95 at 3.75 and 3.66, respectively. According to the medium variant of the projection, which is recommended for general use, a TFR of 2.10 is expected to be reached during 2015-20. The low variant projects a TFR of 2.01 during 2010-15 and 1.60 during 2015-20. The latter appears an unlikely scenario.
- 4 Rural fertility continues to be higher than urban fertility in all the states. Uttar Pradesh reported the highest rural TFR of 5.5 and the other three large north Indian states reported TFR between 4.9-5.0 during 1990-92. At the other extreme were the two southern states of Kerala and Tamil Nadu, with a rural TFR of 1.9 and 2.5, respectively.
- 5 These are census-based estimates of mean age at marriage, known as singulate mean at marriage. The estimates refer to an average number of years a person remains single under the assumption that age specific marriage patterns remain unchanged in the 10 year period prior to the decennial census [Agrwala nd and Goyal 1988].
- 6 Although the basis of estimating couple protection rates in the official service statistics, for oral pills and condoms is their distribution, for IUD is the reported insertions, and for sterilisation it is the number of procedures performed, these rates are quite different from contraceptive prevalence rates, which are derived on the basis of the responses obtained from the users directly. The two estimates are generally treated as similar.
- 7 The findings of these three surveys are available in: Operations Research Group, *Family Planning Practices in India: The first All India Survey Report* (not dated), *The Second All India Survey Report* (1983), and *The Third All India Survey Report* (1990) Baroda.
- 8 The nature of discrepancies is discussed at some length, on the basis of empirical data, in Visaria et al (1994:293-303).
- 9 The targeted sample for each of the six small north-eastern states was smaller (around 1000 women) than for the other large states. The results of these were pooled to represent the entire north-eastern region.
- 10 The figure of low total marital fertility in Andhra Pradesh is somewhat puzzling. The incidence of childlessness as well as the percentage of menopausal women in thirties in Andhra Pradesh is the highest in the country: in the age group 30-34, the proportion of menopausal women was 8 per cent in Andhra Pradesh as opposed to 3 per cent for the country as a whole and in the age group of 35-39, it was 15 per cent as opposed to 7 per cent for India. More exploration of NFHS data as well as more studies is needed to understand the factors explaining these reported phenomena.
- 11 The total fecundity rate does not vary much because the other proximate determinants of fertility – natural infecundity, spontaneous intrauterine mortality and permanent sterility

– which also influence fecundity cause only modest changes in fertility and differ very little between populations.

- 12 The institution of arranged marriages facilitates universal marriage. The proportion of population remaining single (never-married) beyond age 50 tends to be extremely small (less than 1 per cent among women and just about 1 per cent among men).
- 13 These and other policy issues are discussed in Visaria and Visaria (1996).

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# Economic Condition and Fertility

## Is There a Relationship?

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*The standard of living or economic status data are not always sufficient to understand the complex mechanism of fertility change. A number of other social factors directly and indirectly influence couples' decisions on family size. Statewise analysis of data shows that only in Punjab is there the expected negative association between living standard and fertility change.*

IT is difficult to establish any economic theory of fertility which is really universal. This is more obvious for a country like India because of its unique regional economic diversity which can influence fertility transition. The relationship between economic condition and fertility thus remains at best unclear. Once children can be regarded as a special type of commodity, in the economic parlance, a feasible relationship between income and fertility is not difficult to visualise. A rise in income is likely to be associated with higher fertility. The rationale behind this positive income-fertility relationship is that, holding everything else constant, higher income implies greater resources available to support a large family, and if children are assumed to be consumer durables with a positive income elasticity, higher income will lead to the consumption of more children [Becker 1960]. Early research on the subject suggested such a possibility [for example, see Glass 1968; Stys 1957; Driver 1963; UN 1961]. But the value or utility of children has not been invariant over time and space. With a rise in income, a greater concern for the quality of children rather than their quantity may become the dominant concern. And since quality children usually require greater investment than return, a rise in income might lead to reduction in fertility. In fact, a majority of the later studies tend to support this negative association [for example see Easterlin 1975; Bulatao and Lee 1983; Registrar General 1979]. However, in some cases, this negative relationship is interrupted at the top end of the economic scale, that is, couples with very high incomes have a larger fertility than those with high incomes [Bernhardt 1972]. Undoubtedly, how children are valued in a society will be a dominant determinant of the fertility desire of the couples.<sup>1</sup> The form of the utility function, as indicated by Becker who propounded the positive relationship, is determined by tastes which in turn depend on social characteristics like education, religion, ethnicity etc. [Becker 1960].

Thus the economic ends are largely determined by the socio-cultural ends of a society [Caldwell 1977].

However, many of the empirical findings relating to the association between fertility and economic condition, are often criticised because of their flexible methodology. What is more important is the ambiguity in defining the true economic status of a household. Two issues have particular relevance in the investigation of the relationship. The first one is the extent to which the economic status is linked with size of landholding. If economic status is highly linked with the size of landholding and land holding, in general, is operational holding, the overall relation between land and fertility is likely to be positive. A farm family working on larger holding will find additional family labour beneficial through the complementarity of child labour and land holdings [land labour demand hypothesis; Cain 1985]. However, if the holdings are owned and not rented, the relationship may turn out to be negative. In this case, the substitution of land for children on the ground of old age security will lead to a decline in fertility (land security hypothesis).

The other issue is the extent and type of participation in labour force by females. In general, working women are found to have lower fertility. However, this negative work-fertility relationship depends largely on the type of work opportunities available for women. Both the incompatibility of women's role as mothers and workers and the opportunity cost of children are likely to be high if women are engaged in non familial occupations. The negative work-fertility relationship is likely to depend on the level of education of women. The relationship will tend to be much higher among better educated group of women because of higher opportunity cost.

The pure economic framework evolved by Becker for fertility analysis has no doubt opened new room in the field of demographic research. However, in the

Indian context, studies on the subject are few. This paper attempts to explore the economic rationality of fertility preferences in India. An attempt has been made to examine the linkage separately among couples with varying levels of education, with the supposition that a stronger negative association between economic condition and fertility will emerge among the more educated couples. Data generated by the large-scale National Family Health Survey (NFHS) provide an excellent opportunity to undertake such a study [IIPS 1995].

### THE SETTING

An important question is what would be the suitable parameter to explore the true economic status of a household. In the literature the economic condition is variously denoted either by income and expenditure or by material possessions and standard of living. Compared to income, either expenditure or standard of living is more likely to be influenced by the prevailing modern behaviour and cultural practices. A high standard of living generally means a higher level of income as well as a favourable disposition towards acquiring other commodities that add to one's comfort. More than income, the other two indicators will, therefore, be more relevant in the context of examining the linkage between economic condition and fertility. At the same time, the use of 'current income' in the empirical studies has several limitations. According to Easterlin (1969), in relation to fertility preference, current income is a very poor proxy for economic status, since when parents make decisions about the desired family size, they have in mind not current but the expected or potential income and reliable information on expected or potential income is not possible to collect in a household survey. To avoid this complexity and yet to get a reasonably good approximation to economic status, this study has decided to ascertain the living standard of the household where a woman



lived through an index termed as standard of living index (SLI). It incorporates information regarding household amenities which includes type of house, availability of electricity, source of drinking water, nature of toilet facility, and possession of livestock and consumer durable goods. Finally, a summary index has been derived on the basis of accessibility of these items by assigning weights to each item according to its economic values and importance (see Appendix Table). Although this crude index has its limitation because of some arbitrariness in assigning weights to each item, we are satisfied that it has distinguished households from high to low standard of living, which is the prime purpose of this study.

The other two variables, possession of land and occupation of women, which are relevant in deciding the economic condition have been dealt with separately. In this respect, a household is categorised into three groups on the basis of amount of land it possessed (in this case it refers to the land owned by a household) as land less, with 1-4 acres of land and with five or more acres of land. Since the major purpose is to analyse fertility behaviour, the occupation of a woman is categorised as either working for someone else or not working (which includes those working in family farm/business). As indicated earlier, the relationship between economic condition and fertility has been examined considering two groups of couples. (i) couples with a higher level of education, that is, couples with both husband and wife educated at least upto middle school; and (ii) couples with a low level of education, that is, those who are either illiterate or not having sufficient education (less than middle school).

Although all the major states were covered in the survey, the present investigation is restricted to only four states: Punjab, Maharashtra, Kerala and Uttar Pradesh. Among these four, Punjab is the most prosperous state in terms of economic development. The late-1960s which were marked by the period of 'green revolution' not only established a package agricultural programme (through the introduction of irrigation, high-yielding varieties, fertiliser, pesticides) but also changed the face of Punjab from a state of acute food deficit to surplus. As a consequence, living standards have been rising sharply, along with per capita income. It ranks first among all Indian states both in terms of per capita income (Rs 8,281 at current prices in 1990-91) as well as in annual per capita food production (913.2 kg in 1989-90). The present

demographic change in Punjab is expected to reflect this economic prosperity.

On the other hand, in spite of its economic stagnation Kerala has achieved a unique demographic transition. Contrary to the normal pattern, with the lowest per capita foodgrain production (36 kg in 1989-90) as well as a very low level of per capita income (Rs 3,054 at current prices 1988-89), Kerala has been the most successful state in terms of controlling demographic parameters only through social development.

Although Maharashtra is the second highest ranking state after Punjab in terms of its per capita income (Rs 5,155 at current prices 1988-89), 36.7 per cent of its rural and 17 per cent of urban population still

live below the poverty line. In terms of industrial development, Maharashtra is the most advanced state in India. Contributing 22 per cent of the nation's net value added by the manufacturing sector [CMIE 1991]. However, much of the state income is concentrated only in a few urban pockets of the state which in turn creates extreme inequality within the state [IIPS 1995].

Uttar Pradesh is the most populous state in India with a very low level of per capita income (Rs 2,698 at current prices 1988-89). Most of the state population is still engaged in agricultural activities. The four states, therefore, provide an ideal setting for a fruitful understanding of the linkages between economic condition and fertility.

TABLE 1. MEAN STANDARD OF LIVING INDEX (SLI) AND ITS COEFFICIENT OF VARIATION (CV) ACCORDING TO SELECTED BACKGROUND CHARACTERISTICS FOR SELECTED STATES

Background Characteristics	Kerala			Punjab			Maharashtra			Uttar Pradesh		
	Mean SLI	C V	Number of Women	Mean SLI	C V	Number of Women	Mean SLI	C V	Number of Women	Mean SLI	C V	Number of Women
Place of residence												
Urban	15.9	0.49	1,115	23.6	0.34	800	17.8	0.46	1,574	19.2	0.48	2,197
Rural	12.7	0.56	2,863	18.2	0.41	2,078	10.1	0.62	2,244	10.2	0.52	8,817
Landholding*												
No land	10.8	0.60	1,797	14.7	0.45	961	8.4	0.71	614	8.1	0.61	1,692
1-4 acres	15.6	0.45	976	18.4	0.32	504	9.2	0.59	869	9.8	0.46	5,545
5 or more acres	19.7	0.30	90	23.5	0.29	613	12.5	0.54	761	14.0	0.44	1,558
Couple's education												
Low	10.5	0.55	2,374	17.3	0.40	2,166	10.9	0.59	2,980	10.4	0.53	9,487
High	18.1	0.40	1,604	27.1	0.24	712	21.9	0.34	838	22.2	0.38	1,527
Work status												
Not working/self employed	14.1	0.52	3,242	19.9	0.39	2,707	14.7	0.54	2,900	12.1	0.60	10,663
Working for someone else	11.5	0.67	730	16.4	0.56	171	8.8	0.75	915	8.5	0.70	339
Total	13.6	0.55	3,978	19.7	0.40	2,878	13.3	0.61	3,818	12.0	0.60	11,014

Notes. Category totals may not tally due to the exclusion of missing cases, which are not shown separately.

\* Figures refer to only rural areas.

TABLE 2. MEAN NUMBER OF CHILDREN EVER BORN (CEB), ITS COEFFICIENT OF VARIATION AND BIRTHS OF DIFFERENT ORDER (BO) FOR WOMEN WITH AT LEAST 10 YEARS OF MARITAL DURATION ACCORDING TO THE LIVING STANDARD AND COUPLES' EDUCATION (CEDU) FOR SELECTED STATES

State	Level of SLI	Low-CEDU		High-CEDU		BO for Low CEDU				BO for High-CEDU			
		Mean CEB	C V	Mean CEB	C V	1	2	3	4+	1	2	3	4+
Kerala	Low	3.7	0.57	2.7	0.33	979	937	722	397	989	944	483	135
	Medium	3.6	0.50	2.6	0.41	977	951	716	409	983	908	399	
	High	3.7	0.48	2.4	0.40	982	960	758	466				84
Punjab	Low	4.5	0.41	-	-	969	957	907	696	-	-	-	-
	Medium	4.4	0.39	-	-	990	971	896	698	988	955	615	
	High	3.8	0.40	2.9	0.37	986	971	839	536				226
Maharashtra	Low	4.2	0.48			978	943	843	600	1,000	917	778	134
	Medium	4.0	0.48	3.1	0.35	975	935	824	567	977	916	546	
	High	3.9	0.45	2.8	0.44	969	936	823	585				222
Uttar Pradesh	Low	5.3	0.44	4.1	0.49	985	962	906	780	969	954	808	523
	Medium	5.2	0.45	4.2	0.43	986	965	907	765	978	934	706	
	High	5.0	0.47	3.4	0.47	982	961	873	732				422

Notes. { : BO for the high-CEDU category of medium SLI includes low SLI also.

-- Not enough cases to calculate the BO.

Table 1 provides some information about the economic condition of women in the four states.<sup>2</sup> The average living standard in Punjab is much higher than in the other three states. The ranks of mean level of living are: 20, 14, 13 and 12 respectively in Punjab, Kerala, Maharashtra and Uttar Pradesh. Better economic conditions in Punjab are noticeable in both urban as well as rural areas. The gap between rural and urban women is the least in Kerala and the highest in Uttar Pradesh. However, when we consider economic disparity either in rural or urban areas, the situation is better in Punjab than even in Kerala. Punjab seems to be much ahead of the other three states in having a better economic condition, both in terms of the level and its distributive aspect. Among rural areas of the four states, Maharashtra shows the lowest living standard as well as the maximum inequity. The ownership of land in rural areas, as can be expected, leads to better living condition. This is particularly visible in Kerala and Punjab. In Uttar Pradesh and Maharashtra, where landholding is much more widespread, the standard of living of women possessing 1-4 acres of land is marginally higher than that of the landless. In fact, it is surprising to note that in these two states, the living condition of households with more than five acres of land is even lower than that of the landless households in Punjab. Landless households are a heterogeneous group consisting of agricultural labourers, businessmen and those engaged in service sector. The agricultural prosperity in Punjab has not only benefitted those having land but also contributed to the rise of a wide range of agro-based and other industries which create off-farm employment opportunities for many [Das Gupta 1995]. However, the variation in the standard of living is maximum among the landless and this is true in all the four states.

Table 1 also reveals a strong relationship between education of couples and standard of living of their households, the educated couples having a much higher standard of living compared to the less educated ones. A very small proportion of women were working for someone else. This was particularly true in Uttar Pradesh and Punjab, where the per cent of women working for someone else was 3 and 6 respectively. In all the four states, the living condition of households where women were working for someone else was lower than that in households where they are not working outside. It seems that poor economic condition is the cause for women to go out and work for someone else.

TABLE 3 DESIRED FAMILY SIZE, CURRENT USERS, AND UNMET NEED FOR FAMILY PLANNING FOR WOMEN ACCORDING TO THE LIVING STANDARD AND COUPLES' EDUCATION (CEDU) FOR SELECTED STATES

State	Low SLI		Medium SLI		High SLI	
	Low CEDU	High CEDU	Low CEDU	High CEDU	Low CEDU	High CEDU
<i>Desired Family Size<sup>1</sup></i>						
Kerala	2.4	2.1	2.6	2.3	2.5	2.2
Punjab	2.6	-	2.5	-	2.2	2.0
Maharashtra	2.6	2.1	2.5	2.1	2.2	1.9
Uttar Pradesh	3.2	2.7	3.1	2.6	2.8	2.3
<i>Current Users<sup>2</sup></i>						
Kerala	77.5	87.1	76.8	87.9	66.3	80.3
Punjab	60.9	-	70.1	-	75.6	79.9
Maharashtra	68.3	-	70.1	-	76.8	74.9
Uttar Pradesh	19.5	41.2	23.9	32.8	37.9	60.2
<i>Unmet Need<sup>2</sup></i>						
Kerala	11.6	8.1	10.5	7.8	16.6	11.8
Punjab	23.0	-	22.1	-	19.0	15.2
Maharashtra	16.3	-	15.3	-	14.4	19.1
Uttar Pradesh	40.0	28.2	40.3	40.0	35.2	23.9

Notes: - Not enough cases to calculate.

1 For women with at the most two children and of age less than 30.

2 For women with marital duration of at least 10 years.

TABLE 4 RESULTS OF REGRESSION ANALYSIS OF CHILDREN EVER BORN (FOR WOMEN WITH AT LEAST 10 YEARS OF MARITAL DURATION), SELECTED STATES

Variables	[Reference Category]	Regression Coefficients			
		Kerala	Punjab	Maharashtra	Uttar Pradesh
Place of residence (Type)	[Urban]	0.1116	0.2920*	0.0679	-0.1630*
Rural					
Religion	[Hindu]				
Muslim		1.2128**	@	1.3413**	0.8112**
Other		0.1418	-0.0147 <sup>1</sup>	0.0676	@ @
Caste/tribe	[SC and ST]				
Other		0.0014	0.1895*	3.3791**	0.0654
Current age		0.0697	0.0921	0.1023*	0.4365**
Current age <sup>2</sup>		0.0002	0.0004	0.0007	0.0048**
Couples' education (CEDU)	[Low]				
High		0.2029	0.216*	0.2965	-0.0169
Work status (WOTH)	[Not working /Self]				
Working for someone else		0.6346	0.1110	0.0826	0.2671**
Standard of Living Index	[Low]				
Medium (SLI1)					
High (SLI2)		0.1292	0.1770*	0.1732*	0.1037*
		0.2178	-0.4437**	-0.1673*	0.0780
Child Loss	[None]				
One or more		1.1119**	0.8597**	0.9533**	0.9117**
Ag. Land Holding	[No land]				
1 - 4 acres					
5 + acres		0.0552	-0.4164**	0.0704	-0.1334*
		0.1200	-0.5101**	0.2934**	0.0909
<i>Interaction</i>					
CEDU x SLI1		-0.3636*	0.8671	0.0193	0.0629
CEDU x SLI2		0.5690*	-0.9030	-0.0223	-0.5245*
CEDU x TYPE		0.0648	0.0093	-0.4849*	-0.4233*
CEDU x WOTH		0.8259	-0.5280	-0.5065*	-1.3400**
Regression constant		0.1108	1.5783	1.0226	5.0657
Adjusted R <sup>2</sup>		0.4095	0.3453	0.3842	0.4923
Number of cases		2339	1713	2289	6582

Notes: Words given in parenthesis correspond to the reference category for each group.

\* : Significant at 0.05 level.

\*\* : Significant at 0.01 level.

1 : For Punjab other religion refers to Sikh only

@ : Not considered separately because they are small in number. Hindus include all religious groups other than Sikhs

@@ : Not considered separately because they are small in number. Hindus include all religious groups other than Muslim.

Our basic interest is to find out the impact of living standard on fertility. The most important question here is: What should be the indicator of fertility? Available literature in this direction has suggested that indices of actual fertility, measures of family size preferences, and different aspects of family size decision making might be used as dependent variable [Namboodiri 1972]. Keeping this in view, two indices for actual fertility, mean number of children ever born and births of different orders per 1,000 women have been computed for women who were married for at least 10 years.<sup>3</sup> On the other hand, in order to understand family size preferences, three different variables such as desired family size, proportion of current users of any family planning method and unmet need for family planning have been considered.

How fertility might be related to economic condition can be gauged from Table 2. According to this table, among the less educated couples in Kerala, the average parity does not decline with increase in the level of living. However, in Punjab, the average number of children among women in the 'high' category of living standard was 3.8, which is considerably lower than that among women in the lower level of living. In Maharashtra and Uttar Pradesh, though a declining trend is visible, the difference in the number of children born by level of living is not substantial. The relationship between level of living and fertility appears to be stronger among the educated couples, particularly in terms of the difference in fertility between women in the low and high categories of living. It is apparent from Table 2 that education of couple plays a more dominant role in influencing fertility than the standard of living. Also, there is an interaction between education and standard of living in affecting fertility, the effect of level of living is stronger in the educated couples compared to the less educated ones. The variation in the number of children per woman tends to be more among the low level of living, particularly for less educated couples.

Fertility as measured by births of different order per 1,000 women also suggests that among the less educated group, the decline with living condition is only marginal, except in Punjab. In Kerala, with an increase in the level of living, a greater proportion of the couples (less educated) continues with reproduction and have higher order births. For example, among the high living group, out of 1,000 women 758 have three children, and 466 have four or more children, whereas women

among the low living category, 722 and 397 women have three and four or more children. The finding seems to support the observation that the urge to adhere to the norm of having two children does not diminish with the increasing standard of living. But this is evident only among the less educated group of couples. Thus among the less educated couples, the relation between economic status and fertility might tend to be U-shaped as indicated by Bernhardt (1972). According to her, higher fertility among the highest income bracket can be observed largely because they tend to have greater uniformity in adhering to the social norm of having two children [Bernhardt 1972]. That is, a greater proportion of these women proceed to have at least 2 children. For this group, the results also tend to suggest that childlessness declines with better living condition.

As has been indicated earlier, the relationship between actual fertility with economic condition may get vitiated

because of the failure on the part of women (especially the disadvantaged group) to exercise control to achieve the desired family size. It is, therefore, pertinent to examine how the family size preferences vary with the economic condition. The ideal family size for a woman – how many children she would want in her lifetime if she could start all over again – was ascertained in the NFHS. It is true that fertility ideals of women will be influenced by their actual family size, particularly, it may be over estimated by women whose actual family size is large. The over estimation is likely to occur because the women tend to rationalise their actual fertility behaviour. To obviate this, we have examined the relationship between the ideal family size and economic condition by considering women who have two or fewer number of children and are aged less than 30 (Table 3). These women are still in the process of family building. The family size preferences of the younger women show a declining trend with a rise

TABLE 5: RESULTS OF REGRESSION ANALYSIS OF DESIRED FAMILY SIZE (FOR WOMEN WITH AT MOST TWO CHILDREN AND OF AGE LESS THAN 30), SELECTED STATES

Variables	[Reference Category]	Regression Coefficients			
		Kerala	Punjab	Maharashtra	Uttar Pradesh
Place of residence (Type)	[Urban]				
Rural		0.1878**	-0.1448**	-0.0402	0.2482**
Religion	[Hindu]				
Muslim		0.8392**	@	0.5766**	0.3311**
Other		0.08866**	0.0163	0.0392	@ @
Caste/tribe	[SC and ST]				
Other			0.0574	-0.1553*	-0.2003**
Couples' education (CEDU)	[Low]	0.0053			
High			-0.1897**	-0.3510**	-0.3878**
Standard of Living Index	[Low]				
Medium (SLI1)		0.2082**			
High (SLI2)			++	-0.1884**	-0.1359**
Ag Land Holding	[No land]	0.0980			
1-4 acres		0.1528			
5+ acres			-0.2194**	0.2122**	0.0574
Interaction			-0.2187**	0.1925**	0.0253
CEDU x SLI1		-0.1088*			
CEDU x SLI2		0.0295			
CEDU x TYPE			NA	0.1087	-0.0908
Regression constant		0.1012	-0.0389	-0.0988	0.0502
Adjusted R <sup>2</sup>		-0.0205			
Number of cases		-0.0255	2.4832	2.4980	3.3169
		2.2044	0.1173	0.1383	0.1517
		0.2271	915	1296	3668
		1317			

Notes: Words given in parenthesis correspond to the reference category for each group.

\*\* : Significant at 0.01 level

\* : Significant at 0.05 level.

1 : For Punjab other religion refers to Sikh only.

@ : Not considered separately because they are small in number. Hindus include all religious groups other than Sikhs.

@ @ : Not considered separately because they are small in number. Hindus include all religious groups other than Muslim

++ : Due to small size low and medium categories of SLI have combined.

in the standard of living. This is true in Punjab, Maharashtra and Uttar Pradesh but in Kerala the relationship is not very clear. The table also reveals a strong negative association between education of couples and their desired family size.

Information on family planning behaviour is also provided in Table 3. There exist some differences in either the current use of contraceptive methods or the unmet need<sup>4</sup> for family planning by living condition and education of couples. But they generally tend to be small and do not suggest that the high fertility among the disadvantaged group could be because of their inability to control fertility. The unmet need for family planning among couples with a low level of living is higher than among couples enjoying a high level of living in Punjab, Maharashtra and Uttar Pradesh. It is possible that the strong negative relation between the level of living and fertility observed in Punjab might decline to some extent if the unmet need by level of living becomes uniform.

To have a better understanding of the relationship between fertility behaviour and standard of living, regression analysis has been used. The results are shown in tables 4 and 5. Regarding actual fertility (children ever born among women with at least 10 years marital duration) and standard of living (Table 4), the results suggest that, in general, with an improvement in economic condition, the fertility tends to decline. This is true in the case of Punjab and Maharashtra. In Kerala, there exists a significant negative interaction between education and standard of living in influencing the fertility. In other words, the reduction in fertility with the economic condition is significantly higher among the educated group compared to less educated couples. In Uttar Pradesh, however, the fertility is significantly higher among women belonging to the medium standard of living compared to those with a low level of living. But fertility is even lower among women of Uttar Pradesh with a high standard of living than among women enjoying a low standard of living; and the reduction is significant in the case of the educated group (the interaction between high standard of living and education of couple is negative and significant). The finding, therefore, reveals that fertility is significantly lower among women with a high standard of living than among those with the low standard of living in all the states. Further, this reduction in fertility, as hypothesised earlier, is more perceptible among the better educated group of couples.

The relation between landholding and

the fertility also turns out, in general, to be negative. Higher landholding leads to lowering of fertility. This is particularly true in the case of Punjab which is agriculturally the most prosperous state. This is also true in Uttar Pradesh, though the difference in fertility between women living in households with more than 5 acres of land and those with no land is statistically significant only at 10 per cent level (Table 4). In Kerala, landholding shows no relationship with fertility [Zachariah 1984; Zachariah et al 1994; Zachariah and Irudaya Rajan 1997] and in Maharashtra, on the other hand, the fertility is found to be higher among couples with more than five acres of land than among the landless. As indicated earlier, landholding is positively associated with standard of living. Also, there is a strong association between education of a couple and size of landholding. While the per cent of educated couples declines substantially among the landholders in Punjab, Maharashtra and Uttar Pradesh, in Kerala it is just the opposite. In Kerala, the per cent of educated couples is almost double among the landholders compared to that among the landless. This multicollinearity between the three variables (education, landholding and standard of living) makes the correct assessment of their individual effects somewhat difficult. In fact, the standard of living and landholding are integral part of overall economic condition of a household, particularly in the rural areas. If the two variables are combined, there is no doubt that the resultant indicator of economic condition will not show a positive relation with fertility and in all likelihood will have a negative relationship.

Another point which is noticeable from Table 4 is that mortality tends to make a significant difference in the level of fertility. The rate is much higher (statistically highly significant) among women who experienced child loss compared to those who did not have such an experience. This is true for all the four states. The significance of this can be understood better by the fact that 54, 30, 24 and 17 per cent of couples in Uttar Pradesh, Maharashtra, Punjab and Kerala had experienced child loss. The experience of child loss was lower among the educated group, almost half of that in the less educated group. In fact, this is one reason why the effect of education reduces substantially as experience of child loss is controlled in the regression. If instead of children ever born, children surviving are considered, the difference between the educated and less educated couples would narrow down

substantially. The experience of child loss was, however, not found to be associated with either the standard of living or landholding.

The effect of child loss on fertility may not exactly represent the effect of mortality on fertility. There is a reverse effect of fertility on mortality. Although the exact magnitude of the effect may be debated, it is certain that there is a tendency among mothers, who experience child loss, to replace the deceased children and that a decline in mortality will help in accelerating the fertility decline [Syamala and Roy 1994].

The regression coefficient of work status indicates that fertility among the working women is either same (in Kerala, Punjab and Maharashtra) or higher (in Uttar Pradesh) than that among non-working women. However, it is interesting to note that the interaction between work status and education is negative and significant in Uttar Pradesh and Maharashtra. The negative work-fertility hypothesis is substantiated in these two states only in the case of educated couples. Among the less educated group, the relationship is either absent or positive. Of course, the positive relationship between work and fertility may in fact be an artifact of the effect of fertility on work status. Less educated women with higher fertility may have greater compulsion to earn for subsistence.

The broad findings of the analysis of fertility preference (shown in Table 5) agree with that of the actual fertility. In Punjab, Maharashtra and Uttar Pradesh, the ideal family size declines with better living condition and this trend does not change with the couples' education. The desired number of children declines significantly with the education of couples. In Maharashtra, like actual fertility, the fertility preference of the younger cohort also shows a positive relationship with land holding.

#### CONCLUSIONS

To summarise our findings data on the standard of living (economic status) is not always sufficient to understand the complex mechanism of fertility decline. A set of other social factors are at work which directly or indirectly influence the couples' decision on family size. Thus there can be no such thing as a purely economic theory of fertility [Caldwell 1977].

Among the four states under investigation, only Punjab displays the expected negative association between living standard and fertility change. The impressive record of economic development prior to

the social development in Punjab gave rise to new security of life and livelihood, which was a crucial factor that enabled people to have the confidence adopt universal fertility control [Das Gupta 1995]. This is also evidenced by the fact that landholding has a strong negative relationship with the fertility only in Punjab. The same line of findings in case of Punjab can also be observed from the study of Nag (1984). However, the unmet need for family planning was found to be higher among households with a low level of living. To the extent that this unmet need is met by the programme, the negative relationship between economic condition and fertility in this state will become weaker. But at the same time it needs to be mentioned that the variation in fertility preference by standard of living suggests that the negative relationship will continue in future.

The negative relationship between standard of living and fertility is also evident, though to a lesser extent compared to Punjab, in the other three states, and it is more pronounced in the case of the better educated group. Except in Kerala, fertility preference also declines with better living condition in the other two states. In the

case of Kerala, the attitudes of couples towards ideal family size have not at all been influenced by the living standard. Perhaps, the uniform social development and better diffusion of the programme [Mari Bhat and Irudaya Rajan 1997] has led to the universalisation of small family size norm in this state.

### Notes

- 1 There can be a difference between the desired fertility and the actual fertility performance. Fertility desire among the economically disadvantaged group may be low, but due to high cost of contraception (economic as well as psychological, including lack of knowledge and accessibility of contraceptives) their actual fertility may be high. The positive relationship between economic condition and actual fertility, it is argued, will emerge stronger in societies where contraceptives are widely accessible. On the other hand, the actual fertility performance of the poorer group may get adversely affected by their lower fecundity, which tends to be related to health condition, nutritional deficiency, occurrence of fertility impairing diseases and health care seeking behaviour during pregnancy and child birth.
- 2 By economic condition of women, we mean the standard of living of households in which they live.
- 3 The latter index provides information on the proportion of women having at least  $i$  ( $i = 1, 2, 3, \dots$ ) births.

- 4 Unmet need for family planning is defined here as per cent of women who do not desire additional children but are not yet practising family planning.

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APPENDIX TABLE: SCORES FOR THE VARIABLES USED IN THE COMPUTATION OF STANDARD OF LIVING INDEX (SLI)

Variable	Scores		
1 Separate room for cooking	Yes	= 1	
	No	= 0	
2 Type of house	Pucca	= 2	
	Semi-pucca	= 1	
	Kachha	= 0	
3 Source of lighting	Electricity	= 2	
	Kerosine or gas or oil	= 1	
	Other	= 0	
4 Fuel for cooking	Electricity or gas or bio-gas	= 2	
	Coal or charcoal or kerosine	= 1	
	Other	= 0	
5 Source of drinking water	Well or pipe or hand-pump (own)	= 2	
	Well or pipe or hand-pump (public)	= 1	
	Other	= 0	
6 Toilet facility	Own flush toilet	= 3	
	Flush toilet (public or shared) or own pit toilet	= 2	
	Shared pit toilet or public pit toilet	= 1	
	Other	= 0	
7 Ownership of livestock	Bullock	= 2	
	Cow or	= 2	
	Buffalo	= 2	
	Goat	= 1	
	Sheep	= 1	
	Camel	= 1	
8 Ownership of goods	Sewing machine	= 2	
	Clock/watch	= 1	
	Sofa set	= 2	
	Fan	= 2	
	Radio/Transistor	= 2	
	Refrigerator	= 3	
	Television	= 3	
	VCR/VCP	= 3	
	Bicycle	= 2	
	Motorcycle/Scooter	= 3	
	Car	= 4	
Standard of living index (SLI)	Score range	0 to 48	
Categories of SLI	Range		
Low SLI		0 to 9	
Medium SLI		10 to 19	
High SLI		20 and above	

# Religion-Specific Differentials in Fertility and Family Planning

K Moulasha  
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*The relationship between religion and fertility behaviour has prompted much interest, especially in the context of the rising population in developing countries. In India data reveal that the fertility rate among Muslim women is significantly higher than for Hindu women which may in the first instance be attributed to such practices as post-partum abstinence and the length of amenorrhea after child birth. Clearly, however, there are more complex socio-economic reasons for the differential behaviour of the two communities that needs to be better understood.*

RELIGION has a more significant influence on demographic behaviour in developing countries than in more developed countries. A high level of fertility has been associated with the religious prohibition of the use of birth control and values about the importance of children, priority of the family and gender. In this context, the reduction of fertility differences among religious groups suggests a decline in the influence of religion on the choices of persons about childbearing and contraceptive use [Chamie 1981]. The rapid population growth in the developing world has led to an increased interest in religious values that may affect efforts to reduce fertility levels [Goldstein 1970] and the relationship between religion and fertility behaviour. The subject continues to be discussed in India since the 1950s.

In order to explain the religious differentials in fertility, social scientists and demographers have formulated four major hypotheses [Goldscheider 1971; Chamie 1981]. They are: (i) the 'characteristics' (or assimilationist) hypothesis; (ii) the 'particularised theology' hypothesis; (iii) the 'minority group status' hypothesis; and (iv) 'interaction' hypothesis. Advocates of the 'characteristics hypothesis' argue that religious differentials in fertility are essentially a result of differences in the demographic, social and economic attributes of the members of religious groups. In contrast, supporters of the 'particularised theology' proposition contend that religious differentials in fertility are due to differences in religious doctrine. For example, in a summary article on Muslim natality, Kirk (1967) argued that Islam has been a more effective barrier to the diffusion of family planning than other religions. El-Hamamsy (1972) and Omran (1973) suggested that in order to understand the higher fertility of Muslims, greater importance should be given to the effect of the belief system on the behaviour level and existing socio-economic condi-

tions in their respective countries and less to Islamic theology. The third proposition 'minority group status' views fertility differentials among various religious groups within the larger context of fertility and social organisation. Its advocates maintain that insecurity of minority group membership depresses fertility below that of the majority group when (1) acculturation of minority groups has occurred in conjunction with the desire for acculturation; (2) equalisation of social and economic characteristics occurs and/or social and economic mobility is desired; (3) no pro-natalist ideology is associated with the minority group and no norm discourages the use of efficient contraceptives [Goldscheider 1971]. Chamie's (1981) 'interaction' hypothesis maintains that fertility differentials depend on the interaction between the socio-economic levels of the religious groups and the local orientations of these groups toward procreation and fertility control.

India is a country with a pluralistic religious society. Among them, Hindus form a majority with 82 per cent, followed by Muslims with 12 per cent [RGI 1991]. Therefore, the discussion is confined only on Hindus and Muslims of India as the changes in the reproductive behaviour of these two groups will influence the demographic as well as the political scenario of the country. In this paper, an attempt has been made to study the fertility and contraceptive practices of these two communities as observed from National Family Health Survey (NFHS). The analysis is based on interviews with 79,640 currently married (69,570 Hindu and 10,070 Muslim) aged 13-49 years. The proportions of Muslim women among the younger age (13-14, 15-19 and 20-24 years) were slightly higher than those of Hindus.

The religious composition of India has been changing and the proportion of Muslims has been steadily increasing for decades. Data from different decadal

censuses show that except during 1941-51, the growth rate of Muslims has been higher than that of Hindus. The higher growth rate of Muslims prior to 1951 was perhaps due to conversion, but since in recent periods conversion of Hindus to Islam has been rare, the observed differentials in growth rates between Hindus and Muslims must be attributed to differences in the components of population growth, viz. fertility, mortality and migration. Although Hindus were more migratory than Muslims in the past, it is unlikely that the effect of this component on the overall growth rate of the two communities has been significant. According to the 1951 Census, the share of Muslims in the total population was 9.9 per cent and it has increased to 12.1 per cent in 1991; whereas the proportion of Hindus has declined from 84.9 to 82 per cent during the same period. Therefore, the observed variation in growth rates between these groups remains to be explained in terms of differences in mortality and fertility [Visaria 1974; Balasubramanian 1984]. Generally, the higher fertility of Muslim is believed to be primarily responsible for their higher growth rate [Kulkarni 1996].

The growth of population of different religious groups is determined by the various social and economic characteristics of the respective groups. Information about such differentials is necessary to identify the factors and assess the prospects for change in the composition of population in various groups. It is also helpful in identifying the major determinants of the fertility level of the population. Above all, it provides clues about future fertility trends of the population.

## Background Characteristics

Place of residence: One in four Hindus lives in urban areas whereas among Muslims the proportion is one in three. To study the difference in their social condition, their literacy level has been con-

sidered as a key variable. It is found that the proportion of literates among Hindus is slightly more than among Muslims. If we look at the educational attainment by religion, Hindus have done better than Muslims. Data regarding the educational status of the two groups by place of residence show no significant difference in the literacy rate of rural Hindus and Muslims but in urban areas, 65.3 per cent of the Hindus were literate whereas among Muslims, the percentage was 47.9 (Table 1). The data suggest that the Muslims did not go for higher education as compared to their counterparts and stopped their schooling at an early stage. The possible reason for the educational backwardness of Muslims is their lower socio-economic condition. Work status of the spouses shows that irrespective of religion, nearly all of them participate in economic activity because most of them are in the prime working ages. A sizeable proportion of the Hindus (43 per cent) worked in agriculture, and production and transportation (26.3 per cent); the corresponding figures for Muslims were 26.6 and 39.6 per cent respectively. Details regarding those spouses engaged in agriculture show that more Muslims were farming rented land while Hindus cultivated their own land. It shows the relatively poor condition of the Muslims. Data regarding the respondents' work status reveal that only 15 per cent of the Muslim women participated in work whereas for Hindu women the figure was 34 per cent. Among the workers, the percentage of women working for cash was less among Muslims. Distribution of respondents' occupations by religion shows that the Hindu respondents, like their spouses, mostly participated in agriculture (65.7) and production/transportation (21.9 per cent) while among Muslim respondents, an identical 42 per cent worked in the two sectors.

### *Fertility and Its Preferences*

The NFHS estimated fertility levels, trends and differentials among Hindus and Muslims. The current and cohort fertility levels show that Muslims have a higher fertility than Hindus (Table 2). On an average, Muslim women have 1.1 children more than Hindu women. It is often argued that religious differentials in fertility may be due to socio-economic differences among the different religious groups rather than religious affiliation itself. However, to measure the role of socio-economic conditioning influencing the religious differentials in fertility, it is examined with the level of education. At each level of education, the TFR of

Muslims is higher than that of Hindus. Among the first three educational categories, TFR of Muslims is 23-26 per cent higher than that of Hindus. The difference was even larger (43 per cent) among women who had studied up to high school and beyond. Thus controlling for the effects of education only decreases religious differentials to some extent, but the difference exists. It should be mentioned that fertility generally declines sharply with increasing education in both religious group.

Differentials in the number of children everborn and surviving indicates that Muslim women had given birth to 0.6 child more than their Hindu counterparts. Interestingly, among the children everborn to Muslim women, the sex ratio at birth was slightly favourable to female as compared to that among Hindus. The difference between the average number of children everborn and surviving was the same (0.4 children) among both Hindus and Muslims. Surprisingly, though the Muslim women gave birth to a slightly more number of children than Hindus, the quantum of child loss was the same among both the groups. In other words, the Muslim women had a lower rate of child loss than Hindus.

Birth intervals are an important indicator of the pace of child bearing. Earlier studies have shown that children born too close to a previous birth have an increased risk of dying, if the interval between births is less than 24 months [Govindasamy et al 1993]. Among the major determinants of fertility, lactation amenorrhoea and postpartum abstinence are significant. The duration of postpartum amenorrhoea following birth is closely associated with the duration of breast feeding which tends to suppress the resumption of ovulation. Conception can also be delayed by prolonged postpartum amenorrhoea and abstinence. The total period of protection against conception from amenorrhoea or abstinence or both is defined as the non-susceptible duration. Table 3 shows that median birth interval during the five years preceding the surveys was around two months higher among Hindus. Overall, 29 per cent of Muslim births occurred within 24 months of the previous birth while the corresponding proportion among the Hindus was 25 per cent. As shown in Table 4, the relatively shorter median birth interval of Muslims probably reflect the cessation of breast feeding and the consequent shortening of the period of postpartum amenorrhoea. The median duration of postpartum amenorrhoea, postpartum abstinence and postpartum non-susceptibility was longer among Hindus. To be

precise, among Muslims, the duration of PPA is one month shorter and postpartum abstinence is 0.7 month lower and postpartum non-susceptibility is 1.1 month shorter than among Hindus. It is to be mentioned here that though the Koran emphasises that the mother should suckle her children for two full years, it seems to be overlooked by the Muslim women for some reasons.

### *Childbearing at Younger Ages*

There has been a growing worldwide concern over the fertility of women under the age of 20, primarily because of its

TABLE 1: AGE AND EDUCATION OF EVER-MARRIED WOMEN BY RELIGION

	Hindus	Muslims
<i>Education (Urban)</i>		
Illiterate	34.7	52.1
Less than primary	6.7	11.1
Primary completed	15.3	16.4
Middle completed	12.6	8.5
High school completed	18.9	9.2
Above high school	11.7	2.7
<i>Education (Rural)</i>		
Illiterate	73.5	84.0
Less than primary	5.9	9.4
Primary completed	10.0	9.9
Middle completed	5.4	4.5
High school completed	4.4	1.8
Above high school	0.8	0.4
<i>Education (Total)</i>		
Illiterate	64.1	66.1
Less than primary	6.1	10.0
Primary completed	11.3	12.2
Middle completed	7.2	5.9
High school completed	7.9	4.5
Above high school	3.4	1.2
Mean years of wife's schooling	2.9	2.3
Mean years of spouse's schooling	5.8	4.6
<i>Occupation of the spouses</i>		
Prof-tech high level	1.9	1.2
Prof-tech low level	2.6	2.3
Admin/exec/managers	1.7	1.1
Clerical	6.0	3.3
Sales workers	9.9	17.3
Service workers	4.9	4.8
Farm fish, hunt, log	43.0	26.6
Production, transport	26.3	39.6
Non-workers	3.8	4.0
Unemployed persons	1.6	1.9
<i>Work status of women</i>		
Working	35.1	16.8
Family farm/business	48.4	37.2
Work for someone else	45.3	49.6
Self-employed	6.3	13.8
Working for cash	55.4	65.7
Work at home	8.0	13.3
<i>Occupation of respondents</i>		
Prof-tech high level	0.5	0.3
Prof-tech low level	3.1	3.6
Admin/exec/managers	0.3	0.3
Clerical	1.3	0.8
Sales workers	3.5	7.5
Service workers	4.1	4.6
Farm fish, hunt, log	65.7	40.4
Production, transport	22.3	42.4

Source: India, NFHS.



adverse health and social consequences [The Alan Guttmacher Institute 1998]. High adolescent fertility seems to affect the health of teenage mothers and their infants. It has also emerged as a social issue, particularly in developing countries, because early childbearing may cause an interruption of education, resulting in low future income through fewer labour force options and a larger completed family size.

As shown in Table 5, the proportion of ever married women in the age 13-19 among Hindus and Muslims was 10.7 years and 11.7 years respectively. Overall, around 58 per cent of ever married teenage women had started their childbearing before reaching the age of 20. The corresponding percentage of Muslim women is six points more than that of Hindus (62.3 per cent compared to 56.8 per cent).

### Onset of Childbearing

The onset of childbearing is an important indicator which reflects prevailing fertility trend. Median age at first birth among Muslims was 18.9 years as compared to 19.5 years among Hindus. Muslims begin childbearing at a slightly younger age than Hindus (Table 5). Another important determinant of fertility level, age at last birth, also shows that Muslims continue childbearing into their late 30s and 40s. The likely reason for Muslims having a lower age at first birth and a higher age at last birth than the Hindus seems to be their less frequent use of contraception. The difference between the median age first birth and the last birth implies an estimated average reproductive life of 14 years for Muslims, whereas this span is three years shorter for Hindus. As of 1992, the effective reproductive span (difference between age at first and last child) among women in Kerala was only 4.33 years whereas the same span for Rajasthani women was 14 years [Mishra and Irudaya Rajan 1997].

### Family Planning

In a country like India, success of the family planning programme is entirely dependent on the strategy of the programme to suit and meet the need of the different groups of inhabitants. It is naive to expect that all people will respond to a programme in the same manner. So it would be meaningful if we go into the details of knowledge, attitude and practice of family planning by religion as it will be useful for policymakers and programme administrators.

According to the NFHS, in India, modern methods of contraception are more exten-

sively known than the traditional methods. Substantial differences are noted with regard to the knowledge about methods by religion. Table 6 reveals that a slightly higher proportion of Muslim women had knowledge about contraceptive methods than Hindu women. The proportion of Muslim women knowing any method of contraception and also a modern method of contraception was higher than that among Hindus. However, the level of knowledge about sources of contraceptive methods was lower among Muslims.

Table 7 shows the level of contraceptive use among currently married women who had reported that they knew at least one method of family planning. Although a higher proportion of currently married Muslim women reported knowledge of at least one method of family planning, the proportion of those reporting current use of any method was considerably lower

than that among Hindus, particularly for permanent methods (Hindus 32.7 per cent, Muslims 16 per cent). A similar picture emerged with respect to the current use of modern methods. On the other hand, the current use of modern temporary and traditional methods was slightly higher among Muslims than among Hindus. It is clear from this table that religious differences in contraceptive use are quite significant. These differentials may partly reflect the relationship between the level of education and contraceptive use; a part of these differentials may disappear once the level of education is controlled. The same table also shows that the religious differential in contraceptive use rate tends to narrow as the educational level of the women increases. The use of any modern temporary method is, however, higher among Muslims than among Hindus in each educational category. The analysis

TABLE 2. FERTILITY BY RELIGION AND EDUCATION

	Hindus	Muslims
Total fertility rate	3.30	4.41
Illiterate	3.93	5.03
Less than middle school	2.93	3.61
Middle school completed	2.45	3.05
High school and above	2.07	2.97
Children ever-born	3.0	3.6
Children surviving	2.6	3.2

Source: India, NFHS.

TABLE 3. BIRTH INTERVALS BY RELIGION (In months)

Months	Hindus	Muslims
<12	1.9	2.7
12-17	9.6	10.2
18-23	14.7	16.2
24-35	33.6	34.6
36-47	21.1	20.2
48+	19.1	16.1
Median months	32.0	30.3
No of births	35,344	7,411

Source: India, NFHS.

TABLE 4. POST-PARTUM AMENORRHOEA, ABSTINENCE AND NON-SUSCEPTIBILITY BY RELIGION (In months)

	Hindus	Muslims
Post-partum amenorrhoea	9.3	8.3
Post-partum abstinence	3.6	2.9
Post-partum non-susceptibility	10.3	9.2

Source: India, NFHS.

TABLE 5. AGE AT FIRST AND LAST BIRTH BY RELIGION

	Hindus	Muslims
Proportion of ever-married women	10.7	11.7
Childbearing* EMW (13-19)	56.8	61.3
Median age at first birth	19.5	18.9
Median age at last birth	30.4	32.8

\* Ever-married women.

Source: India, NFHS.

TABLE 6. KNOWLEDGE OF FAMILY PLANNING METHODS BY RELIGION (Per cent)

Knowledge of	Hindus	Muslims
Any methods	95.1	96.5
Permanent methods	94.8	96.0
Any modern temporary methods	74.3	83.0
Any natural methods	36.3	42.6
Urban		
Any methods	98.5	97.3
Permanent methods	98.2	96.7
Any modern temporary methods	91.0	90.2
Any natural methods	48.9	38.8
Rural		
Any methods	94.1	96.0
Permanent methods	93.7	95.6
Any modern temporary methods	69.0	79.1
Any natural methods	32.3	44.8

Source: India, NFHS.

TABLE 7. CONTRACEPTIVE USE BY METHOD AND EDUCATION

Method and Education	Hindus	Muslims
Any method	41.6	77.7
Current use (modern method)	37.7	22.0
Illiterate	33.1	17.3
Less than middle school	47.3	29.0
Middle school completed	43.5	31.4
High school and above	45.5	38.9
Permanent method	32.7	16.0
Tubectomy	29.0	14.4
Vasectomy	3.7	1.6
Temporary method	5.1	6.1
Illiterate	1.8	3.1
Less than middle school	5.3	8.0
Middle school completed	8.8	13.6
High school and above	20.3	24.6
Any traditional method	3.9	5.7
Periodic abstinence	2.4	3.7
Withdrawal	1.3	1.6

Source: India, NFHS.

suggests that religious differences in contraceptive use persist even after controlling for education. This information corroborates the earlier findings that Muslims prefer modern temporary methods rather than sterilisations or abortion and also that Muslims too like to control their family size.

#### *Exposure to Family Planning Messages and Its Acceptability*

To assess the spread of family planning messages through various mass media, respondents were asked whether they had heard or seen any messages to promote family planning on radio or television. Although a majority of the Muslims live in urban areas, their exposure to family planning messages was a little lesser than that of Hindus. The proportion of Hindus having heard a message on radio and televisions was slightly higher than that of Muslims. The acceptability of the family planning messages was also higher among Hindus than among Muslim women (Table 8).

#### *Discussion and Attitudes of Couples Towards Family Planning*

The non-sterilised currently married women who knew a contraceptive method were asked how often they had talked with their husbands about family planning in the year before the survey. An identical percentage of Muslim and Hindu women had a discussion with their spouses. There is difference in the extent of discussion of family planning between them but more number of Muslim women discussed about family planning more often in the last year than their counterparts (Table 8).

Couples' opinion on approval of family planning is one of the determinants of acceptance of any contraceptive method by women. Information on attitudes towards family planning was obtained by asking non-sterilised women whether they and their husbands approved or disapproved of it. The proportion of Muslim couples having a positive attitude towards family planning was around 10 per cent lower than that of Hindus (Table 8).

#### *Fertility Preference*

Children provide certain invaluable satisfactions to parents. Invariably all religions emphasised about the positive functions of having children. Thus, there has been resistance to human interference with fertility from all major religions. Information regarding the potential demand for family planning shows that the desire to have more children in comparatively higher among Muslims than among their

Hindu counterparts. Interestingly, 61 per cent of the Muslim women who had two living children did not want additional children, whereas the corresponding percentage for Hindus was 39 (Table 9).

#### *Ideal Number of Children*

The key factors influencing fertility of married women are the number of children they desire. Table 10 shows that the ideal number of children desired by Muslim women was higher than that of their Hindu counterparts in each age group. The average number of ideal children reported by Muslim women of each age group was higher than was reported by their Hindu sisters, but the differences between the two group widened with increasing age.

#### *Unmet Need for Family Planning*

The total unmet demand for family planning was higher among Muslim women than among Hindu women. According to the NFHS, one-fourth of the Muslims who either did not want any more children or wanted to wait two or more years before having another child, were not using contraception. These corresponding percentage for Hindus was 19 (Table 11).

#### *Fertility Planning*

The TFR can be divided into 'wanted' and 'unwanted' portions. The unwanted portion of fertility relates to the birth about which the mothers reported that at the time she became pregnant, she did not want to have any more children; the wanted TFR

TABLE 8: DIFFUSION OF FAMILY PLANNING BY RELIGION (Per cent)

Exposure to FP Messages	Hindus	Muslims
Radio and television	41.7	40.0
Acceptability of messages	68.3	64.3
Couple discussion on FP	49.9	51.3
Discussed more often on FP	12.6	14.8
Favourable attitudes	59.2	49.3
Unfavourable attitudes	10.2	19.5

Source: India, NFHS.

TABLE 9: DESIRE TO HAVE NO MORE CHILDREN ACCORDING TO NUMBER OF LIVING CHILDREN AND RELIGION (Per cent)

Living Children	Hindus	Muslims
0	2.8	2.3
1	14.7	9.5
2	60.9	38.6
3	78.3	60.1
4	84.2	70.5
5	85.6	76.6
6+	83.2	77.8
Total	57.2	49.2

Source: India, NFHS.

comprises all other births, that were wanted later than they actually occurred. Religious differences in wanted and unwanted components of the TFR and in ideal family size are given to facilitate comparison.

Considerable differences in all three measures are evident by religion (Table 12). TFR, TWFR and ideal number of children among Muslims are comparatively higher than among Hindus. The TFR of Hindus (3.30) is 28 per cent higher than the total wanted fertility rate (2.58), whereas, the corresponding percentage for Muslims is 32.

According to NFHS, Muslim women had 1.1 children more than Hindu women. The possible reason could be the longer reproductive span of three years than Hindus. Muslims also have reported a shorter period of post-partum amenorrhea and post-partum abstinence than Hindus. Muslims have a lower mean age of first birth and higher age of last birth consequently resulted in more number of reproductive years than their counterparts. Muslims were found to be less inclined to use modern contraceptive methods and they preferred to use the modern tempo-

TABLE 10: IDEAL NUMBER OF CHILDREN ACCORDING TO AGE AND RELIGION (Per cent)

Age	Hindus	Muslims
13-14	2.8	2.9*
15-19	2.7	3.0
20-24	2.6	3.0
25-29	2.7	3.3
30-34	2.8	3.5
35-39	2.9	3.6
40-44	3.0	3.8
45-49	3.2	3.8
Number of children	3.4	3.6
Number of male children	1.6	1.8
Number of female children	1.0	1.2
Total	2.8	3.3

\* Based on 25-49 unweighted cases.

Source: India, NFHS.

TABLE 11: NEED FOR FAMILY PLANNING BY RELIGION (Per cent)

	Hindus	Muslims
Total unmet need for FP	18.9	25.8
Total met need for FP	41.6	27.8
Unwanted pregnancy	8.5	11.4

Source: India, NFHS.

TABLE 12: FERTILITY PLANNING BY RELIGION (Per cent)

	Hindus	Muslims
Wanted no more children	8.5	11.4
Total wanted fertility rate	2.58	3.35
Total fertility rate	3.30	4.41

Source: India, NFHS.

rary methods which are less effective. In order to influence the fertility behaviour of Muslims, attention should be focused on changing attitudes towards fertility and family planning.

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## Metamorphoses of Agrarian Capitalism

### Corrections

The following corrections may kindly be noted in 'Metamorphoses of Agrarian Capitalism' by Jairus Banaji (October 2, 1999):

- p 2850, line 37 for 'among various disfigurements' read 'among various disfigurements'
- line 62 for 'c 1930' read 'c 1930'
- p 2851, line 2 for 'lowland West Bengal' read 'lowland West Bengal'
- line 6 for 'Chhatisgarh and Nagpur' read 'Chhatisgarh and Nagpur'
- line 14 for 'as distinct regions' read 'as distinct regions'
- line 73 for 'what kind of realities' read 'what kind of realities'
- line 74f for 'does not appear anywhere in human experience' read 'does not appear anywhere in human experience' (Sartre's emphasis)
- line 92f for double quotes substitute single quotes
- line 95f for 'the counterfinalities of crop patterns that exhausted the soil and destroyed food security' read 'the counterfinalities of crop patterns that exhausted the soil and destroyed food security'
- line 99f for 'widespread ecological damage' read 'widespread ecological damage'
- p 2852, line 30f for 'a private estate called serf-khas' read 'a private estate called serf-khas'
- line 40f for 'described by Mukherji (1986)' read 'described by Mukherji (1986)'
- line 73 for '3,16,000 acres' read '3,16,000 acres'
- line 95ff in the citation from Chen's text italicise *narva*, *moksha patel*, and *narvadar* (since these are in italics in the original). Likewise, in line 105 italicise *sowears*, since that is how it appears in Chen's citation of Naik
- line 163 for 'casualisation' read 'casualization'
- line 169f for 'left the majority of households deprived' read 'left the majority of households deprived'
- line 181 for 'one of diverse configurations' read 'one of diverse configurations'
- p 2853, line 57f for 'gave their landlord-employers' full control' read 'gave their landlord-employers full control'
- line 74ff the sentence should read: 'The argument here is not that the use of these forms of tenant labour constitutes capitalism, but that their presence (and 'tenancy' more generally, that is, tenancy as such) does not rule out capitalism in agriculture, and should not be construed as doing so.'
- line 98 for 'later 19th c' read 'later 19th century'
- line 115 for 'and peasant capitalism, respectively' read 'and peasant capitalism respectively'
- line 121 for 'Gutswirtschaft' read 'Gutswirtschaft'
- line 146ff the sentence should read 'and it is possible that in some cases they may have found it hard to meet their engagements with the great trading houses in Bombay' (emphasis mine).'
- line 161f for 'establishing control over commodities' read 'establishing control over commodities'
- p 2854, line 2 for 'lays' read 'lay'
- line 15f for 'it was easier - to arrange for compact areas' read 'it was easier... to arrange for compact areas'
- col 2 for 'PLEASANT CAPITALISM' read 'PLEASANT CAPITALISM'
- line 141f for 'in the direction of further extension' read 'in the direction of further extension'
- line 183f read 'other kinds of capitalism and their considerable hold over large sections of the peasantry.'
- p 2855, line 22 for 'totalising conception' read 'totalising conception'
- line 32f for 'the way they function in reality' read 'the way they function in reality'
- line 56ff the sentence should read 'That the deployment of these forms of hired labour was characterised by considerable coercion, including debt bondage, especially in the colonial period, is incidental to the essential nature of the relationship as a domination of wage labour.'
- line 63 for 'the halpatis' read 'the Halpatis'
- line 73 for 'are very widely reported' read 'are very widely reported'
- bottom of col 2 delete 'TENANCY AND WAGE LABOUR'
- line 124f for 'the large nair and syrian Christian tenant cultivators' read 'the large Nair and Syrian Christian tenant cultivators'
- line 132f for 'landless pulaiyan and paraiyan castes' read 'landless Pulaiyan and Paraiyan castes'
- line 158f for 'paraiyans attached to..' read 'Paraiyans attached to.'
- line 168 for 'noted that their wages were generally paid in kind' read 'noted that their wages were generally paid in kind'
- line 169ff the sentence should read 'Dharma Kumar describes the *pudiyals* as 'hired farm servants receiving wages in kind', and notes that they were frequently 'hired for very long periods.'
- p 2856, line 60ff the sentence should read 'On a rough estimate it may be said that only about 10 per cent of the farmers depended entirely on hired labour'
- line 79f for 'relying exclusively on hired labour' read 'relying exclusively on hired labour'
- line 83 for 'noted that all' read 'noted that all'
- line 125f for 'possession of a privileged tenantry' read 'possession of a privileged tenantry'
- line 136ff the sentence should read 'a very large part of the rural proletariat of the United Provinces, who were merely allotment holders,'
- note 2 add '(emphasis in original)'
- note 47 for '(Clark (1983) on' read '(cf Clark (1983) on'

Ed.

# Economic and Caste Criteria in Definition of Backwardness

K Srinivasan  
Sanjay Kumar

*While the NFHS was conducted with the primary objective of collecting data on reproductive status, it has generated considerable data on caste and economic conditions. An analysis of this data set shows that there are wide differentials in the economic conditions of the socially backward castes and classes. This raises vital questions on the role and relevance of caste-based privileges.*

## I Introduction

A UNIQUE feature of the Indian society is the caste system. The stratification of the Indian population into sub-groups defined by caste, which is determined by birth, has been in existence for thousands of years. It is now considered one of the major social hurdles in the development of the nation. The social distance between the caste groups varies from state to state, but generally there is a well established hierarchy of castes that can be considered under four broad headings, namely, brahmins, kshatriyas, vaisyas and shudras, and such a stratification can be traced back to the Vedas. It appears that the major stratification in terms of castes ('varna') was originally based on occupational division without a vertical social hierarchy. However, over the centuries the 'varna' system seems to have expanded and became rigid with many subcastes ('jatis') springing up within each major category. There are innumerable subcastes among brahmins, kshatriyas, vaisyas and shudras, and the differentiation between the subcastes within a major caste category has also widened over the years. Most of the marriages even today take place within a subcaste and intercaste marriages are socially not yet accepted.

Social reformers rose in revolt against the rigidities and injustices springing from the caste system. A particularly evil practice is that of treating many caste groups as 'untouchables' or social outcasts. During the past few centuries, many social reformers have agitated, written and canvassed against the evils of the caste system. Prominent among such social reformers are Sant Ramdas in Uttar Pradesh, Guru Nanak in Punjab, Raja Ram Mohan Roy in West Bengal, Basavappa in Karnataka, Narayana Guru in Kerala and Periyar in Tamil Nadu. One of the most recent crusaders of social reforms in the country was Mahatma Gandhi, who fought for the emancipation of the down-

trodden castes as a part of the independence movement. Gandhi called the poorest and lowest among the caste hierarchy, who are considered untouchables by the rest, 'Harijans' or children of 'Hari' (God). Another historic figure championing the cause of downtrodden caste groups was B R Ambedkar, the architect of the Constitution of India.

With the attainment of independence in 1947 and the strong views of Mahatma Gandhi prevailing within the Congress Party, the Constitution of India in 1950, adopted special provisions for the uplift of the weakest in the caste hierarchy.

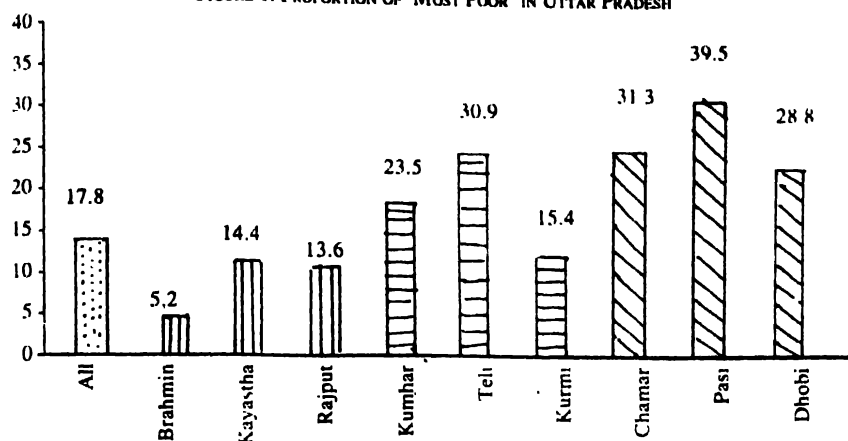
Articles 341 and 342 of the Constitution included a list of scheduled castes (SCs) and scheduled tribes (STs) for whom special benefits were to be given to uplift them from their continued backwardness in society because of the caste structure. Those castes which were considered to be at the bottom end of the social order in the country were identified state by state for special benefits through reservations in educational institutions, employment, subsidised food, political representation in legislatures and the parliament. The special privileges were intended to help the backward castes/tribes to join the

TABLE 1A: DISTRIBUTION OF HOUSEHOLDS OF SPECIFIED CASTES BY SOCIO ECONOMIC INDICATORS IN UTTAR PRADESH

Caste/Area of Residence	Total Households (No)	No Adult Literate Member	Living in Kaccha House	(Per cent)			
				Without Electricity	No Toilet Facility	No Irrigated Land	No Watch, Radio, Bicycle, etc
All							
Combined	10110	28.6	52.0	66.0	75.9	44.4	27.3
Rural	7795	32.5	62.1	80.0	92.6	32.3	31.1
Brahmin*							
Combined	1255	8.0	36.2	49.6	69.3	38.2	15.9
Rural	946	9.9	46.7	64.2	89.9	23.9	20.1
Kayastha*							
Combined	189	16.9	45.5	44.4	46.0	64.0	15.3
Rural	65	27.7	76.9	86.2	81.5	30.8	18.5
Rajput*							
Combined	738	22.4	51.3	67.6	82.4	33.0	25.2
Rural	616	25.3	59.1	79.1	93.7	26.0	28.6
Kumhar**							
Combined	188	41.5	64.5	76.1	86.7	44.1	29.9
Rural	150	42.7	70.0	86.0	94.7	31.8	28.9
Teli**							
Combined	68	47.1	61.8	73.5	85.3	58.8	45.6
Rural	60	48.3	65.0	76.7	91.7	58.3	43.3
Kurmi**							
Combined	52	25.0	59.6	71.2	75.0	28.8	26.9
Rural	41	24.4	65.9	82.9	87.8	12.2	31.7
Chamar***							
Combined	1316	40.0	68.8	83.4	95.1	48.8	41.9
Rural	1193	41.6	72.7	88.9	98.7	44.8	43.8
Pasi***							
Combined	125	43.2	88.0	89.6	95.2	38.7	41.6
Rural	108	46.3	95.4	95.4	99.1	33.6	43.5
Dhobi***							
Combined	156	39.1	60.9	75.0	89.7	54.5	37.8
Rural	132	40.9	66.7	85.6	97.0	48.5	40.9

Note for all tables: \*\*\* SC \*\* OBC \* Others.

FIGURE 1: PROPORTION OF 'MUST POOR' IN UTTAR PRADESH



mainstream of national development. The lists of SCs and STs originally promulgated as part of the Constitution of India, have been modified, amended and supplemented from time to time, and a more recent updated series has been published in the Scheduled Castes and Scheduled Tribes Orders (Amendment Act) 1976.

The Mandal Commission, which went into the question of reservations had also included many other castes, that were not covered in the list of SCs and STs, in the category of other backward castes (OBCs) and recommended special privileges to them in order to lift them from their socio-economic backwardness. The OBCs were identified by the central government as common list and by each state as a special state list.

## II

### Data and Method of Analysis

In this context, it is necessary to examine how far some of the castes, which have been receiving these special privileges over the past 50 years, have improved their conditions, and to study whether the differentials in economic conditions between the caste groups have narrowed down. The data collected in the 1931 Census were the last comprehensive body of information on the economic conditions of different castes in the country. Though information on caste was collected in the 1951 Census, it was not analysed for various reasons and the information on caste was not collected in the subsequent censuses. The classification of OBCs by the Mandal Commission in 1980 was based on the economic conditions of households in the 1931 Census. The National Family Health Survey (NFHS) has provided an opportunity to study the relationship between caste and economic condition. NFHS was conducted with the primary objective of providing reliable and comparable esti-

mates of fertility, infant mortality, contraceptive use, reproductive health, family size desires, etc., for the states of India. In addition to questions on these topics, information was also collected on caste of the head of the household and economic conditions of the household, such as type of house, source of lighting, availability of protected water, toilet facility, modern objects owned, viz, watch, radio, bicycle and literacy levels of the members of the household. Thus this data set presents a

unique opportunity to study the differentials in socio-economic indicators by caste.

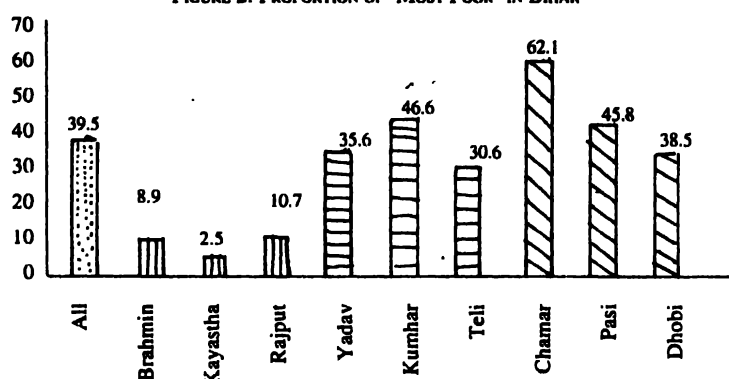
For the present analysis, data from the states of Uttar Pradesh, Bihar and Tamil Nadu, have been used; the number of households covered in the survey from the above states was 10,110; 4,748 and 4,287 respectively. The survey work in UP was carried out between October 1992 and February 1993, in Bihar during March-June 1993 and in Tamil Nadu between April and July 1992. The survey provided a unique opportunity to analyse the economic conditions and other demographic characteristics of the households by caste.

From the data compiled in the NFHS, we identified a group of castes in each of the three states which are considered to belong to (i) scheduled castes, (ii) other backward castes, and (iii) other castes. These are based on the list of SC/ST or OBC published either by the state or by the centre. Those castes, in each of the broad categories, which have at least 50 households in the sample were included in the analysis. The data for selected castes were analysed to estimate their literacy rates and economic conditions of the households. The following six factors were

TABLE 1B. DISTRIBUTION OF HOUSEHOLDS OF SPECIFIED CASTES BY SOCIO-ECONOMIC INDICATORS IN BIHAR

Caste/Area of Residence	Total Households (No)	No Adult Literate Member	Living in Kaccha House	(Per cent)			
				Without Electricity	No Toilet Facility	No Irrigated Land	No Watch, Radio, Bicycle, etc
All							
Combined	4748	36.7	67.3	79.7	78.9	66.4	43.6
Rural	3660	43.4	78.9	93.4	92.2	61.5	51.3
Brahmin*							
Combined	316	5.7	40.6	55.7	49.7	55.4	19.0
Rural	203	8.9	58.9	82.8	75.4	40.4	28.7
Kayastha*							
Combined	122	1.6	8.2	10.7	5.7	85.2	4.1
Rural	14	14.3	35.7	64.3	35.7	71.4	14.3
Rajput*							
Combined	226	9.7	38.1	59.3	52.7	47.8	17.3
Rural	153	13.3	51.6	77.8	72.5	35.9	22.4
Yadav**							
Combined	436	38.1	68.3	91.5	92.7	42.2	50.1
Rural	393	40.2	71.5	95.7	97.2	40.2	53.8
Kumhar**							
Combined	58	31.0	77.6	93.1	96.6	72.4	44.8
Rural	46	32.6	80.4	95.7	97.8	73.9	50.0
Teli**							
Combined	98	26.5	62.2	77.6	84.7	63.3	36.7
Rural	64	35.9	76.6	90.9	96.9	56.3	45.3
Chamar***							
Combined	245	51.8	82.4	92.2	93.9	78.8	61.9
Rural	206	53.4	86.3	98.1	98.5	76.2	66.3
Pasi***							
Combined	60	40.0	70.0	80.0	81.7	75.0	44.1
Rural	46	50.0	82.6	91.3	93.5	71.7	53.3
Dhobi***							
Combined	39	41.0	74.4	79.5	84.6	76.9	51.3
Rural	30	50.0	93.3	93.7	96.7	76.7	60.0

FIGURE 2: PROPORTION OF 'MOST POOR' IN BIHAR



used to study the household-level economic conditions:

(1) Whether there is an adult literate person in the household: code 0 if none, 1 otherwise;

(2) Whether the house in which they are residing, is kutchha: code 0 if yes, 1 otherwise;

(3) Whether the house is electrified: code 0 if not electrified, 1 otherwise;

(4) Whether there is a toilet facility, owned or shared, for the household: code 0 if no such facility, 1 otherwise;

(5) Whether the household possesses irrigated land: code 0 if no, 1 otherwise; and

(6) Whether any household member possesses any of the following objects – a watch, a radio, or a bicycle: code 0 if none, 1 otherwise.

For each household in the selected caste group, data on six items were compiled from the NFHS from the households selected. A household economic score was computed on the basis of these six items in two steps: by scoring as 0 and 1 against each item and summing them up. Obviously, households with a score of zero are very poor and have practically no material possessions. For the purpose of this analysis, we considered the households with a score of 0 and 1 as 'most poor', 2 and 3 as 'poor' and 4, 5, 6 as 'not poor'. The economic conditions of households in the categories of SC, OBC and other castes were studied as defined above. The analysis was carried out separately for households from the rural areas and combined with urban households. The findings are presented below.

### III Level of Poverty

Tables 1A, 1B, 1C present the percentage of households without a single literate adult member, resident in kutchha houses, without electricity, with no toilet facility,

without irrigated land, and with no modern objects owned, studied separately by each variable. The findings for the three states can be summarised as follows.

**Uttar Pradesh:** For the state as a whole, 76 per cent of the households have no toilet facility, 66 per cent have no electricity in the households, 52 per cent are living in kutchha houses, 44 per cent have no irrigated land, 29 per cent with no adult literate member and 27 per cent have no modern objects, such as watch, bicycle or radio. These are miserable conditions indeed but they are far worse for the SC,

slightly better for the OBC and relatively better for the forward castes. For example, in rural areas, among chamars (SCs), 99 per cent of the households have no toilet facility, compared to 90 per cent among brahmins; 89 per cent of chamar households have no electricity compared to 64 per cent among brahmins; 73 per cent live in kutchha houses compared to 47 per cent among brahmins. In other words, the conditions of chamars who have been recipients of many privileges such as free education, housing loans, priority in employment, etc, for over 50 years now do not seem to have improved by these privileges. The differentials between the chamars and the brahmins are still quite wide. Among kumhar castes, which is considered an OBC, the conditions of households are similar to chamars, 43 per cent were without any literate adult member, 70 per cent live in kutchha houses, 86 per cent were without electricity, 95 per cent were without toilet facility, 32 per cent without irrigated land, 29 per cent had no modern objects. Here also special privileges for the OBCs do not appear to have had any impact on their lifestyles so far, though they have had special benefits during the past 20 years.

TABLE 1C: DISTRIBUTION OF HOUSEHOLDS OF SPECIFIED CASTES BY SOCIO-ECONOMIC INDICATORS IN TAMIL NADU

Caste/Area of Residence	Total Households (No)	No Adult Literate Member	Living in Kaccha House	(Per cent)			
				Without Electricity	No Toilet Facility	No Irrigated Land	No Watch, Radio, Bicycle, etc
All							
Combined	4287	20.8	36.8	36.2	70.6	82.2	34.3
Rural	2838	27.3	46.9	44.9	91.3	77.2	43.7
Brahmin*							
Combined	68	1.5	2.9	2.9	10.3	86.8	1.5
Rural	20	5.0	10.0	10.0	25.0	75.0	5.0
Pillai*							
Combined	58	3.4	8.6	8.6	41.4	86.2	17.2
Rural	24	8.3	20.8	16.7	58.3	70.8	33.3
Devangulu**							
Combined	182	10.4	11.5	12.1	50.5	91.8	18.1
Rural	87	17.2	16.1	17.2	83.9	88.5	24.1
Vanniyar**							
Combined	340	23.2	55.3	36.5	85.6	65.6	39.4
Rural	279	26.2	61.6	39.4	96.1	62.4	43.0
Muppan**							
Combined	60	33.3	50.0	53.3	93.3	83.1	41.7
Rural	58	32.8	51.7	55.2	94.8	82.5	43.1
Padyachi**							
Combined	100	29.0	51.0	36.0	90.0	68.0	39.0
Rural	85	30.6	57.6	38.8	96.5	63.5	42.4
Kallan***							
Combined	90	12.2	52.2	45.6	87.8	65.6	45.6
Rural	74	14.9	58.1	48.6	97.3	58.1	50.0
Parahia***							
Combined	607	36.2	64.1	56.0	84.5	91.3	56.5
Rural	468	41.9	70.1	59.2	97.0	89.7	62.2
Pala***							
Combined	131	32.1	55.7	65.6	89.3	84.7	55.0
Rural	118	35.6	58.5	69.5	94.9	85.6	56.8

FIGURE 3: PROPORTION OF 'MOST POOR' IN TAMIL NADU

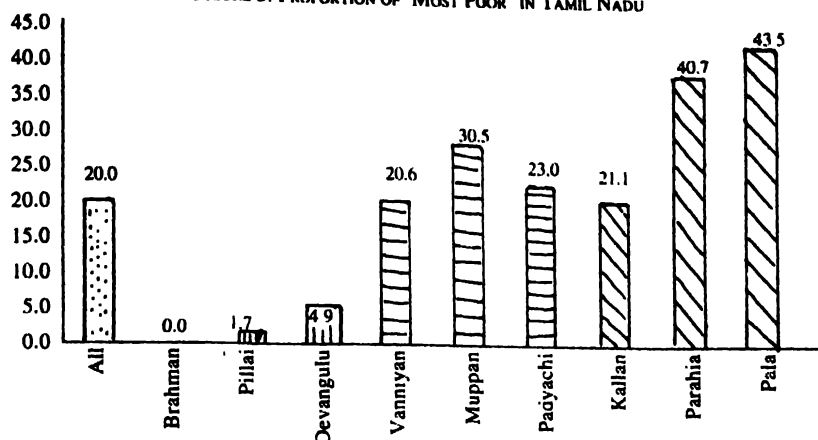


Table 2A presents the distribution of households classified as 'most poor', 'poor' and 'not poor' in terms of the scoring procedure defined earlier. According to the scoring criteria, about 18 per cent of the households can be categorised as most poor (with a score of 0 or 1 in the 0-6 scale) and as expected, the percentage is higher in the rural areas, 21 per cent. In the rural areas, the percentage in 'most poor' category is 42 among pasis who are SCs, 22 among kumhars who belong to OBCs and 7 among brahmins (Figure 1). The disparity remains very high between the SCs, OBCs and the forward castes both in the rural areas as well as rural-urban combined population.

However, an interesting finding from these two tables is the existence of strong differentials among castes within the SC category. For example, the percentage of 'most poor' in the rural areas is 42.1 among pasis, 33.2 among chamars, 32.6 among dhobis, who all belong to SC category. Similarly, among OBCs, there is a variation in the proportion of 'most poor' from 33.3 to 17.1 among three caste groups considered. Thus, it appears that there are not only wide variations between the major caste groups but also between castes within the SCs, OBCs and even forward castes. Grouping of SCs into one category for the purposes of providing special benefits does not appear to be a reasonable and logical procedure when there are strong intercaste variations in economic conditions emerging within SCs, OBCs and forward castes.

**Bihar:** Bihar appears to be the poorest of the three states considered. In the whole state, 80 per cent of the households have no electricity, 79 per cent have no toilet facility, 67 per cent live in kutch houses, 66 per cent have no irrigated land and 44 per cent have no modern objects, such as watch, bicycle or radio, 37 per cent of the households do not have a single

adult literate member. The conditions in Bihar appear to be far worse than in Uttar Pradesh.

Differentials among the SCs, OBCs and the forward castes are quite striking as in the case of UP. For instance, in the rural areas, 99 per cent of the chamar households have no toilet facility compared to 73 per cent of rajputs and 75 per cent of brahmins. The differentials are more striking in terms of literacy: while 53 per cent of the chamar households in the rural areas have no adult literate member in the family, it was 40 per cent for yadavs, who belong to OBCs and 9 per cent among

brahmins. Similar differentials exist with regard to each of the six items.

Table 2B provides the level of poverty in Bihar measured as 'most poor', 'poor' and 'not poor' categories for different castes as defined earlier. In the state as a whole 39.5 per cent of the households belong to 'most poor' category, and as expected their percentage was higher in the rural areas at 47.1 per cent. The castes belonging to the SC category have significantly higher proportion in the 'most poor' category compared to the castes in OBC category, which, in turn, is higher than the proportions for the forward caste category. For example: the percentage in the 'most poor' category in the rural areas was 67.2 per cent among chamars (SC), 50 among kumhars (OBC) and 7.1 among kayasthas who belong to forward caste category (Figure 2).

As was observed in the case of UP, even within the category of SCs, there is a substantial degree of variation in the proportion considered 'most poor' among different castes. For example, while this percentage is 67.2 among chamars, it is 50 among dhobis. The distribution of the three categories, 'most poor', 'poor' and 'not poor', varied among the castes within each category of SC, OBC and others. Among OBCs, the percentage in the 'most

TABLE 2A: LEVEL OF POVERTY BY CASTE IN UTTAR PRADESH

(Per cent)

Caste/Area of Residence	Number of Cases	Most Poor (Score = 0, 1)	Poor (Score = 2, 3)	Not Poor (Score = 4, 5, 6)
All				
Combined	10110	17.8	42.7	39.5
Rural	7795	21.2	50.8	28.0
Brahmin*				
Combined	1255	5.2	35.3	59.5
Rural	946	6.8	45.5	47.7
Kayastha*				
Combined	189	14.4	27.8	57.8
Rural	65	18.5	55.4	26.2
Rajput*				
Combined	738	13.6	45.9	40.5
Rural	616	15.7	52.7	31.6
Kumhar**				
Combined	188	23.5	50.8	25.7
Rural	150	21.8	57.1	21.1
Teli**				
Combined	68	30.9	51.5	17.6
Rural	60	33.3	51.7	15.0
Kurmi**				
Combined	52	15.4	40.4	44.2
Rural	41	17.1	46.3	36.6
Chamar***				
Combined	1316	31.3	51.3	17.4
Rural	1193	33.2	53.1	13.1
Pasi***				
Combined	125	39.5	50.0	10.5
Rural	108	42.1	53.3	4.7
Dhobi***				
Combined	156	28.8	46.8	24.4
Rural	132	32.6	50.8	16.7



poor' category was 50 among kumhars compared to 37.5 among teli. Even in the forward category in the rural areas, the percentage of 'most poor' was 15.1 among rajputs compared to 7.1 among kayasthas.

**Tamil Nadu:** In the state as a whole, 82 per cent of the households have no irrigated land, 71 per cent have no toilet facility, 36 per cent have no electricity, 37 per cent live in kutchha houses, 34 per cent have no modern objects (watch, bicycle or radio) and 21 per cent of households have no adult literate member. As expected, conditions are worse in the rural areas. Tamil Nadu has a long history of social welfare and development programmes aimed at abolition of differentials by castes. Such programmes go back to 1920s, more than two decades before independence. However, data from Tables 1C, 2C reveal that there still exist sizeable economic differentials between castes. This is a major surprising finding from the study. For example, in rural areas, among pariahs, 97 per cent of the households have no toilet facility compared to 25 per cent among brahmins; 58 per cent live in kutchha houses compared to 10 per cent among brahmins; 62 per cent of the households have no modern objects (watch, bicycle or radio) compared to 5 per cent among brahmins, and 42 per cent of the households have no single adult literate member compared to only 5 per cent among brahmins. These large differentials in economic conditions between the pariahs and the brahmins, in spite of more than 75 years of efforts of different political parties and bureaucracy to bridge this gap, are surprising and disappointing. The policies aimed at narrowing intercaste differentials in the state do not seem to have yielded the desired results.

Table 2C provides the level of poverty in Tamil Nadu among different caste groups. There are strong differentials in the proportion considered 'most poor' between the SCs, OBCs and the forward castes. Surprisingly, the differentials appear to be larger in Tamil Nadu than in UP and Bihar which did not have similar long-standing programmes to reduce economic differentials among caste groups. For example, in the rural areas, 47.4 per cent of the pariahs are in the 'most poor' category compared to 0 per cent among brahmins and 4.2 per cent among pillais, both of which belong to forward caste category. An interesting finding is that even among the various castes within the SC category, there are very wide differentials. For example, while 47.5 per cent of pallas in rural areas (SC category) are found to be 'most poor', only 24.3 per cent

TABLE 2B: LEVEL OF POVERTY BY CASTE IN BIHAR

(Per cent)

Caste/Area of Residence	Number of Cases	Most Poor (Score = 0, 1)	Poor (Score = 2, 3)	Not Poor (Score = 4, 5, 6)
All				
Combined	4748	39.5	35.1	25.3
Rural	3660	47.1	39.8	86.9
Brahmin*				
Combined	316	8.9	32.8	58.3
Rural	203	13.4	50.2	36.3
Kayastha*				
Combined	122	2.5	4.9	92.6
Rural	14	7.1	42.9	50.0
Rajput*				
Combined	226	10.7	27.1	62.2
Rural	153	15.1	36.2	48.7
Yadav**				
Combined	436	35.6	46.7	17.7
Rural	393	37.8	48.2	14.0
Kumhar**				
Combined	58	46.6	43.1	10.3
Rural	46	50.0	43.5	6.5
Teli**				
Combined	98	30.6	43.9	25.5
Rural	64	37.5	53.1	9.4
Chamar***				
Combined	245	62.1	29.6	8.2
Rural	206	67.2	28.4	4.4
Pasi***				
Combined	60	45.8	35.6	18.6
Rural	46	55.6	37.8	6.7
Dhobi***				
Combined	39	38.5	46.2	15.4
Rural	30	50.0	46.7	3.3

TABLE 2C: LEVEL OF POVERTY BY CASTE IN TAMIL NADU

(Per cent)

Caste/Area of Residence	Number of Cases	Most Poor (Score = 0, 1)	Poor (Score = 2, 3)	Not Poor (Score = 4, 5, 6)
All				
Combined	4287	20.0	31.4	48.6
Rural	2838	26.9	38.4	34.7
Brahmin*				
Combined	68	-	4.4	95.6
Rural	20	-	15.0	85.0
Pillai*				
Combined	58	1.7	15.5	82.8
Rural	24	4.2	25.0	70.8
Devangulu*				
Combined	182	4.9	19.8	75.3
Rural	87	9.2	28.7	62.1
Vanniyan**				
Combined	340	20.6	40.0	39.4
Rural	279	22.9	44.1	33.0
Muppan**				
Combined	60	30.5	40.7	28.8
Rural	58	31.6	40.4	28.1
Padyachi*				
Combined	100	23.0	39.0	38.0
Rural	85	24.7	41.2	34.1
Kallan***				
Combined	90	21.1	41.1	37.8
Rural	74	24.3	43.2	32.4
Parahia***				
Combined	607	40.7	39.4	19.9
Rural	468	47.4	40.4	12.2
Pala***				
Combined	131	43.5	30.5	26.0
Rural	118	47.5	30.5	22.0

of kallans (also SC category) are in the most poor category (Figure 3). Similarly, there are significant differentials among the different castes within OBCs and within the forward castes category.

#### **IV Caste and Poverty**

There still exist sizeable differentials in the economic conditions of households categorised in terms of their social backwardness as SCs and OBCs and forward castes. These differentials are observed in all the three states considered in the study – UP, Bihar and Tamil Nadu.

Among these three states, Tamil Nadu has a long history of Dravidian movements to abolish the caste differentials encouraging intercaste marriage, anti-brahminism and providing assistance to SCs and OBCs. However, the assistance has not narrowed the differentials in the economic conditions between the caste groups in the state.

There exist wide differentials in the proportions of 'most poor' and 'poor' households between different castes within each category, SC, OBC and forward castes considered separately.

The time has come to reconsider the continuation of the special privileges in terms of, admission to schools, employment, targeted food subsidy, etc. on the basis of caste criterion alone. It seems more appropriate to target these benefits and incentives on the basis of criteria of poverty. For example, the households which are considered 'most poor' in our classification system, with score of 0 or 1 in a 0-6 scale taking into account conditions of literacy, type of house, source of energy used in the house, toilet facility, possession of land, and modern objects deserve to be given special attention in order to pull them out of abject poverty. This seems to be a valid and useful approach to share the benefits of development directly with the poor. Combining up of caste considerations with economic criteria for targeting the poor, does not seem to have worked during the past five decades in terms of tangible improvements in the economic conditions of the various caste groups.

In the present context of liberalisation of the economy and provision of social welfare benefits to the poor under the common minimum programme, it is necessary

to identify the most poor groups in the country especially in the rural areas and offer special benefits to them to bring them out of their state of abject poverty. This should be done irrespective of caste considerations such as SC, OBC and forward caste. Reports from earlier studies have revealed that the benefits given to a particular caste group may be totally absorbed by a 'creamy layer' and may not filter down to all the needy people within the caste.

Admittedly, the data used in this study were not compiled for the type of analysis presented above, but our findings highlight the point that economic criteria should form the basis of any welfare programmes including poverty alleviation programmes. The benefits of such programmes may not reach very needy people if they are targeted on the basis of caste considerations.

The generalisation is based on a limited number of households and selected castes in the sample. We have used the data to study mainly the differentials between different subcastes in the major caste category and between major castes groups. There is a need for conducting special studies on the interrelationship between caste and economic status.

### **Proposals for Occasional Papers**

**National Bank for Agriculture and Rural Development (NABARD)** invites proposals from eminent economists/experts for preparation of Occasional Papers on following topics.

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The proposals should indicate the objectives, methodology and scope of the paper and the total budget. The assignment shall be completed within six months from the date of its acceptance, against suitable honorarium upto Rs. 45,000 subject to the usual terms and conditions. The proposals may be addressed preferably within a month to the **Chief General Manager, Department of Economic Analysis and Research, NABARD, Jeevan Seva Complex (Annexe), 3rd Floor, P.B. No. 16926, S. V. Road, Santacruz (W), Mumbai – 400 054.**

# Gender Preference Contraceptive Prevalence

## Evidence of Regional Variations

P M Kulkarni

*In India there are marked state and regional variations in gender preference. Its effect on contraceptive prevalence is far more complex than has been understood. Regions of strong gender preference do not necessarily show an adverse impact on contraceptive prevalence. What are the reasons for the lack of an expected concordance at the various levels of gender preference?*

PREFERENCE for children of a particular sex is known to be quite strong in several countries, including India. In many societies, there is a preference for sons over daughters and hence son preference has been discussed frequently in the literature. But preference for daughters or for a particular sex composition of children has also been observed and hence one could examine gender preference as such. When efficient fertility regulation measures are available, such preference can influence fertility appreciably. The quantum of such impact depends on the nature and degree of gender preference and the extent to which such preference is translated into effective contraceptive use. It must be noted that gender preference is primarily attitudinal and would be expressed as a desire for a particular sex composition of children, or as the desire for a minimum number of children of a particular sex, or as the desire for the next child to be of a particular sex. Such a preference could be fitted into the total desired family size or the preference could itself dictate the total size. The preference could be translated into practice by deciding to continue childbearing until the desired number of children of a particular sex are born (and are surviving) and to stop once the desired number is achieved, provided, of course, that fertility regulation is feasible and acceptable. It is also possible that some couples stop childbearing to avoid a less preferred sex composition even when the desired composition has not been achieved. There are more serious implications of gender preference. Gender discrimination in child care (especially the neglect of the girl child) can influence child survival; female infanticide is an extreme form of such discrimination. Sex selective abortions can influence both fertility and sex ratios. But this is possible if the technology of sex detection is accessible and abortions on such grounds are permissible or possible/available. In the present paper, we concentrate only on the impact of gender

preference on contraceptive practice and through it on fertility.

A number of studies have examined the fertility impact of gender preference in India. Some of the early investigations found the impact to be quite small [Repetto 1972; Sarma and Jain 1974]. A few later studies, however, found the impact to be significant. Das (1987) analysed parity progression ratios (PPRs) from the data in a survey that covered parts of Gujarat and observed that the ratios at a given parity do vary considerably with the sex composition of living children. An examination of contraceptive practice also yielded a similar picture. Couples with a large number of sons or with a balanced sex composition tended to have lower PPRs and higher contraceptive prevalence than couples with a small number of sons. The effect was stronger in rural areas than in urban. Rajaretnam and Deshpande (1994) used the Arnold method to assess the impact of gender preference on contraceptive practice in a few districts of Karnataka and found that the impact was substantial.

Given the diversity within India, both gender preference and its fertility implications are likely to vary across the country. The National Family Health Survey (NFHS) carried out during 1992-93 included questions on preference for the sex of children as well as on contraceptive practice and fertility. The tables provided in the NFHS state reports and the computerised data sets available to researchers make it possible to obtain indicators of gender preference and its contraceptive impact and fertility consequences for various states.

The National Family Health Survey was carried out in 25 states of India as a series of state level sample surveys; with a common schedule except for minor modifications for individual states. A total of 88,562 households were covered and 89,777 married women of reproductive age were interviewed. The sample size in each state exceeded 2,700, except for the

six states in the north-eastern region in which the sample size was about 1,000 [for details, see IIPS 1995].

This paper first examines the indicators of gender preference from the NFHS tabulations for states in India. All the states except the six north-eastern states in which the sample sizes were small and Jammu and Kashmir, which was not fully covered in the survey, are included in the analysis. This discussion is followed by an assessment of the degree to which such preference influences contraceptive practice. The fertility implications of the elimination of gender preference are also discussed.

### GENDER PREFERENCE

Gender preference can be expressed in various ways; to obtain a good summary measure can become difficult. The most appealing way to measure the preference is through the Coombs methodology which obtains a preference ordering of various sex compositions [Coombs et al 1975]. In practice, however, there are difficulties since the procedure involves a series of hypothetical questions, which are difficult to ask in a large survey. Therefore, most major surveys, including the NFHS, did not include Coombs type of questions. One can only obtain less sophisticated indicators based on the available information.

There were two questions on gender preference in the NFHS: Q 504 about the preferred sex of the next child and Q 517 about the preferred sex composition of the number of children desired in whole life. Q 504 reads: "Would you prefer your next child to be a boy or a girl or it doesn't matter?". It was asked only to those currently married women who had expressed a desire to have another child. Those who responded: a 'boy' or a 'girl' in response could be considered to be having a specific gender preference. Lahiri (1975, 1977) has called such a preference as 'sex cognisance' or 'sex consciousness'. An index on this can be constructed at the aggregate

level as 'the number of women who have specified a particular sex as preferred as per cent of all women who were asked the question' and is denoted here as  $I_1$ . In the survey, many responded that the sex of the child is 'up to God'. Such a response would normally be taken to indicate a lack of specific preference. However, since the question provided a clear alternative, 'it does not matter', such an interpretation would not be correct. Therefore, the per cent specifying a particular sex was re-computed after excluding the 'up to God' responses from the denominator and denoted as  $I_1^*$ . The percentage distributions of responses to Q 504 for the 17 states are given in Table 1, and the indices  $I_1$  and  $I_1^*$  in Table 2.

Q 517 reads as "How many of those (the desired number of) children would you like to be boys and how many girls?" and was asked to those ever married women who had given a numerical response to a previous question on the number of children desired in whole life. The responses are listed as 'boys', 'girls', 'either'. The sum of the means of desired number of boys and girls as a percentage of the mean of the total desired number of children gives an indicator of gender preference, labelled as  $I_2$ . The means are given in Table 1 and the indicator  $I_2$  in Table 2.

The indices used are admittedly crude. However, together, they do give an idea of the level of gender preference. The relative level can be seen from the ranks given in Table 2. Clearly, there is a broad regional pattern. Sex preference is quite high in the north-central and eastern states – Rajasthan, Uttar Pradesh, Madhya Pradesh, Assam, West Bengal, Orissa, Bihar, as well as in Punjab, moderate in the western-northern states (except Rajasthan) – Karnataka, Himachal Pradesh, Haryana, Gujarat and Maharashtra, and low in the southern states – Kerala, Tamil Nadu, Andhra Pradesh, as well as in Goa and Delhi.

Though the indicators relate to gender preference and combine preferences for male as well as female children, it is clear from Table 1 that the inter-state differentials are primarily a result of differentials in son preference. In the southern states, there is less asymmetry in gender preference (the preference for a male child is less than three times that for a female) as compared to many of the northern-central states in which the corresponding ratio is over five. The ratios of the ideal number of male children to the ideal number of female children are also lower in the southern states. Clearly, though parents value sons much more than daughters in

all the states, the tendency is less strong in the southern region. The prevalence of consanguinity and the fact that a married

woman maintains frequent contact with her natal home in the southern region [Karve 1968; Dyson and Moore 1983]

TABLE 1: RESPONSES TO QUESTIONS ON GENDER PREFERENCE, NFHS

State	Preferred Sex of the Next Child * (Percentage Distribution)				Mean Ideal Number of Children			
	Male	Female	Does not Matter	Up to God	Sons	Daughters	Does Not Matter	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
AP	39.3	12.3	43.4	5.0	1.4	1.0	0.4	2.7
Assam	57.0	15.2	18.5	9.2	1.7	1.3	0.2	3.2
Bihar	47.5	6.1	19.0	27.4	2.0	1.2	0.2	3.4
Delhi	33.4	9.8	39.9	16.9	1.2	0.9	0.5	2.5
Goa	30.8	15.5	49.3	4.4	1.3	1.0	0.4	2.7
Gujarat	48.9	7.2	23.5	20.4	1.4	0.8	0.4	2.6
Haryana	50.8	5.3	36.0	7.9	1.4	0.9	0.3	2.6
HP	53.9	5.3	28.5	12.3	1.3	0.8	0.3	2.9
Karnataka	43.6	15.6	32.3	8.4	1.3	1.0	0.3	2.5
Kerala	34.3	20.9	39.7	5.0	1.1	0.9	0.7	2.6
MP	54.9	10.8	15.1	19.2	1.8	1.2	0.1	3.1
Maharashtra	43.9	10.5	35.4	10.1	1.3	0.9	0.3	2.5
Orissa	52.6	9.9	31.2	6.3	1.7	1.2	0.1	3.0
Punjab	58.9	5.6	23.0	12.4	1.5	0.9	0.2	2.6
Rajasthan	65.9	7.7	13.5	12.9	1.9	1.1	0.0	3.0
Tamil Nadu	29.3	16.8	44.7	9.2	0.9	0.7	0.5	2.1
UP	51.4	10.3	13.9	24.4	2.0	1.2	0.1	3.4
West Bengal	53.9	16.9	19.9	9.3	1.4	1.0	0.2	2.6
India	48.6	11.0	24.3	16.1	1.6	1.1	0.2	2.9

\* Expressed by those who desired an additional child or who were pregnant.

Note: The percentages in a row may not add up to 100.0 or the means may not add up to total due to rounding.

Source: Tables no 7.1 and 7.7 of the NFHS reports for various states.

TABLE 2: INDICATORS OF GENDER PREFERENCE OBTAINED FROM NFHS QUESTIONS

State	$I_1$		$I_1^*$		$I_2$	
	Value	Rank	Value	Rank	Value	Rank
Andhra Pradesh	51.6	15	54.3	15	85.7	13
Assam	72.2	2	79.6	4	93.8	6
Bihar	53.6	14	73.8	6	94.1	5
Delhi	43.2	18	52.0	16	80.8	16
Goa	46.3	16	48.4	18	85.2	14
Gujarat	56.1	10.5	70.5	8	84.6	15
Haryana	56.1	10.5	60.9	12	88.5	9.5
Himachal Pradesh	59.2	8.5	67.5	9	87.5	12
Karnataka	59.2	8.5	64.7	11	88.5	9.5
Kerala	55.2	12	58.2	14	74.1	18
Madhya Pradesh	65.7	4	81.3	3	96.8	3
Maharashtra	54.4	13	60.6	13	88.0	11
Orissa	62.5	6	66.7	10	96.7	4
Punjab	64.5	5	73.7	7	92.3	7.5
Rajasthan	73.6	1	84.5	1	100.0	1
Tamil Nadu	46.1	17	50.8	17	76.2	17
Uttar Pradesh	61.7	7	81.6	2	97.0	2
West Bengal	70.8	3	78.1	5	92.3	7.5
India	59.6		71.0		93.1	

Notes: The indices  $I_1$ ,  $I_1^*$  and  $I_2$  are computed from Table 1 as given below:

$I_1$  = Percentage who prefer the next child to be of a specific sex.

= Col (1) + Col (2) of Table 1;

$I_1^*$  = Percentage who prefer the next child to be of specific sex, after excluding 'up to God' response from the denominator.

=  $100 \times [\text{Col (1)} + \text{Col (2)}] / [\text{Col (1)} + \text{Col (2)} + \text{Col (3)}]$ ;

$I_2$  = (Mean Ideal no of Sons + Mean Ideal no of Daughters) as a percentage of Mean Ideal Family Size.

=  $100 \times [\text{Col (5)} + \text{Col (6)}] / \text{Col (8)}$ .

perhaps contributes to the relatively high value attached to daughters in the south than in the north.

#### IMPACT ON CONTRACEPTIVE PREVALENCE

The impact of gender preference on fertility has conventionally been examined with the help of parity progression ratios (PPRs). A comparison of the PPRs at different sex compositions gives an indication of the impact of preference. However, the PPRs are influenced by past fertility and their analysis may not give a good idea of the impact in a population in which fertility regulation is relatively recent and desired family size has been changing in the recent past [for a discussion, see McClelland 1979; Arnold 1985]. McClelland (1979) considered a conjoint dominance procedure as well as a stopping rule measure that would not have some of the problems of the PPR analysis. But his procedures require data on the Coombs kind of preference ordering which are rarely available in surveys. On the other hand, a method proposed by Arnold (1985) provides a simple way to assess the fertility impact of gender preference from data that are commonly available. It involves computing an 'expected' contraceptive prevalence rate in the absence of gender preference. It is done by simply assuming that all couples with a given number of living children would have the contraceptive prevalence rate which is the highest for any sex composition with the same number of living children. In other words, it is assumed that one of the sex compositions is the most desired and hence has the highest prevalence level and in the absence of gender preference all couples with the same number of living children would have the same prevalence level. Criteria other than contraceptive prevalence can also be used in the same manner. Though the Arnold method has some shortcomings pointed out by Bairagi (1987), especially if there is heterogeneity in preference, the effect of such a heterogeneity would be quite small in practice [Arnold 1987]. Hence, it was decided to use the Arnold approach in the present paper.

The NFHS has provided tabulations of contraceptive prevalence by sex composition of living children. From these, the expected prevalence rate (in the absence of gender preference) can be easily computed. The NFHS tables are available for 0, 1, 2, 3, and 4 or more living children. The tables also give method-specific prevalence rates. For most methods except sterilisation, the prevalence level is quite low. Besides, the interest is not in the

prevalence of a particular method. Hence, only the prevalence of any modern method and the prevalence of sterilisation (either male or female) are used in computations. The actual and expected prevalence levels are given in Table 3 for each of the states. The difference indicates the depressing impact of gender preference on contraceptive prevalence.

At the all-India level, 36.3 per cent of couples of reproductive age were using a modern contraceptive. But had there been no gender preference, the use would have been higher by 4.7 points, at 41.0 per cent. There are large inter-state differences in the impact of gender preference. The contraceptive prevalence in the western-northern states, Gujarat, Himachal Pradesh, Haryana and Maharashtra, is severely depressed, by 8-10 points, but the effect is minuscule in the southern states—Andhra Pradesh, Kerala, Tamil Nadu, as well as in Delhi, Assam, Uttar Pradesh, and Goa (2-4 points). Since modern contraceptive use in India is dominated by sterilisation, the impact on per cent sterilised is fairly close to that on the use of modern methods.

As noted in the introduction, some assessments of the impact of gender preference have been made earlier. Sarma and Jain (1974) analysed the data from a national survey conducted in 1970 by the Operations Research Group and examined gender preference and contraceptive practice. Though the Arnold approach was not used (the Sarma-Jain paper precedes the development of the Arnold method),

it is possible to compute the Arnold measure from the tabulations in Table 7 of the Sarma-Jain paper. According to the survey, 12.2 per cent of the women were using some contraceptive, whereas, in the absence of gender preference, 15.4 would have used it. The effect is thus only 3.2 points. Note that the overall contraceptive use was small at the time.

For Gujarat, Das (1987) used PPRs for the assessment of the impact; but it is possible to compute the expected contraceptive prevalence level from a table provided in Das' paper (Table 3, p 524). The computations show that for southern Gujarat, the contraceptive prevalence rate would have been 72 per cent in the absence of gender preference against the actual rate of 61.9 per cent; thus the impact of gender preference was very high, 10.1 points. In Baroda city, the impact was moderately high, 7.2 points. These estimates are quite close to those from the NFHS for Gujarat (9.5 points) though Das' study refers to a date around 1980 whereas the NFHS refers to 1992.

In Karnataka, Rajaretnam and Deshpande (1994) found the impact of gender preference on contraceptive prevalence (computed using the Arnold method) to be 7.6 points in a district in the western part of the state, and 9.6 points in northern districts. The estimate based on the NFHS for Karnataka is much smaller, around 5 points. There is a large degree of heterogeneity within Karnataka. The northern districts, closer to Maharashtra, appear to be substantially affected by gender pref-

TABLE 3: ACTUAL AND EXPECTED CONTRACEPTIVE PREVALENCE RATES

State	Any Modern Contraceptive			Sterilisation		
	Actual	Expected	Difference	Actual	Expected	Difference
AP	46.5	49.0	2.5	44.7	47.1	2.4
Assam	19.8	22.8	3.0	14.4	17.5	3.1
Bihar	21.6	26.7	5.1	18.6	23.4	4.8
Delhi	54.6	57.4	2.8	23.2	27.6	4.4
Goa	37.9	41.9	4.0	30.5	35.1	4.6
Gujarat	46.9	56.4	9.5	41.0	51.2	10.2
Haryana	44.3	52.7	8.4	34.7	45.9	11.2
HP	54.4	62.9	8.5	45.8	57.9	10.1
Karnataka	47.3	52.0	4.7	42.5	47.7	5.2
Kerala	54.4	57.6	3.2	48.3	52.1	3.8
MP	35.5	42.4	6.9	31.5	39.0	7.5
Maharashtra	52.5	60.7	8.2	46.2	55.4	9.2
Orissa	34.6	39.9	5.3	31.6	36.8	5.2
Punjab	51.3	59.1	7.8	34.0	44.9	10.9
Rajasthan	30.9	36.6	5.7	27.7	34.0	6.3
Tamil Nadu	45.2	48.5	3.3	39.5	42.9	3.4
UP	18.5	22.2	3.7	13.1	17.0	3.9
West Bengal	37.3	44.2	6.9	30.6	37.2	6.6
India	36.3	41.0	4.7	30.7	35.7	5.0

Notes: Actual: As reported in the NFHS, for 1992-93; from the NFHS reports for various states.  
Expected: Expected rate in the absence of gender preference, computed using the Arnold method [Arnold 1985] from Table No. 6.5 of the NFHS reports for various states.

ence as Maharashtra is. It is likely that the impact of 5 points for Karnataka is an average of high values in the northern region and low values in the southern region (closer to Tamil Nadu); a disaggregated analysis of the NFHS data may provide a clarification.

#### FERTILITY IMPACT

The results presented above refer to contraceptive prevalence rather than fertility per se. But the impact on contraceptive prevalence can be translated into fertility impact via the Bongaarts proximate determinants framework. The  $C_c$  term in the Bongaarts model, the index of non-contraception, is given by  $(1 - 1.08 u_e)$  where  $u_e$  is the contraceptive prevalence rate and  $c$  is the contraceptive effectiveness rate. In order to see the impact of the elimination of gender preference, the  $C_c$  value can be recomputed using the expected prevalence rate (given in Table 3). The expected TFR value can then be computed from the actual TFR and the ratio of the actual and expected  $C_c$  values (for details, see Rajaretnam and Deshpande, 1994). Since contraceptive use in India is dominated by sterilisation,  $c$  would be only slightly less than 1, and a value of 0.96 has been assumed here. The results are given in Table 4.

The elimination of gender preference would reduce the TFR for India from 3.39 to 3.13, a decline of 8 per cent. For states like Himachal Pradesh, Maharashtra, Gujarat and Punjab, the decline would be large, over 15 per cent. However, in the case of low fertility states like Kerala, Goa, Andhra Pradesh and Tamil Nadu, the decline would be only marginal. As a result, the elimination of gender preference would bring fertility in Maharashtra, Himachal Pradesh, Gujarat and Punjab in line with a level comparable to Tamil Nadu-Andhra Pradesh and be near replacement. On the other hand, in high fertility states like Uttar Pradesh, Bihar, Assam, and Rajasthan, there would not be much fertility decline even if gender preference is eliminated.

A recent paper by Muthurayappa et al (1997) has examined the fertility impact of son preference on the basis of an analysis of the PPRs; the results are quite close to those obtained here using the Arnold approach.

#### DISCUSSION

The existence of a strong gender preference in India has been well known. The NFHS data show that though such a preference is observed in all the states, there are notable inter-state variations in its

degree. Further, gender preference has adversely affected contraceptive prevalence in all the states though this influence (and the consequent effect on fertility) also varies across the states. One would expect a close correspondence between the degree of gender preference and the fertility impact of such preference. The results in the paper show that this is true at one end of the spectrum; wherever gender preference is mild, as in Kerala, Tamil Nadu, Delhi, Goa, and Andhra Pradesh, the contraceptive prevalence is not much depressed and the fertility impact is very small. However, in some of the states with a strong gender preference, for example Uttar Pradesh and Assam, the impact on contraceptive prevalence is quite small. And in Rajasthan, Bihar, and Madhya Pradesh, the contraceptive (and fertility) impact is not so low, yet it is not commensurate with the extremely strong gender preference. On the other hand, in states like Maharashtra, Gujarat, Haryana and Himachal Pradesh, a moderate gender preference also appears to make a large impact on contraceptive prevalence and consequently on fertility. What are the reasons for the lack of an expected concordance at moderate and high levels of gender preference?

As long as the family size is high, most couples would have the minimum desired number of children of a sex as well. From simple calculations, it can be seen that for a couple with four children, the probability

of having at least one son is 15/16, and of at least one son and at least one daughter 14/16. As a result, there would be little

TABLE 5: ACTUAL AND EXPECTED PERCENTAGES NOT DESIRING ANY MORE CHILDREN

State	Per Cent Not Desiring Any More Children		
	Actual	Expected	Difference
AP	58.3	60.6	2.3
Assam	63.8	68.7	4.9
Bihar	43.4	50.1	6.7
Delhi	68.7	73.2	4.5
Goa	63.8	67.1	3.3
Gujarat	61.6	69.1	7.5
Haryana	64.7	72.0	7.3
HP	73.6	79.8	6.2
Karnataka	63.0	66.9	3.9
Kerala	67.6	70.0	2.4
MP	51.6	57.9	6.3
Maharashtra	66.5	71.5	5.0
Orissa	58.9	65.2	6.3
Punjab	71.8	78.0	6.2
Rajasthan	51.9	57.6	5.7
Tamil Nadu	66.6	69.0	2.4
UP	46.1	52.3	6.2
West Bengal	63.7	67.8	4.1

Notes: Actual: Per cent of currently married women not desiring any more children, as reported in the NFHS, for 1992-93; computed from the NFHS data tapes for various states.

Expected: Expected percentage in the absence of gender preference, computed using the Arnold method [Arnold 1985] from the NFHS data tapes for various states.

TABLE 4: ACTUAL AND EXPECTED TOTAL FERTILITY RATES

State	Total Fertility Rate		Per Cent Decline in TFR if Gender Preference is Eliminated
	Actual (NFHS) 1989-92	Expected in the Absence of Gender Preference	
AP	2.59	2.46	5.0
Assam	3.53	3.39	4.0
Bihar	4.00	3.73	6.8
Delhi	3.02	2.82	6.6
Goa	1.90	1.77	6.8
Gujarat	2.99	2.42	19.1
Haryana	3.99	3.35	16.0
HP	2.97	2.37	20.2
Karnataka	2.85	2.58	9.5
Kerala	2.00	1.85	7.5
MP	3.90	3.46	11.3
Maharashtra	2.86	2.33	18.5
Orissa	2.92	2.67	8.6
Punjab	2.92	2.42	17.1
Rajasthan	3.63	3.31	8.8
Tamil Nadu	2.48	2.32	6.5
UP	4.82	4.59	6.5
West Bengal	2.92	2.58	11.6
India	3.39	3.13	7.7

Notes: Actual: As reported in the NFHS, for a three year period preceding the survey, i.e., 1989-92; from IIPS (1995).

Expected: Expected value in the absence of gender preference, computed by substituting the expected prevalence rates (any modern contraceptive) given in Table 3 in the place of the actual rates in the  $C_c$  value in the Bongaarts model.

need to continue childbearing in order to achieve the minimum number of children of a sex and hence gender preference may not influence fertility much. On the other hand, a small family would be less likely to meet the minimum requirements of children of a particular sex. Only about half the couples with two children are likely to have one son and one daughter, and 3/4 would have at least one son. Naturally, many of those who wish to have some minimum number of children of a particular sex would like to continue childbearing. Even a moderate gender preference could then have a large fertility impact. This is probably what is happening in states like Gujarat, Maharashtra, Himachal Pradesh and Haryana.

What about Uttar Pradesh and Assam in which a very strong gender preference does not seem to make much impact on fertility? It must be noted here that though the impact of gender preference on contraceptive use as estimated from the Arnold measure is very low (3-4 percentage points) in these states, given the low level of contraceptive prevalence (below 20 per cent), the impact could, in fact, be termed relatively high. However, when the tendency to regulate fertility itself is very low, the impact would also be low in absolute terms, (as measured by the Arnold method) since even strong gender preferences are not translated into fertility behaviour to a notable degree. To some extent this is the case in Bihar and Rajasthan as well.

In order to see what would happen if fertility preferences are put into practice (that is, all couples who want no more children adopt modern contraception), responses to a question on the desire for additional children were tabulated in a manner similar to that of contraceptive, by the sex composition of living children. The Arnold method was then applied to these to obtain the expected percentage of couples desiring no more children (on the assumption that the per cent not desiring any more children for all couples with a given number of living children is the same as the maximum for any sex composition at that number of living children). The results are given in Table 5. It can be seen that in almost all the northern-central-western states, gender preference has a large impact on the desire for additional children. This suggests that once contraceptive practice becomes more widespread in these states, including Uttar Pradesh, a continuing strong gender preference would have a large impact on contraceptive prevalence and on fertility.

A comparison of the results of earlier studies with the more recent ones also points towards the same inference. Around 1970, the desired family size was large, the contraceptive practice was low and the gender preference had very little impact on contraceptive prevalence (3.2 percentage points as computed from the Sarma-Jain paper). However, the effect on desire for additional children was noticeable even at that time. Computations from the data in Table 7 of the Sarma-Jain paper show that whereas 50.7 per cent of couples did not want additional children, the percentage could have been 57.4 in the absence of gender preference, a difference of 6.7 points. Over time, contraceptive practice increased considerably, as did the fertility impact of gender preference as seen from the NFHS and other evidence. Since there is no reason to believe that the degree of gender preference itself has increased, the temporal changes do demonstrate how the quantum of fertility impact of gender preference can depend on the level of contraceptive prevalence as well.

Preference for the children of a particular sex, especially for sons, is strong in India as a whole with notable regional variations in the degree of such preference and its fertility impact. The analysis of the NFHS data indicates that in states like Maharashtra, Himachal Pradesh, Gujarat and Punjab, gender preference has stalled the fertility transition. The elimination of gender preference could reduce fertility substantially in these states bringing it close to the replacement level or at least to the level of the southern states of Tamil Nadu and Andhra Pradesh which exhibit only a mild gender preference. To some extent, this is true of Karnataka and West Bengal as well. In the central-northern states the gender preference is even stronger than in the western states, yet the fertility impact of such preference is low now because the contraceptive practice is also low and the desired family size is large. But these states have also experienced non-negligible fertility declines in the recent years and if family size desires fall further and fertility regulation becomes more common, the fertility in these states would continue to decline in the near future. The experience of other states indicates that at some stage, the strong gender preference will also begin to make a larger impact on fertility. As a consequence, the fertility transition in these states is also likely to stall above the replacement level at some point in future unless gender preference itself declines.

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# Demographic Transition in Maharashtra, 1980-93

Sanjeevance Mulay

*The main thrust of the article is to evaluate demographic transition in Maharashtra, especially during 12 years from 1980-92, on the basis of data made available by two national surveys on fertility and mortality rates, and family health. The study shows that despite high contraceptive prevalence in Maharashtra, there is a very moderate decline in birth rate, in the state. Better reproductive health facilities leading to reduced foetal losses, lesser childlessness and reduced breast-feeding, can be said to be the main factor contributing in increase in fertility. In such situation, only strengthening of IEC component of the family welfare services can result in decline in fertility in Maharashtra.*

IT is a worldwide experience that socio-economic development is closely associated with the pace of demographic transition. Modern sectors of economic activity, spread of education and modern atmosphere in urban areas definitely help in bringing about a faster decline in fertility and mortality.

Maharashtra is a highly urbanised state with high income levels and also has the highest level of urbanisation among major states of India (38.7 per cent according to the 1991 Census). Further, the female literacy in Maharashtra is also quite high (52.3 per cent) and is next to Kerala. Credit naturally goes to social reformers like Maharshi Karve, Gopal Ganesh Agarkar, Mahatma Phule and many others who fought for women's development. During early twenties, pioneering efforts in the field of contraception were made by R D Karve and Shakuntala Paranjapye. This leadership was maintained even later, when the first vasectomy camp was held in Maharashtra. The state has got several awards for its best performance in family planning. Today also, the family planning programme in Maharashtra is one of the efficiently administered programmes.

With this background, it would not be wrong to expect that an efficient programme and a conducive social structure would lead to rapid fertility decline. Whether this has happened in Maharashtra is the main issue under discussion. The present paper has two broad objectives: (a) to examine whether the state has been successful in achieving substantial fertility decline till now; and (b) to study the various stages of transition. We shall briefly examine the mortality trends too.

The database for the study covers all available data on vital rates for Maharashtra since early fifties. Census, sample registration system and various fertility surveys conducted in Maharashtra have been extensively used. We divide the study into two parts. The first part deals with the demographic transition for the pre-1970 period while the second part deals with

the demographic transition in the post-1970 period.

## DEMOGRAPHIC TRANSITION: PRE-1970 PERIOD

As far as the information on vital rates are concerned, it is known that before the SRS started giving annual estimates, only the decadal estimates given by the census actuaries were the main source of data on vital rates. According to these estimates, Maharashtra had a birth rate of 41.2 per thousand and a death rate of 19.8 per thousand during 1951-61. The birth rate was close to stagnant and was 39.6 in 1961-71, and the death rate decline to about 17. During 1971-81, the birth rate came down to about 33 and the death rate was 12 per thousand. Thus, we could observe that till 1970, the decline in birth rate was very slow, while the death rate declined quite sharply. This is the initial stage of transition. It is quite clear that because of the successful public health programmes and advancements in medical sciences, the deaths were fewer and fewer. But it is surprising to observe that the rising levels of education, income and urbanisation could not reflect in the decline in fertility rates. In such a situation, one wonders whether this 'no decline' is real; if it is real, is it an effect of unidirectional 'on decline' or is it an effect of offsetting of the factors leading to increase in fertility and those leading to decrease in fertility? Such an assessment needs detailed information regarding age specific fertility rates at different points of time. Obviously, the census reports do not give such details. Fortunately, demography division of the Gokhale Institute, Pune, had conducted a number of demographic surveys in early fifties and sixties and has provided valuable information on fertility and associated factors.

The first survey was conducted in Kolhapur city in 1950. It was followed by the survey in rural and urban areas of Pune district in 1951 and 1952, to be followed by surveys in rural and urban areas of

districts of Nasik, Satara and Kolaba in 1953-54. In 1955, surveys were done in rural areas of Ahmednagar, Ratnagiri, Belgaum, West Khandesh, Parbhani and Gulbarga districts. In 1961, a survey of 1 per cent random sample of the residents of Pune city was done. These surveys were followed by an innovative work which was in the form of a survey and re-survey of same sample households in six villages of Satara district, with a gap of 12 years. The objective of this study was to assess the demographic changes during period as long as 12 years, i.e. 1954-66. From these surveys, three types of data sets are available. One gives the data on age specific fertility rates (ASFRs) for rural and urban areas of Nasik, Satara, Kolaba and six rural communities. The second data set gives the comparison of ASFRs for Pune city for 1951 and 1964, and the third data set gives the information on fertility rates in rural areas of Satara district for 1954 and 1966 (Tables 1 and 2). The information is truly valuable in the sense that one could have a genuine assessment of fertility transition in urban areas (Pune city experience) and that in rural areas (experience in rural Satara), during a period when there were no other sources of getting such detailed information on vital rates.

The data relate to years 1952-55 and show similar fertility patterns. The urban fertility shows slight variations. The total fertility rate (TFR) varies between 4.1 and 5.0 for rural areas while it moves from 3.6 to 4.8 for urban areas. Whatever the differences, they are mainly for the ages 18-22 and 23-27.

Table 2 gives an important piece of information on fertility transitions in rural and urban areas during a period of 12 years: the data for Pune city are based on the 1 per cent random sample surveys conducted in the city in 1951 and 1964. The rates are based on 957 and 1266 married women, respectively. Number of adjustments were made for making the comparison valid. On the basis of these adjusted data it was found that the decline

in the birth rate would be the order of 21 per cent. Other sources such as the family planning performance statistics and the vital registration records were used to assess the fertility decline and finally it was concluded that the decline in birth rate in Pune city during 1951-64 was of the order of 15-20 per cent.

Table 2 also gives the data on ASFRs for 1,485 and 1,847 married women from 1,694 households conducted at survey (1954) and re-survey (1966) in six villages of Satara district. This study has a distinctive feature, namely, that the same households are contacted after a gap of 12 years and hence an important factor, i.e., the effect of the difference in sample characteristics is controlled. As the table shows, there is a decline of 9 per cent in the TFR. The decline in fertility rates of younger women is larger (72 per cent). This could be due to rise in age at marriage. There are evidences to show that the age at marriage has risen substantially (from 14.5 to 16.2 years). The fall in fertility rates of other age groups could be explained by two factors, namely, the practice of family planning (FP) and the fall in the incidence of widowhood, the two factors acting in opposite direction. The total marital fertility rate (TMFR) had declined by about 8.5 per cent. The exercise of isolating the effects of rise in age at marriage, practice of family planning and fall in the incidence of widowhood showed that there was about 7 per cent fall in fertility due to rise in age at marriage, about 8 per cent fall due to FP practice and a rise in fertility of the order of 6-7 per cent due to fall in the incidence of widowhood. In other words, if there was no change in the incidence of widowhood, the fertility would have fallen by about 15 per cent. But because of the increased survival, there was a rise in fertility which counteracted with factors leading to decline in fertility.

As Bhat (1998) comments,

It appears that fertility rate rose substantially during the 1950s as mortality levels began to fall. According to my estimates the total fertility rose by at least one birth per woman and the resulting increase in the CBR accounted for about half of the rise in the growth rate of population between 1941-51 and 1951-61. It is possible that some regions in India experienced this rise in the level of natural fertility more than the others did and became laggard in the process of fertility transition. In explaining the regional differences in fertility in India, greater attention ought to be given to the levels that prevailed before the onset of fertility decline.

To summarise, firstly, the available information on the fertility transition in urban areas shows that there was a fall in fertility of the order of 15-20 per cent, and secondly, the data for rural areas show that the fertility decline was about 10 per cent, and an important finding relating to this decline is that a substantial effect was due to rise in fertility on account of fall in incidence of widowhood. As stated in the beginning this period was of sharp declines in mortality rates which have led to a significant declines in incidence of

widowhood ultimately leading to increase in fertility.

#### DEMOGRAPHIC TRANSITION: POST-1970 PERIOD

For the post-1970 period, the SRS is an important source giving information annually on crude birth rate (CBR), crude death rate (CDR) and IMR. The ASFRs are also available for all states for every year. This information forms a strong base for studying fertility transition. The only thing to be remembered is that the estimates for the beginning years might suffer due to under-registration. Table 3 gives the data on CBR and CDR from the period 1970-95. It shows that the decline in CDR is fairly smooth, coming down from about 12 per 1,000 to about 7 per 1,000. The trend in CBR is not at all smooth. It slides down from 32 in 1970 to about 26 in 1977, rises to 30 in 1984, and then starts declining again. As Kulkarni (1994) states, there are three phases of demographic transition [rather fertility transition] in Maharashtra. The first phase covers the period 1971-77, where the fertility declined mainly due to strong push to sterilisation programme during emergency period, the second phase (1977-84) shows the impact of setback to

TABLE 2: AGE SPECIFIC FERTILITY RATES (ASFR) AND AGE SPECIFIC MARITAL FERTILITY RATES (ASMFR) FOR PUNE CITY (1951-64) AND RURAL AREAS OF SATARA (1954-56)

Age	Pune City		Rural Satara			
	1951	1964	1954		1966	
	ASMFR	ASMFR	ASFR	ASMFR	ASFR	ASMFR
13-17	117	73	106	186	30	118
18-22	265	213	345	373	333	353
23-27	312	208	337	370	327	340
28-32	269	170	280	307	286	299
33-37	191	77	201	256	162	187
38-42	102	43	81	100	92	110
43-52	34	14	55	71	43	56
TFR			7.0		6.4	

Sources: Kumudini Dandekar and Vijayanti Bhate, *Prospects of Population Control: Evaluation of Contraception Activity*, Gokhale Institute of Politics and Economics, Pune, 1971; Kumudini Dandekar and Vijayanti Bhate, 'Socio-economic Change during Three Five-Year Plans', *Arth-Vijnana*, Gokhale Institute of Politics and Economics, Pune.

TABLE 1: AGE SPECIFIC FERTILITY RATES (ASFR) AND AGE SPECIFIC MARITAL FERTILITY RATES (ASMFR) IN RURAL AND URBAN AREAS OF NASIK, SATARA AND KOLABA AND IN SIX RURAL COMMUNITIES OF MAHARASHTRA, 1952-55

Age	ASFR and ASMFR (Per Thousand Women)													
	Nasik				Kolaba				Satara				Six Rural Communities	
	Rural		Urban		Rural		Urban		Rural		Urban			
	ASFR	ASMFR	ASFR	ASMFR	ASFR	ASMFR	ASFR	ASMFR	ASFR	ASMFR	ASFR	ASMFR	ASFR	ASMFR
13-17	27	33	24	67	37	80	6	59	85	146	24	85	62	115
18-22	252	274	208	269	251	293	178	289	273	305	224	302	240	260
23-27	223	229	230	253	224	251	200	213	256	286	296	327	257	260
28-32	186	197	209	241	168	189	179	196	195	228	188	217	217	218
33-37	103	113	122	146	92	118	137	154	107	151	127	144	140	140
38-42	90	111	16	22	50	65	13	16	48	68	78	103	67	68
43-47	17	25	-	-	9	65	-	-	32	51	28	44	24	68
48-52	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TFR	4.5		4.0		4.2		3.6		5.0		4.8		5.0	

Source: Kumudini Dandekar, *Demographic Survey of Six Rural Communities*, Gokhale Institute of Politics and Economics, Pune, 1959; N V Sovani and Kumudini Dandekar, *Fertility Survey of Nasik, Kolaba and Satara*, Gokhale Institute of Politics and Economics, Pune, 1955

the programme as the effect of excesses exercised during the emergency period, and the third phase (1984 onwards) is a normal period without excesses or setbacks. Table 4 describes the phenomena in quantitative terms.

It could be observed that the fertility trends are different for rural and urban areas. For instance, in case of both fertility measures, namely, CBR and TFR for rural areas, the decline for the first period (1971-77) is higher than the recent period (1984-91), while for urban areas the decline in CBR has reverse order and decline in TFR is same for the two periods. However, it also should be remembered that the estimates for 1971 could be underestimates. As Bhat et al (1984) have estimated, the CBR for 1971-80, according to SRS was 29.1, while estimated CBR was 31.2. Similarly, as argued by Srikantan and Balasubramanian (1994), the SRS estimates, especially for urban areas, were affected by the changed sample for the period around 1980-84. However, on the whole, it could be said that the fertility decline during 1984-91 was of a slower pace. Is this the universal phenomenon? It was observed that for Kerala, declines in the two periods were of the same order while for Tamil Nadu, the decline in the recent period was much sharper.

Under such circumstances, the question arises as to what could be the reasons for the peculiar trend in Maharashtra. Could family planning performance explain it or are there any other factors responsible? Table 3 also gives the data on couple protection rate (CPR) for the period 1970-94. It shows that the CPR for 1970 was 15 per cent and it increased up to about 31 per cent in 1976 leading to an increase of 16 percentage points. On the other hand, for the recent period it rose from 40 per cent to 54 per cent. Although we are aware that the relationship between increase in performance and decline in fertility would differ at different stages, it can definitely be said that there are other non-programme factors which would be responsible for the slower pace of decline during the recent period. Some clues could be obtained through the examination of age specific marital fertility rates (ASMFRs), which would go beyond the overall measures of CBR and TFR. Table 5 gives the ASMFRs for the years 1971-93.

It is clear that the women in younger age groups have not experienced declines in fertility; on the other hand, there have been significant increases in fertility rates. The sharp declines were observed particularly for the ages above 35. It is also observed that the decline in TMFR during 1984-91

was much less than that during 1971-77. If we examine the shares of different age groups in the fertility declines during the two periods, maybe, something more could be revealed. There are two main differentials between the pattern for the two periods. For the latter period, the increases and decreases for different age groups are larger, with concentration for the ages 20-34, while for the first period, the pattern is more of a spread out type. The age group for which increase in fertility was observed has shifted from 15-19 for the earlier period to 20-24 for the latter period.

These observations reflect a squeezing in effect. Further, higher increase in fertility for the latter period shows that the factors leading to increase in fertility have become more dominant. Improvement in health conditions of women and effects of modernisation could be the main reasons. The fantastic progress of MCH programme in Maharashtra supports the above conjunctures. Similarly, probably because of reduced lactation and relaxation of taboos on intercourse etc, the birth-intervals would have reduced and hence the squeezing effect. However, because of lack of direct information on these phenomena, the explanations would have remained at the level of conjunctures. But we have a golden opportunity to get to the root causes of the slower decline in fertility in Maharashtra, in the form of two statewide surveys conducted in Maharashtra in 1980 and in 1992. This is the period, when the process of fertility decline had slowed down. These surveys being mainly devoted to fertility and family planning, information is available in great details. In the next section, which concerns with the comparative scenario for 1980 and 1992, is expected to throw much light on the fertility trends in Maharashtra during the recent past.

#### NATIONAL FERTILITY AND MORTALITY SURVEYS

The National Fertility and Mortality Surveys (NFMSs) were originally planned to be conducted as a series of comparable demographic surveys in all the states in India. In the event, Maharashtra is the only state for which NFMS has been conducted so far as envisaged by the Population Research Advisory Council (PRAC).

The major objectives of NFMS, Maharashtra, were to estimate fertility levels and differentials among the three rural regions and the urban zones of the state; to examine the linkage between fertility and its proximate determinants such as age at marriage and contraception;

to identify and to assess the importance of socio-economic factors affecting fertility; to find the attitudes towards FP and its prevalence by methods and to estimate mortality levels and differentials by rural regions and urban zones, giving special attention to infant and child mortality.

In this survey data were collected from about 7,500 families spread over 100 villages and 104 urban blocks of the state. The field work was conducted during June to December, 1980, and the draft report was ready by the end of 1982. The survey, at all its stages, analysis and report writing was undertaken by the Population Research Centre (PRC) of the Gokhale Institute of Politics and Economics, Pune.

For comparable state estimates in the NFMS, the PRAC of the government of India had recommended that about 1,200 families should be interviewed for every 11 million population. On this scale, the Maharashtra survey was expected to obtain about 6,000 interviews. Moreover, for each domain of study, the sample should be large enough to provide separate estimate. The present survey was expected to yield estimates for the three rural regions of Aurangabad division, Nagpur division and western Maharashtra and for urban centres other than Greater Bombay, and Greater Bombay. A total of 7 654 families were contacted. The distribution of the sample

TABLE 3. ESTIMATES OF CBR, CDR AND CPR FOR MAHARASHTRA, 1970-95

Year	CBR	CDR	CPR
1970	31.5	11.9	14.6
1971	32.2	12.3	16.1
1972	32.2	12.8	19.5
1973	28.8	13.6	24.5
1974	29.0	11.5	24.8
1975	29.7	11.4	25.8
1976	29.3	11.3	30.6
1977	26.2	12.8	36.8
1978	26.9	10.3	35.1
1979	27.1	10.9	34.3
1980	29.3	9.7	34.5
1981	28.4	9.6	34.9
1982	29.8	8.8	37.0
1983	29.8	9.2	40.3
1984	31.0	9.4	48.4
1985	29.0	8.4	51.8
1986	30.1	8.4	53.1
1987	28.9	8.3	54.9
1988	29.4	8.9	54.7
1989	28.5	8.0	55.1
1990	27.5	7.4	54.4
1991	26.2	8.2	56.2
1992	25.3	7.9	55.5
1993	25.2	7.3	53.2
1994	25.1	7.5	54.0
1995	24.5	7.4	54.1

Sources: Sample Registration Bulletins, 1970-95 Family Welfare Yearbooks, 1970-95.

families was roughly in proportion to their population. In selected families, all married women in the reproductive ages of 15-50 were interviewed. This resulted in 8,874 interviews of eligible women. The *de jure* members of the family usually living and eating together were defined to be the family unit. For instance, a woman visiting her parents' home for delivering her baby was to be included in her husband's family, if it fell in the sample. Fifty families each from the selected villages and 25 families each from the selected urban block were to be selected.

Two questionnaires were used in this survey. One was for the selected family and the other was for the eligible woman in the family. The family questionnaires seek information on the general characteristics of the family such as caste and religion, principal and subsidiary family occupation, income, migration status, living condition and possession of consumer goods. The other questionnaire contained detailed information about the eligible couple, fertility history, information about knowledge, attitudes and practice of family planning, ideal family size, etc. Two sections of the questionnaires were meant for women who had a delivery during five years preceding the survey. In this section, questions were included regarding place of delivery, location, post-partum amenorrhoea and immunisation.

The analysis was directed towards the following major topics: comparison of the demographic profile of Maharashtra from NFMS with census; background family characteristics; current birth, death and growth rates; age distribution; age at marriage and fertility differentials of currently married women; FP attitude and practice; indirect estimation of fertility and mortality specially infant and child mortality and the assessment of the quality of data.

#### NATIONAL FAMILY HEALTH SURVEY

The National Family Health Survey (NFHS) Maharashtra, 1992-93 was undertaken with the principal objective of providing state level and national level estimates of fertility, infant and child mortality, the practice of family planning, maternal and child health care and the utilisation of services provided for mothers and children. The NFHS in Maharashtra was expected to cover 4,000 eligible women. Assuming the non-response rate at 12 per cent, a sample of 4,400 households was drawn. Finally, 4,063 households and 4,106 eligible women were contacted.

Three types of questionnaires were used in the NFHS: the household questionnaire, the woman's questionnaire and the village questionnaire. The household questionnaire seeks information about usual members and visitors, household amenities, data on births and deaths during preceding two years and information on whether any member of household suffered from tuberculosis, leprosy, blindness, malaria or any physical impairment during preceding three months. This information was collected for the usual residents of the households as well as the visitors.

The woman's questionnaire was used to collect information from eligible women, i.e., all ever-married women aged 13-49 years including visitors as well as usual residents. The questionnaire seeks information on respondents' background, reproduction, contraception, health of

children (under four years), fertility preferences, husband's background and woman's work, height and weight of

TABLE 7: DIFFERENTIALS IN NUPTIALITY PATTERN BY CASTE, RELIGION AND EDUCATION, NFMS AND NFHS

	NFMS Percentage of Ever Married Women Aged 20-24	NFHS Median Age at Marriage for Women Aged 20-24
<i>Religion/Caste</i>		
Advanced castes	80.7	na
Hindu	na	17.3
Intermediate castes	88.0	na
SC and ST	89.7	15.5
Other castes	na	18.0
Muslims	78.4	17.3
<i>Educational level</i>		
Illiterate	96.0	15.1
Education up to 7+	87.6	17.1
Education above 8+	59.5	20.0+

TABLE 4: THREE PHASES OF FERTILITY TRANSITION IN MAHARASHTRA, 1971-91

Stage	Period	CBR			TFR		
		Total	Rural	Urban	Total	Rural	Urban
I Decline in CBR and TFR 1971-77	1971	32.2	33.9	29.0	4.6	4.9	3.9
II Increase in CBR and TFR 1977-84	1977	26.2	26.8	25.0	3.4	3.5	3.1
	1984	31.1	32.1	29.3	3.8	4.1	3.3
III Decline in CBR and TFR 1984-91	1991	26.2	28.0	22.9	3.0	3.4	2.5
	1995	24.5	25.9	22.4	2.9	3.2	2.6

TABLE 5: AGE SPECIFIC MARITAL FERTILITY RATES FOR MAHARASHTRA, 1971-93

Age	1971	1977	1984	1991	1993	Percentage Decline	
						1971-77	1984-91
15-19	150.0	198.4	259.9	231.0	213.5	-29.0	+29.0
20-24	256.9	259.9	244.8	312.3	309.4	-0.6	+67.7
25-29	247.7	190.5	238.9	193.4	187.6	+34.3	+45.6
30-34	198.6	129.1	133.8	81.3	81.6	+41.7	+52.7
35-39	127.0	69.7	57.4	35.5	30.3	+34.4	+22.0
40-44	55.1	28.0	22.8	10.7	7.3	+22.2	+12.1
45-49	22.5	7.4	7.8	1.5	3.5	+9.1	+6.3
TMFR	5.3	4.4	4.8	4.3	4.2	-	-

TABLE 6: DISTRIBUTION OF HOUSEHOLDS ACCORDING TO HOUSEHOLD AMENITIES, LAND OWNERSHIP AND OWNERSHIP OF CONSUMER GOODS

	NFMS, 1980			NFHS, 1992-93		
	Rural	Urban	Total	Rural	Urban	Total
<i>Sources of Drinking water</i>						
Tap	12.1	93.4	40.4	66.6	94.2	78.5
Well	80.2	6.3	54.5	29.8	4.8	19.0
River, spring, etc	7.7	0.3	5.1	3.3	0.9	2.3
<i>Sanitation</i>						
No latrine	95.9	11.5	66.5	90.2	18.4	59.2
<i>Lighting Facility</i>						
Electricity	22.3	81.0	42.9	63.2	87.3	73.6
<i>Land Ownership</i>						
No land	-	-	27.9	-	-	30.2
Up to 6 acres	-	-	39.7	-	-	46.3
More than 6 acres	-	-	32.4	-	-	23.5
<i>Consumer goods</i>						
Car, TV, cycle, scooter, motor cycle refrigerator	0.8	23.8	8.8	11.3	55.6	30.4
Sewing machine	21.8	43.2	29.2	32.4	34.2	33.2
Radio	36.3	24.0	32.0	31.7	57.9	43.0

children under four years and knowledge about AIDS. The village questionnaire was used to collect information on the villages selected in the NFHS sample. It collected information on various amenities available in the village including electricity, water, transportation, and educational and health facilities.

The description of the two surveys was given in detail to enable the reader to probably judge the quality of the data. It is quite clear that the conduct of the NFHS was more systematic and more rigorous in comparison with NFMS. It should be recalled that NFMS, 1980 was conducted single handedly by the PRC, Pune while NFHS involved three agencies, namely, the PRC, IIPS and the CO. There are merits and also demerits of both of these procedures. With a single agency doing the work, uniformity and consistency can be maintained. On the other hand, number of agencies coming together to conduct the survey could lead to problems arising out of differences in understanding. Particularly, the CO, in every case were not knowledgeable people as far as demographic surveys are concerned and hence did not have an insight into demographic data, while organising such a massive survey. In addition, the CO for Maharashtra was from Hyderabad and hence was not familiar with the demographic and related trends in Maharashtra. This could have affected the office editing of the questionnaires done in the CO's office at Hyderabad. However since utmost efforts were taken to maintain the quality of the information, the above-mentioned factors might not have contributed appreciably. On the other hand, for NFMS, 1980, since the conduct of the survey, processing of the data and report writing was done by a single agency - the PRC, Pune, knowledgeable in demographic surveys, there seems no risk of committing mistake on account of ignorance.

#### HOUSEHOLD CHARACTERISTICS

Housing characteristics such as source of drinking water, lighting facility and sewerage facility are discussed (see Table 6). It is interesting to note that the percentage of households getting tap water has nearly doubled. The progress in rural areas is remarkable; the percentage of families with tap water has increased from 12 to 67. The progress in the availability of electricity is also of a similar order. However, if we look at the figures for latrine facility, we come across an equally remarkable failure. The percentage of households with 'no latrine' has increased for urban areas and has declined only

slightly for rural areas. The worsening of living condition in Greater Bombay which accounts for nearly one-third of the urban population of Maharashtra is the reason for deterioration of urban areas. Further NFMS data showed that the percentage of households with 'no latrine' was about 17 per cent for Greater Bombay and 4 per cent for the other towns of the state.

There are two proxy variables which could give an idea about the economic standard of the household: the occupation of the family/head of the household and the ownership of assets such as land and consumer durables. Both the surveys have information on these. But for reasons unknown, the NFHS has not even tabulated the information on occupation. Thus, we remain with only the ownership of assets as the indicator of economic conditions (Table 6). The percentage of households with no land and land less than 6 acres has increased. This shows that ownership of land, a rural asset is gradually declining. On the other hand, the ownership of consumer goods such as car, TV, refrigerator has tremendously increased, even in rural areas. The percentage of households owning these goods has increased from a negligible 1 per cent to 11 per cent in rural areas. This increase obviously is due to the ownership of TV. The aggression of the electronic mass media could be helpful in educating the people, if utilised properly. However the other stuff that is shown on the TV, is so glaring that it could wipe off the one-two minute long educational messages.

**Age distribution:** The information on the age distribution of the two surveys is useful not only for assessing the changes indicative of fertility decline, and change in the proportion of eligible women, but also for checking age reporting. As Bhat (1995) argues, "In most fertility surveys there is a tendency to move women out of the eligible age range (13 to 49 years in NFHS) to reduce the workload of the interviewer. But in the NFHS, there is an irregular dip in the age interval 50-54, which the survey takers attribute to over compensation that resulted from the warnings issued to enumerators against such a practice. However, a careful examination of the NFHS data suggests the presence of continuous under reporting in the age range 10-45 that resulted perhaps from a tendency of transferring women out of the lower end of the eligibility range."

Bearing the probable effects of errors in age reporting, if the age distributions are compared, we arrive at the following conclusions. There is no change in the

TABLE 10: DIFFERENTIALS IN FERTILITY BY CASTE AND RELIGION

	NFMS (1980) Crude Birth Rate	NFHS (1992-93) Total Fertility Rate
<i>Religion/Caste</i>		
Hindu	28.1	2.69
Muslim	34.1	4.11
Scheduled caste/ scheduled tribe	31.4	3.24
Other castes	26.8	2.80

TABLE 8: ESTIMATES OF CBR AND TFR, NFMS, NFHS AND SRS

	NFMS 1980			NFHS 1992		
	Total	Rural	Urban	Total	Rural	Urban
Crude birth rate: un-weighted (Household cards)	29.5	32.0	24.6	25.4	26.4	24.0
Crude birth rate: weighted (Household cards)	28.5	30.9	24.1	-	-	-
Crude birth rate: un-weighted (Individual cards)	30.1	32.8	24.9	-	-	-
Crude birth rate: weighted (adjusted for individual cards)	29.2	31.7	24.5	26.7	28.4	24.1
Crude birth rate: weighted (adjusted and corrected for response error)	30.4	33.1	25.5			
Crude birth rate: SRS(1979 and 1991)	28.3	29.8	25.0	26.2	28.0	22.9
Total fertility rate	3.76	4.21	2.95	2.86	3.12	2.54
Total fertility rate: SRS	3.6	3.9	3.0	3.0	3.4	2.5

TABLE 9: CONTRIBUTION OF FERTILITY DECLINE BY FOUR COMPONENTS, 1970-82

Variable	Effect
Proportion of women in reproductive ages	$GFR_1 (W2/P2 - W1/P1) = 0.001394$
Age structure	$(\sum (A_{2i} - A_{1i}) M_{1i} F_{1i}) W1/P1 = 0.000871$
Marital status composition	$(\sum A_{1i} (M_{2i} - M_{1i}) F_{1i}) W1/P1 = -0.000878$
Marital fertility	$(\sum A_{1i} M_{1i} (F_{2i} - F_{1i})) W1/P1 = -0.004489$
Total effect	$= 0.001394 + 0.000871 - 0.000878 - 0.004489$ $= (-) 0.003102$ or 3.102 per thousand

proportion of population in the age groups 0-9. It is recalled that the population in ages 0-9 for 1992 is the survivor of 1982-92, while for 1980, it is 1970-80. The trend of birth rates in Maharashtra has shown that the decline in birth rate 1970-80 was sharper than that of 1982-92 and hence 'no change' in population 0-9 could be expected. The proportion of population in the age group 10-14 shows a decline for both rural and urban areas. This population in 1992 is a survivor of the births in 1977-82, while for 1980 it is the survivor of births during 1965-70. The birth rate for 1965-70 was naturally higher than that for 1977-82 and hence the decline in the percentage. There is not much change in the proportion of population above age 60.

**Nuptiality:** Marriage is of particular interest, not only because of its importance in its own right, but also because of its influence on fertility and population growth. Marriage patterns are also important from a sociological point of view and they are inextricably linked to the status of women in the society.

The changes in the nuptiality pattern during 1980-92 will be examined through simple measures such as proportion married in different age groups, the singulate mean age at marriage and the average age at marriage. After examining the trends, the trends in the differentials according to education and caste/religion also will be assessed. The changes, if any, in the differentials are important for our study, since they demonstrate the progress in different social groups.

If we analyse the proportion of married women for different age groups for both rural and urban areas, it is seen that except the age group 15-19, for all other ages, the proportion has declined, which is an expected trend. However, it is surprising to note that the youngest age group 15-19, which is expected to show the maximum change, is not showing any change. To the contrary, it is showing slight increase in the proportion for both rural and urban areas. Although the period of 12 years may not be long enough to expect significant change in the marriage age, which increases very gradually, 'no change' in the youngest group is not expected. As discussed earlier, it was observed that the age of women reported in NFHS (for women aged 15-30 years) is, on an average, an year less than the actual age. This means that if 36 per cent of women aged 15-19 are married, the percentage actually refers to 16-20. Examination of the steep rise in proportion married in the younger ages indicates that an error of 0.5-1 year may lead to a

significant adjustment in the proportion married. For example, according to NFHS, the percentage married is 6.5 for the women aged 13-14 years, 36.5 for women aged 15-19 years and 78.3 for women aged 20-24 years. If we plot the trend, plotting 36.5 against 18.3 (assuming under reporting of 0.8 years) and not against 17.5 and similarly plotting 78.3 against 23.5 and not 22.5, and then read off the percentage for 17.5 and 22.5 representing the age groups 15-19 and 20-24, we find that they are 30 and 75, respectively. With adjusted figures for proportion of married women, the age at marriage rises by 0.7 years. The error due to misreporting of ages in rural areas is of one complete year. Thus, we could say that the age at marriage of women in rural areas would rise by an year. For urban areas the adjustment is not of a significant direction and order. Hence, we presume that there is no significant mis-statement of ages in urban areas.

With the above adjustments, one could come to the conclusion that the average age at marriage which was 16.6 years in 1980, has increased to 17.0 (median age at marriage) and has not declined to 16.4 as per the report of the NFHS. Further, the age at marriage for rural women also would be corrected to about 16.3 instead of 15.3 years. This would reduce the rural-urban gap. The singulate mean age at marriage which showed a very meagre increase of half an year from 1981 to 1992-93, also would show same appreciable increase, if adjusted for mis-statement of ages.

**Differentials by caste, religion and education:** Assuming justifiably that the mis-statement of ages would be similar for all groups of the women, the differentials are examined below. Table 7 gives the data on differentials from NFMS and NFHS. The analysis being different in the two surveys, strict comparison is not possible. The NFMS report gives the differentials in terms of percentage ever married, while the NFHS report provides in terms of median age at marriage. The median age at marriage was same for Hindus and Muslims for the age group 20-24 in 1992, while in 1980 the percentage ever married for Muslims was lower than the majority of the Hindu castes. So far as the caste is concerned, the 1980 report shows that there was not much difference between percentage ever married for the ages 20-24 (84.3 per cent for other Hindu castes and 89.7 per cent for SCs and STs). On the other hand, the NFHS report has shown that the median age at marriage for SC/ST was 15.4/15.5 and that for the other castes was 18 years. It is interesting to observe these contrasting observations.

Though the Hindu-Muslim differentials have been wiped off, the caste differentials have widened.

It is found that in 1980, the proportion ever married for the age group 20-24 declines from 96 for illiterates to 87.6 for women educated up to seventh standard, and declines further to 59.5 for women with educational attainment above 8th standard. It means that the attainment of education beyond 7th standard makes the real difference in marriageable age. On the other hand, the difference in median age at the marriage for women in the age group 20-24 as revealed by the NFHS reports show that the progressions from illiterates to middle school and from middle school to the higher educational grades are equally important. It is observed that the median age at marriage for illiterates is 15.1 years, while that for women with middle school is 17.7 and for women with higher education, it is definitely higher than 20 years. These observations indicate that during the period of study, the tendency of marrying at a little higher age has developed even among the illiterates and less educated. In brief, the age at marriage is not that static as was revealed by the reported figures of NFMS and NFHS.

**Regional variations:** The NFMS has collected valuable information on regional variations. It would have been possible to compare the regional differentials, if the NFHS sample would have been adequate enough for regional estimates. However, an attempt is made to examine the changes in the regional variations with the help of data on evaluation surveys conducted by the PRC, Pune in rural areas of various

TABLE 11: MEAN NUMBER OF CHILDREN EVER BORN BY EDUCATION

	NFMS (1980)	NFHS (1992-93)
<i>Educational Level</i>		
Illiterate	3.4	3.5
Literate < Middle complete	-	2.8
Education up to 7+	2.7	-
Middle school complete	-	2.2
8th to 12th standard	2.2	-
High school complete	-	2.2
Above 12 standard	1.8	-
High school and above	-	1.9

TABLE 12: ESTIMATES OF CBR FOR REGIONS OF MAHARASHTRA

Weighted and Adjusted Estimate for CBR	1980	1987
Rural western Maharashtra	30.8	27.0
Rural Vidarbha	34.8	29.0
Rural Marathwada	37.1	36.0
Rural Maharashtra	33.1	31.0
Urban Maharashtra	25.5	25.0
Entire Maharashtra	30.4	29.0

districts of Maharashtra during 1980-92. The PRC, Pune, has carried evaluation surveys in Nasik, Solapur, Pune, Sindhudurg and Nanded districts. The surveys had a sample of about 2000 households each. Except Nanded, the other four districts are from western Maharashtra, while Nanded is from Marathwada region. It is observed that unlike Marathwada, the western Maharashtra and Nagpur division (Vidarbha) show similar trends. Our evaluation surveys have not covered any district from Vidarbha, and hence comparison could not be made for Vidarbha. But the above observation may enable us to have some broad conclusion on the basis of the trends in western Maharashtra. It is seen that Sindhudurg resembles the position of Kerala among the states of India. Western Maharashtra includes other developed districts like Sangli, Satara and Kolhapur, which are close to Pune district. It means that the proportion of married women, especially in the ages 15-19, which is an indicator of nuptiality, would be definitely lower for them for the recent period than that found for western Maharashtra in 1980. This observation suggests that the conditions in western Maharashtra are rapidly changing while there is no change in Marathwada region. Disparity by regions also could be one of the probable reasons for the slow progress in demographic transition in Maharashtra.

#### FERTILITY AND RELATED VARIABLES

A major objective of the NFMS 1980, and NFHS 1992, conducted in Maharashtra, was to estimate fertility levels in rural and urban area of Maharashtra. Detailed information was collected about current and past fertility levels, cumulative fertility, differentials by socio-demographic characteristics, birth intervals, post-partum-amenorrhoea, etc. The information on births during the reference period of two years and the birth history of women formed the base for calculating the fertility indicators such as CBR, ASFR, TFR, etc.

In case of NFMS, two types of adjustments were done, while calculating the birth rate. Firstly, because of the selection of voter's list as a sampling frame, a bias had arisen in the selected sample. Thus, to remove the effect of this bias, weights were applied to each household. Secondly an estimate of 'response error' was obtained on the basis of re-interviews in 44 villages and 33 urban blocks and this was added as a correction factor. The correction for response error could not be applied to ASFR, ASMFR or TFR. The weights for removing the bias of the

sampling frame were however applied for calculating the age-specific rates. The different estimates of CBR and TFR at the two surveys and SRS are given in Table 8.

Out of the various estimates of CBR for 1980, the one (adjusted and corrected for response error) which should be compared with the NFHS estimates, based on the individual woman's birth history, one could say that the CBR has declined from 30.4 to 26.7 for the entire state, meaning thereby that it has declined by about 12 per cent. This decline is about 14 per cent in rural areas and 4 per cent in urban areas. For comparison let us examine the CBR from SRS. It is seen that the NFHS rates are very close to the SRS estimates, while the NFMS rates for 1980 are higher than the SRS estimates. The SRS rates compare well with the weighted rate based on household information.

A better picture of fertility can be obtained by examining the ASFR and the TFR, which are not affected by the age structure of the population. For NFHS, the ASFRs and the TFRs are based on births during the three-year period preceding the survey, while for NFMS they are based on the births during the reference period of two years (see Table 8). It is noticed that the decline of TFR is 24 per cent in the entire state, of about the same order in rural areas and 14 per cent in the urban areas. The order of decline in TFR is much higher than the decline in the CBR. This shows that at the individual level, fertility is declining but is not reflected in the decline in birth rate.

These observations lead us to two kinds of analyses. One is directly relating the contribution of different factors explaining the decline in birth rate and the other

relates to examining the decline in TFR in Maharashtra in comparison with those found in other states and judging its adequacy. It is observed that Andhra Pradesh, Himachal Pradesh, Karnataka, Punjab and Tamil Nadu had TFR (1979) close to TFR of Maharashtra, i.e. 3.6 per woman. If we examine the decline in TFR in these states it is found that except in Karnataka, it is higher than that in Maharashtra. Tamil Nadu especially has shown a very sharp decline. In short Maharashtra, as could be seen from the latter section on family planning, though being a best performing state and having a high level of female literacy, has not been successful in reducing its birth rate. Some clues could be obtained from the 'decomposition' of birth rate decline into various factors using the standardisation technique.

TABLE 15. PROPORTION OF STERILISED WOMEN WITH SEX COMPOSITION OF CHILDREN

Number of Children	Percentage of NFMS, 1980	Sterilised Women NFHS, 1992-93
None	1.0	0.4
1 Child	3.4	5.8
1 Son	4.3	8.6
No Son	2.4	2.7
2 Children	16.6	37.4
2 Sons	21.6	55.2
1 Son	17.5	35.7
No Son	6.8	9.5
3 Children	46.3	70.5
3 Sons	63.6	85.3
2 Sons	59.7	82.7
1 Son	30.6	55.6
No Son	10.2	20.0
4+ Children	61.6	83.3
2+ Sons	69.1	77.6
1 Son	42.8	65.6
No Son	25.0	43.2
Total	30.9	46.2

TABLE 13. FAMILY PLANNING PERFORMANCE, 1980, 1992-93 AND SERVICE STATISTICS

Indicators of Family Planning Acceptance	1980			1992-93		
	Rural	Urban	Total	Rural	Urban	Total
CPR - all methods (survey)	31.2	37.9	33.4	53.8	50.8	52.6
CPR - all methods (service statistics)	n.a	na	34.5	na	n.a	55.5
CPR - sterilisation (survey)	20.4	32.0	30.9	50.8	39.5	46.2
CPR - sterilisation (service statistics)	n.a	na	33.2	na	na	41.0

TABLE 14: SOURCES OF SUPPLY OF FAMILY PLANNING METHODS

Method Used	NFMS, 1980		NFHS, 1992-93	
	Private	Government	Private	Government
Sterilisation	15.3	84.7	19.7	80.3
Female sterilisation	na	na	22.3	77.7
Male sterilisation	na	na	2.6	97.4
IUD	60.6	39.4	52.1	47.9
Condom	76.9	23.1	78.1	21.9
Oral pill	80.0	20.0	63.5	36.5



# DECOMPOSITION OF FERTILITY DECLINE IN MAHARASHTRA, 1979-91

The standardisation technique was applied to both the NFMS 1980, NFHS 1992. It is recalled that the estimate of CBR for 1980 was 28.5. However, when the data were taken from individual cards and adjustments were made, the estimate of CBR comes up to be 29.8. The NFHS reports that the birth rate was 26.7 per 1000. Thus, we have to explain the decline of 3.1 points in terms of the four components, namely, the proportion of women in the reproductive age span 15-49, the age structure of the women within the reproductive ages, the proportion of married women and the ASMFRs.

The proportion of women in the reproductive age span has increased from 23.1 per cent to 24.2 per cent. The changes in this parameter occur on account of changes in fertility and improved survival. Increase in this ratio leads to a positive effect on fertility. The changes in the age structure are not significant. As far as the marital status composition is concerned, it is expected that the proportion of married should decline more sharply in the younger ages. But surprisingly it is observed that there is no change in proportion of married for the youngest age group, i.e., 15-19, and also the decline is not remarkable for the next age group too. It was observed that there is no change in the age at marriage during the intervening 12 years. If the age at marriage increases, it reduces the proportion of married couples in the population, while with improvement in health condition, the incidence of widowhood declines, giving rise to the increase in the proportion of married couples. This ratio was 165 per 1000 in 1980 and has increased to 169 in 1992. It means that the effect of reduction in widowhood has outweighed the effect of increase in age at marriage. In short, the changes in the nuptiality pattern are in the direction of increasing the fertility. Lastly, the most important component, i.e., age specific marital fertility rates has to be examined. It is observed that for the first age group the ASMFR has actually increased and for the second age group the decline is as good as none. In fact, the age group 20-24 is the one with peak fertility. Hence if the women in this age group use family planning methods in large proportion, sharp decline in fertility could be expected. The increase in the marital fertility rate for the first age group is remarkable and equally not expected. Although explanations can be given for this phenomenon in terms of improvement

in women's health, leading to reduction in foetal losses, withdrawal of taboos, reduction in breastfeeding, etc., the amount of increase observed in this case may go beyond the effect of above factors. In this connection, it is necessary to look into other probable reasons.

Bhat comments, "A careful examination of the NFHS age data suggests the presence of continuous under-reporting of age in the range of 10-45 that resulted perhaps from a tendency of transferring women out of the lower end of the eligibility range. In reproductive ages, the proportion of female population reported above any age is consistently smaller in the NFHS than the SRS. The deficit of females in the NFHS indicates that there was a net downward transfer of females across the age in the surveys. The average age differences shows that in the reproductive ages, the NFHS women at a given age are older by about a year than the SRS women reported at that age. Because the NFHS women are older, they have higher parities than the SRS women at the same reported age. Although the estimated age difference may be small, it could still be critical at younger ages because of the steepness of the fertility function at these ages. If the NFHS fertility rate for ages 15-19 years actually refers to ages 16-20, it could easily explain a 50 per cent rise in fertility." If we assume Bhat's argument to be true, we would be able to explain the unexpectedly high fertility rate for the ages 15-19. If an adjustment for 50 per cent rise is made,

the adjusted ASMFR for 15-19 would be around 275, which would seem reasonable and its difference with 1980 figures could be explained by the factors mentioned earlier.

However, for the purpose of decomposition, the reported rates only are used since the adjustments cannot be probably done in exact terms. The effects of the four components contributing to fertility decline (measured as decline in birth-rate) during 1979-81 are given in Table 9. Coincidentally the observed change is also 3.1 per 1000. Thus it appears that the observed change is entirely explained by the four factors.

In this context, it would be worthwhile looking into any other studies on fertility transition in Maharashtra, which are based on the other sources such as SRS [Srinivasan 1994; Kulkarni and Kumar 1995]. According to Srinivasan, there was a decline of 7.5 points in the birth rate for Maharashtra during 1972-89, out of which 5.9, that is about 78 per cent of the decline that was explained by the four components. The decline in marital fertility explained 89 per cent, the changes in age structure 10 per cent and changes in marital status composition explained 33 per cent. The changes in the proportion of women in reproductive ages led to a positive contribution of 55 per cent. The contributions do not exactly compare with our findings but it is not also expected, since firstly the period is different, longer and the explained decline is only 75 per cent. It is presumed

TABLE 16: APPLICATION OF BONGAART'S MODEL, 1980-1992

Determinant	1980	1992	Ratio	Proportionate Change
Cm	0.7864	0.6259	0.7959	-0.2041
Cc	0.6461	0.4427	0.6852	-0.3148
Ci	0.6610	0.7067	1.0691	+0.0691
Ca	1	1	1	0
TFR	3.76	2.86	0.7606	-0.2394
TF	11.2	14.6	1.30	+0.3045

TABLE 17: CONTRACEPTIVE PREVALENCE AMONG WOMEN BY EDUCATION, CASTE AND RELIGION, 1980 AND 1992-93

	NFMS		NFHS	
	Sterilisation	Other Methods	Sterilisation	Other Methods
<i>Educational Level</i>				
Illiterate	33.4	0.5	55.1	1.6
Education upto 7+	29.9	2.2	47.8	4.5
8 to 10th Standard	23.0	10.4	34.2	9.4
Above 10th standard	18.1	18.6	30.5	23.7
<i>Caste</i>				
Scheduled castes	32.5	1.1	52.1	3.0
Scheduled Tribes	27.0	0.6	46.7	1.9
Other castes	32.2	2.7	45.7	7.1
<i>Religion</i>				
Hindu	31.7	2.2	49.6	5.7
Muslim	21.5	3.0	26.6	8.6
Others	35.4	6.2	44.0	7.0
Total	31.0	2.5	46.2	6.3

that the unexplained part could be explained with the help of interactions but sometimes this unexplained part has assumed fairly large amounts. For instance in Karnataka, only 57 per cent of the decline is explained. In our opinion unless the explained contribution is above 90 per cent, nothing can be said about the role of various factors with confidence.

Kulkarni and Kumar's study (1994) for Maharashtra divides the period 1971-91 into three phases of transition - 1971-77, 1977-84 and 1984-91. Although, the data reveals that these three periods show clearly distinct trends, namely, a sharp decline during 1971-77, increase in fertility during 1977-84 and then a gradual decline during 1984-91, in our opinion the sharp decline in fertility up to 1977, particularly during 1976 and 1977 and the subsequent increase thereafter are not natural events, and hence, we wonder how far such demarcations would be proper.

Another comment on studies using SRS estimates would be that SRS rates during 1970s suffered from underestimation. When special techniques are applied to measure the contribution of different factors, the extent of coverage has to be of similar order at the two points of time. The third phase 1984-91 in the study by Kulkarni and Kumar seems to be free from both the errors mentioned above. Further it also compares with the period covered by NFMS and NFHS.

#### DIFFERENTIALS IN FERTILITY

After describing the trends in fertility, let us examine the differentials in these variables revealed by the two surveys. As mentioned earlier, the NFMS analysis is presented mostly in terms of CBR and mean parity and hence the differentials for 1980 would be examined in terms of CBR and parity, while the NFHS differentials would be examined in terms of TFR and parity. Table 10 gives the data on CBR differentials by caste and religion for 1980 and TFR differentials for 1992-93. The notable finding that emerges from this comparison is that the Hindu-Muslim differentials have increased quite significantly. It would be clear from the section on family planning performance, the programme has been performing at almost the same level in rural and urban areas and there is very little differential in the performance of various castes but the differential between Hindus and Muslims is still very wide. Under the garb of personal law, the Muslims are desisted from using contraception and hence, the wide gap. Even for differentials by residence and caste, it could be said that

they should have reduced over time with the expectation that as the FP programme progressed, it should cut across all the demarcations in this society. In Table 11, mean number of children ever born has been compared for women with different educational attainments from the two surveys. Although the educational categories are slightly different, a broad comparison is possible. It is found that the trends are similar. Not only the trends but also the values of parities do not differ much between the two surveys.

*Regional variations:* On the basis of the proportion of urban and rural population, some rough estimates were obtained for birth rates of rural areas using Bhat's estimates. It was observed that the rural areas of western Maharashtra had a birth rate of about 27 per thousand population, Marathwada had a birth rate of about 36 and Vidarbha about 29 in 1987. Compared to the NFMS estimates in 1980, these estimates show different orders of decline.

The above estimates fairly tally with the estimates we had obtained from our surveys for some districts. The average birth rate for western Maharashtra from our surveys was 28.3 for 1985-88 and for Marathwada it was 34 for 1989. Our survey of the Marathwada region shows that the region is lagging behind the other regions on both counts - the demand for FP methods and the efficiency of provision of FP services.

#### FAMILY PLANNING

Information about FP and use of contraception is of practical use to policy makers and programme administrators for formulating policies and strategies. Detailed information was collected in both

the surveys in respect of knowledge, practice, source of supply, the characteristics of the acceptors, reasons for non-use, future intentions, etc.

It is needless to mention that R D Karve from Maharashtra was the pioneer of the FP programme in Maharashtra. In 1970, Maharashtra occupied second position in FP performance next to Punjab with 17 per cent of the women being acceptors. However, from 1974 to 1985 Maharashtra stayed at the top with more than 50 per cent of the couples protected. It was followed by Punjab, Haryana and Gujarat. In our judgment with the introduction of cu-T in the programme, Punjab surpassed Maharashtra. Also Kerala and Tamil Nadu surged ahead as Maharashtra lost its rank during last 10 years. From the data for 1980-92, the slow progress of the FP in the state can be gauged.

In 1980, the percentage of protected couples was 33.4, which has increased to 52.5 in 1992-93. In 1980 the urban performance was slightly better than the rural performance (Table 13). But in 1992, thanks to the efficiency of the FP department and its network of PHCs, the rural performance has surpassed the urban one. Still after 12 years, the contribution of spacing methods is not remarkable. The performance in spacing has increased from 2.5 to 6.4 only. As a check on the quality of data let us compare these figures with the service statistics. According to the service statistics the percentage of couples protected was 34.5 for 1980 and 55.2 for 1992. The differences between service statistics and surveys are not significant. However, if we examine the prevalence by methods, the differences widen. For example, the performance of sterilisation

TABLE 18: REGIONAL ESTIMATES OF FAMILY PLANNING ACCEPTANCE

	Percentage of Couples Currently Using Contraception 1980		Percentage of Couples Effectively Protected 1992-93	
	Sterilisation	All Methods	Sterilisation	All Methods
Rural Western Maharashtra	32.4	43.3	45.3	59.3
Rural Vidarbha	32.3	43.2	45.0	60.7
Rural Marathwada	21.8	22.4	37.3	50.0
Rural Maharashtra	30.4	41.2	43.6	57.7

TABLE 19: COMPARATIVE DATA ON ANTENATAL CARE AND IMMUNISATION OF CHILDREN, 1980 AND 1992-93

	NFMS			NFHS		
	Rural	Urban	Total	Rural	Urban	Total
<i>Antenatal Care</i>						
ANC at home	0.9	0.0	0.7	20.7	1.0	13.0
ANC outside	15.4	82.7	36.0	57.5	89.2	69.8
No ANC	83.7	17.3	63.3	21.8	9.8	17.2
<i>Immunisation of children</i>						
BCG	25.7	70.5	39.5	87.2	86.3	86.9
Triple	17.3	39.1	23.8	81.6	84.1	83.1

is 46 per cent according to the NFHS, 1992, while service statistics report it as 41 per cent and the performance of spacing methods is about 6 per cent according to survey and 14 per cent according to service statistics. The reasons are obvious. The incompleteness in registration of sterilisation carried out in private sector in the service statistics, while the over-reporting of use of spacing methods in the service statistics is an established practice [Visaria, Visaria and Jain 1994; Zachariah et al. 1999].

Having assured ourselves about the genuinity of the reported performance, it would be interesting to examine the trends in other related characteristics. The 1992-93 NFHS shows that female sterilisation is the best known, followed by male sterilisation, IUD, oral pill and lastly the condom. In 1980, the levels of knowledge were quite low (15-20 per cent) for spacing methods. During 12 years, the levels of knowledge have risen remarkably. But it is surprising to note that the simplest contraceptive like the condom is known by only 57 per cent of the women. The simple reason behind this is that it is a male method, while most of the FP acceptors happen to be females.

Regarding the source of supply it was observed that in 1980, 75-80 per cent of the users of condom and oral pills had bought these from the chemist, while in case of IUD the contribution of private hospitals was 60 per cent (Table 14). In 1992, the contribution of the private sector in case of condom has remained same, while for oral pills and particularly for IUD the role of government has increased. Both these observations indicate the government's increasing role towards propagating female methods of FP. In case of sterilisation the share of private sector has increased from 15 to 20 per cent. Even in urban areas the share has not increased significantly indicating that currently, the government is the main caterer to needs of FP despite people fast losing their faith in the government.

*Characteristics of the acceptors:* Since 1980 the proportion of users of spacing methods was very low, the report contains detailed information about only sterilised couples. Hence the comparison of the characteristics would be done only for the sterilised couples. The age at sterilisation and the number of the living children at sterilisation are important to indicate the probable impact of the performance. In 1980, only 15 per cent of the sterilised couples had wife's age below 24 years. This percentage has increased to 45 per cent. The median age at sterilisation has

come down from 30 years to 25.6 years. This points towards a substantial decline in fertility as a result of adoption of terminal methods at a younger age. However, this would be true only if a similar trend is observed in case of number of living children at sterilisation.

In 1980, the percentage of sterilised couples with more than 3 children was 90, while for 1992 it has reduced to 80. This reduction is not as impressive as the reduction in the median age at sterilisation. What are the reasons for such lack of consistency? Clearly, the norm about desired number of children and that too sons, has not have reduced. As regards the distribution of sterilised couples by number of sons, we find that in 1980, the percentage of sterilised couples with one son was 19 and it has increased to 30. But at the same time, the percentage of sterilised couples with no son was 2.4 and has increased to 3. These figures clearly indicate a preference for son. In this connection, some additional information regarding the sex-composition of the children of the sterilised couples was compiled for the two surveys and is given in Table 15.

In 1980 among couples with only one child the percentage of the sterilised was 3.4, while the percentage of the sterilised having one son was 4.3. These percentages for 1992 have become 5.8 and 8.6 respectively. The percentage of the sterilised with two children was 16.6 in 1980 and has increased to 37.4 in 1992. The increase is substantial. But if we examine the data with respect to sex-composition of children, we find that the increase is almost contributed by increase in the proportion of the sterilised with two sons. The proportion of sterilised couples with two sons has increased from 21.6 to 55.2. The same for two daughters has increased only from 6.8 to 9.5. The tremendous gap between the performance with sons and daughters patently discloses the preference for son in Maharashtra. This could be the condition in other states also [Irudaya Rajan, Mishra and Vimala, 1996]. Hence, we looked into the NFHS data for all other states and when we compared our data with those for a state like Tamil Nadu, which has a similar fertility level in 1980 and has many other characteristics like female literacy of similar order as that of Maharashtra, we were surprised to find that in Tamil Nadu, the percentage of the sterilised with only two sons was 50, while that with only two daughters was as large as 30. Why should Maharashtrians long for sons so intensely? In this connection we would like to draw attention to various conjectures put forth

by different demographers for the recent success in Tamil Nadu. Some of them explain it in terms of social capillary theory. The high aspiration about children lead the parents to keep the family size under control and these aspirations might be a fall out of the exceptionally large proportion of Tamilians watching movies, which present omnipotent heroes. We do not quite agree with the 'movie hypothesis' but the combination of aspirations coming out of higher literacy and poverty representing the incapability to bring up bigger family could have led to the rising acceptance of FP. In this context an interesting study by Krishnamoorthy and others (1996) based on focused group discussions and indepth interviews looks for the causes of fertility transition in Tamil Nadu. The discussions do not indicate any significant role for political mobilisations. Rather aspiration for good quality of life for children seems to be the answer. Different groups in the society aspired for small families for different reasons. The urban upper classes tried to maintain their social and economic status against the social awakening caused by the Dravidian movement and the reservation policy of the government in education and employment. The large middle class, because of better transport network could get access to the benefits of development and hence aspired for few educated children against more uneducated children. Lastly, for those in the lowest rung, awareness about their rights and opportunities for upward mobility, made it necessary to limit the family size.

Bhat (1995) has explained the Tamil Nadu phenomenon not in terms of lack of preference for son but the fear of begetting daughters in the process of waiting for a son. The exorbitant dowries and the cost of education of a girl naturally creates such fears and hence leads to termination of childbearing at lower parity. On the other hand the situation in Maharashtra is quite different. The rural areas of Maharashtra might be better than the rural areas of Tamil Nadu and dowry is not a stumbling block in settlement of marriages. Hence, the Maharashtrian couples can afford to bear daughters before begetting a son. According to Arnold's measure of excess of births due to gender preference, Maharashtra stands at 14.6 per cent, while this measure is about 6.8 per cent for the south Indian states. The measures for Punjab, Haryana and Himachal Pradesh are above Maharashtra. To sum up, though the performance of FP has risen substantially, in quantitative terms, it has not improved qualitatively.

In continuation of our efforts to explain the decline in fertility during 1980-92, we have applied Bongaart's model of proximate variables. Bongaart's has demonstrated that 96 per cent of the variance in the fertility levels is explained by four proximate variables: *cm* – the proportion of married females; *cc* – the prevalence of contraceptive use; *ca* – the incidence of induced abortion; and *cl* – the fertility inhibiting effect of breast feeding.

In this formulation, the TFR is expressed as the product of four factors and the total fecundity rate (TF). We have applied this model to data for both 1980 and 1992 and have tried to assess the relative contribution of different variables. In absence of data on induced abortions we have assumed no change in the effect on account of induced abortion. Table 16 gives the results. It is observed that the decline in fertility due to contraception is substantial but is counteracted by the increase in fecundity rates represented by TF. The TF has increased from 11.2 to 14.6. These estimates are not foolproof since the model has limitations and the effect of induced abortions has not been considered at all. But in our opinion, since the changes in factors giving rise to increase in natural fertility have been observed in Maharashtra there is a possibility of increase in TF. For instance, although it could not be proved with evidence, the incidence of spontaneous foetal losses must have reduced, giving rise to increase in the number of live births. Bongaart's model takes into account only the induced abortions with a view to consider the contraception among the women with induced abortion.

Further, the reduction in post-partum amenorrhoea, which to an extent is represented in the index of lactational infecundity, would also give rise to exposure to conception and hence the value of TF. On the basis of NFMS and NFHS we would get some account of the decrease in the duration of post-partum amenorrhoea. It is observed that the duration has decreased from 11.8 months to 8.5 months. In short, there are some factors which give rise to increase in fecundity rate and which have shown significant changes over time. The application of Bongaart's model has shown that there are some factors which have led to rise in the fecundity of the women. In brief, the in-built momentum for maintenance of fertility levels has counteracted the efforts for decline in fertility and hence visible decline in fertility in Maharashtra appears to be low in view of substantial contraception.

In this context, the question arises as to how Tamil Nadu at same level as of Maharashtra did not face problems due to fertility inhibiting factors. Kulkarni (1995) has applied Bongaart's model to the data for Tamil Nadu for the period 1983-92, and arrives at implied values of TF as 11.1 and 10.9 births per woman, implying that there is no counteracting force against decline in fertility. We do not have any direct evidence in support of this observation. But we would like to argue out the case of negligible decrease in foetal losses in Tamil Nadu. As against six per cent foetal losses and still births for Maharashtra, Tamil Nadu has this percentage around 11. Similarly the proportion of infecund women is higher in Tamil Nadu. If infecundity is defined as the proportion of childless women of ages 40-49, then it is 3.1 per cent for Tamil Nadu and 1.8 per cent for Maharashtra. Thus, as a conjecture, we could say that the apparent failure of Maharashtra as against the success of Tamil Nadu could mainly be due to the differential nature of the fertility inhibiting factors in the two states. It does not mean that there is no scope for improvement in the FP programme in Maharashtra. Efforts should be made to motivate couples to reduce their preference for son. There could be doubts as to whether this comes under the activities of the family planning programme but its IEC component could be directed towards this. Unless the son preference reduces, significant progress in the performances does not seem to be a possibility in near future.

#### DIFFERENTIALS IN FAMILY PLANNING PERFORMANCE

The trends in the differentials in family planning acceptance for different groups would reveal the changes in the spread of FP programme in various strata of the state. The three prominent social characteristics are religion, caste and education. The differentials by caste and religion and changes over time reveal the hold or absence of it, of the social institutions while the changes in differentials by education would show the changing influence of education on acceptance of FP methods (see Table 17). Generally younger women are more educated but since they have yet to complete their families, they do not use family planning. The older women, who on the other hand have completed their family sizes, lack knowledge and awareness. This pattern changes with rising use of spacing methods and awareness among illiterate women. In Maharashtra both these developments

have taken place and hence we do not find any difference between prevalence rates of illiterates and educated.

As far as the effect of religion is concerned, the gap between Hindus and Muslims has widened. The ratio of CPR for Hindus to Muslims has increased from 1.38 to 1.57 during 1980-1992. In any development programme, as it proceeds, all the lagging groups get involved and the disparity reduces. In case of Muslims, the gap widens, showing that Muslims have not been sufficiently involved in the programme. There is no need to elaborate on the reasons for this observation. Interestingly, the caste differentials with regard to FP have reduced over time. The scheduled castes have come on par with other castes, while scheduled tribes are somewhat behind in an option of FP methods. The ratio of CPR for other castes to that of the tribes has reduced from 1.26 to 1.09. In this context let us examine the trend in regional variations. Since in Maharashtra the differences between rural and urban performance are not wide, we can compare the rates for rural areas in 1980 with rates for entire areas of 1992.

*Regional variations:* To repeat, the NFMS has given estimates by rural region and urban zones. If we could get the estimates of contraceptive prevalence by region for 1992, it would indicate the regional progress in the field of contraception. The evaluation and intelligence division of the ministry of health and family welfare has given estimates for districts of couples effectively protected (see Table 18). It is seen that the regional gaps have been reduced as far as practice of contraception is concerned. Thanks to the bureaucratic efficiency, the services have reached even in the interior areas of Maharashtra.

*Maternal care indicators - ante-natal care:* Ante-natal care refers to pregnancy related health care provided by a doctor or a health worker in a medical facility or at home. Ante natal care can contribute significantly to the reduction of maternal morbidity and mortality because it includes advice on diet and the provision of iron and folic acid tablets to pregnant women. In the NFHS each woman who had a live birth during preceding four years was asked details about the health workers' ante-natal visits. The number of ante-natal care visits and timing of the first ante-natal check-up are important for the health of the mother and outcome of the pregnancy. Ideally, for normal pregnancies, ante-natal care visits after confirmation of pregnancy should be scheduled at intervals of four weeks until the last month and weekly

thereafter. However, it is often difficult to observe this schedule. Under these circumstances, a minimum of four ante-natal visits are recommended, one each during the third, sixth, eighth and ninth months of pregnancy.

In India, the tetanus toxoid immunisation programme for expectant mothers was initiated in 1975-76 and was integrated with the expanded programme on immunisation (EPI) in 1978. In 1986, the universal immunisation programme was started with an important objective to protect all pregnant mothers against tetanus. Provision of iron and folic acid tablets to pregnant women as prophylaxis against nutritional anemia forms an integral part of MCH activities in India. It is recommended that a woman should take 100 tablets of iron and folic acid during pregnancy and the health workers are instructed accordingly. In NFHS, detailed information was collected regarding place of delivery, attendance at delivery, ante-natal visit, etc. But NFMS, 1980 had very limited information on items, regarding registration for ante-natal care, reason for no registration and visits by the government workers (see Table 19 for details).

In 1980, in rural areas where only 16 per cent of the women had registered, only 1 per cent of the cases the government workers had paid visits. Further, the main reported reason for no registration was 'no need' in case of 50 per cent of the cases. For urban areas the percentage of registered cases was as high as 83. In 1992, the picture has changed altogether. Thanks to the UIP, even in the rural areas, 78 per cent of the women are getting antenatal care, while in urban areas, 90 per cent of women getting ante-natal care. In short, the government of Maharashtra has attained tremendous success in the health programme for mothers and children.

#### SUMMING UP

The present paper has attempted to evaluate the demographic transition in Maharashtra since the 1950s. The study is divided into two parts. First part deals with the transition during the pre 1970 period; while the second part deals with the transition in the post-1970 period. The data for the pre-1970 period have mainly been taken from the fertility surveys conducted by the Gokhale Institute, Pune. They provide two interesting data sets, which enabled us to examine the fertility transition in rural and urban areas of Maharashtra.

The National Fertility and Mortality Surveys conducted in 1980 and the National Family Health Survey conducted

in 1992 provide us an opportunity to access the demographic trends during these 12 years. This study has special importance since Maharashtra, in spite of its high contraceptive prevalence is showing very moderate decline in birth rate. The reasons for such stalling of birth rate decline could be identified with the help of these two statewide surveys with adequate gap. The information on birth and death rate and contraceptive prevalence could otherwise be obtained from SRS and the service statistics. However, the surveys are expected to be more reliable and have information on various other related items, which probably could not be obtained from SRS or service statistics.

The comparison of birth rate and TFR for the two points of time revealed only a moderate decline of 3 points (from about 30 to 27 per 1000) in the birth rate and a decline of 0.9 points in TFR. The decomposition of birth rate into factors such as age structure, marital status composition, marital fertility and the proportion of women of reproductive ages led us to conclude that the slow pace of decline in birth rate is due to fairly large contribution of factors leading to increase in fertility.

It is recalled here that the transition during 1954 to 1966 had an effect of fall in the incidence of widowhood, which was the influence of rapidly declining mortality rates during the 1950s. Now, for the transition during 1980s, we again find that the effect of factors leading to increase in fertility is quite significant. In this case, these factors are in the form of reduced foetal losses, lesser childlessness and reduced breast-feeding. These are closely related to the reproductive health of the woman. Thus, we find that the transition in the earlier period was affected by overall better survival, while for the latter period, better reproductive health could be the main factor leading the increase in fertility.

If the state desires to accelerate the decline in fertility, obviously, it cannot do anything with respect to the effects due to improvement in health and hence it has no other way other than strengthening the IEC component of the family welfare services through which the couples could be motivated in a desirable direction. The current target free approach is trying to improve the programme qualitatively. But it is too early to speculate about the success of the new approach. We hope that proper steps are taken and once again Maharashtra reaches the top position befitting the pioneering work by R D Karve.

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# Reproductive Health Information in India

## What Are the Gaps?

Shireen J Jejeebhoy

*Although the NFHS has succeeded in updating and enhancing our data base, it has not been able to address some major reproductive health issues that lend themselves to being dealt with in large surveys. Among them, maternal health status and morbidity, and their correlates; quality of care concerns and women's ability to exercise reproductive choice are areas where data gaps continue to exist.*

THE current focus on reproductive health in India marks a global recognition that reproductive health needs have been largely neglected and that the consequences of this neglect have been profound, particularly for women. It also marks a recognition of the need to re-orient India's traditional population programme to go beyond demographic targets, contraceptive prevalence, and female sterilisation, to a more comprehensive focus on reproductive health needs and services, particularly those that respond to reproductive health needs in ways which are sensitive to the socio-cultural constraints women and adolescent girls face in acquiring services and expressing health needs.

Despite the interest in reproductive health in India, and despite major national level data gathering exercises, information on the reproductive health situation continues to be incomplete and patchy [Jejeebhoy 1997]. A major limitation in addressing reproductive health needs has been the paucity of good data. The objective of this paper is to summarise the contribution of the recently concluded National Family Health Surveys (NFHS) to enhancing what is known about reproductive health and choice in India; and to highlight the considerable data and information gaps that remain.

### REPRODUCTIVE HEALTH: THE SITUATION AND DATA GAPS

The NFHS was undertaken with the principal intention of providing state- and national-level estimates of fertility, infant and child mortality, the practice of family planning, maternal and child health care and utilisation of services provided for mothers and children, rather than reproductive health more generally [IIPS 1995]. The survey has generated a wealth of national- and state-level data in these areas. Yet, from a broad reproductive health perspective, the contribution of NFHS has been quite limited: for assessing many

aspects of reproductive health, data are simply unavailable; for others, we continue to rely on indirect estimates or small community level investigations. Below I discuss various aspects of re-productive health in India, the available data, their sources, and continuing gaps.

*Safe, effective, affordable and acceptable methods of family planning of choice:* By far the most comprehensive data available in India pertain to contraceptive behaviour. While data on family planning have traditionally been available through programme statistics and regular surveys, the NFHS has provided additional insights into contraceptive levels and trends, as well as on the quality of the contraception experience. Much can be gleaned from NFHS data on contraceptive behaviour:

More than two in five couples in the reproductive ages currently use a method of contraception. Consistent with programme priorities that have largely ignored both non-terminal female methods and especially male methods, two out of three of these contracepting couples are protected by female sterilisation, and almost nine out of ten by a female method. As a result of the emphasis on terminal contraception, young and low parity women remain unprotected from repeated and closely spaced pregnancies: only 16 per cent of women below 30 practise any form of contraception, compared to 55 per cent of all women aged 30 to 44.

Awareness of at least one method of fertility control – almost always female sterilisation – is virtually universal (96 per cent), but two-thirds of fewer women are aware of non-terminal methods. Unmet need for contraception remains relatively high (currently married women who want no more children but are not using a method of contraception). As many as one in five couples report an unmet need (20 per cent); one in ten (9 per cent) has had an unwanted birth, and one in seven (14 per cent) a mistimed birth.

The NFHS has gone far beyond other fertility surveys in providing information

on the contraceptive experience. The two important information capsules are: (a) side-effects are suffered by between one-fifth and one-third of all users; side-effects range from low back pain, to menstrual disturbances, to general weakness; (b) health (15 per cent), and menstrual (7 per cent) disturbances, and method failure (5 per cent) represent the leading reasons for method discontinuation (after desire to become pregnant). Discontinuation also occurred for personal reasons: lack of sexual satisfaction (2 per cent); method inconvenience (3 per cent); and dislike of method (4 per cent).

There is no doubt that the NFHS has expanded and updated what we know about contraceptive behaviour. But data gaps persist, particularly in the area of informed choice. For example, few data enable assessment of the extent to which women are fully informed of the array of methods from which to choose, or their potential side-effects. Even less is available on the decision-making process, both vis-a-vis the family, and vis-a-vis the provider. A major limitation of the NFHS is its inability to address such critical issues as the extent to which women exercise choices in these matters, without coercion; whether women actually obtain a method of choice; and the constraints that the average woman or man faces in seeking contraceptive and follow-up services. For these kinds of data, we continue to rely on small, and mostly in-depth, qualitative studies.

*Safe child-bearing and access to appropriate health-care services:* A second major contribution of the NFHS is in expanding and systematising what we know about maternal mortality and health, and access to ante-natal, and delivery services. It has also succeeded in going beyond other retrospective data gathering exercises by obtaining data on one aspect of maternal morbidity, namely complications, at the time of delivery.

For one, data from the NFHS reiterate the fact that maternal mortality levels in India remain among the highest in the



world – 437 per 100,000 births (448 and 397 in rural and urban areas respectively).<sup>1</sup> Other estimates suggest ratios of 555 per 100,000 live births [Bhat et al 1992], giving rise to the suggestion, however, that NFHS estimates of maternal mortality should be taken as a lower limit.

Neo-natal mortality or mortality in the first 28 days of life is also disturbingly high in India: 52.7 per 1,000 live births [IIPS 1995]. More than three in five infant deaths occur during the neo-natal period; moreover, while infant mortality during the post-neonatal ages has been declining rapidly, declines in neo-natal mortality have been more sluggish.

Also contained in the NFHS is considerable evidence suggesting that access to ante-natal and delivery services in the NFHS is far from universal. Few women have access to ante-natal care: only two-thirds of all women (and two in five rural women) had received even one ante-natal check up from a doctor or other health professional; only 54 per cent were fully immunised against tetanus, and only 51 per cent received iron supplementation. Access to safe delivery is equally poor: two out of three Indian women continue to be delivered by untrained attendants, and three in four are delivered at home, usually in unhygienic conditions.

For the first time in a survey of this nature, the NFHS provides evidence on one aspect of maternal morbidity, i.e., complications at delivery. The results suggest that 12 per cent of recently delivered women experienced one or more complications at delivery. This is very likely an under-estimate of complications at delivery, judging from rates of 18 per cent observed in the recent in-depth study of obstetric morbidity in Karnataka [Bhatia and Cleland 1994], and from the fact that there was little probing of conditions that are well known to be perceived as 'a woman's lot' [see, for example, Koenig and others 1996 for biases]. Nevertheless, it offers some valuable insights, by state, into an important but neglected dimension of obstetric health.

Notwithstanding these achievements, major data gaps remain. The most serious gap is the absence of data on morbidity in the ante-natal and post-natal periods. Data stop short of providing the full picture on women's obstetric health status, and the available data on reported complications at delivery grossly under-estimate overall levels of maternal morbidity. For estimates of maternal morbidity, we must continue to rely on a few existing community-based assessments that have addressed all three

periods, and suggest considerably higher rates of maternal morbidity: 41 per cent in a study in Karnataka [Bhatia and Cleland 1994], and 30 per cent in a prospective study in Rajasthan [Datta and others 1980]. Although undoubtedly, questions on reproductive morbidity do not lend themselves easily to large-scale surveys, it is possible – as shown even by the NFHS – to collect useful information on certain conditions at delivery. Such observable symptoms of morbidity in the ante- and post-natal periods as bleeding, swelling of feet, weakness (anaemia), fever, discharge and so on, with appropriate probes, can presumably be incorporated, with equal success, into more detailed studies of maternal morbidity [see, for example, Figa-Talamanca 1990]. Moreover, health surveys can elicit data on cause-specific morbidity with culturally appropriate questions for a number of conditions. Although retrospective community-based studies face problems of recall, and must rely on self-reported symptoms which can often under-estimate true levels of morbidity, they provide a more reliable profile of maternal health than hospital-based studies do.

Also neglected in the NFHS are data on women's circumstances during pregnancy, child-birth, and the post-partum period. Although it is well known that diet and feeding patterns, work-loads, rest, and conditions at delivery have a strong influence on maternal outcomes and health, we must rely on a handful of relatively small studies, such as those conducted in Karnataka and Rajasthan [Bhatia and Cleland 1994; Datta and others 1980] for these insights. And although the NFHS carefully documents whether and how often ante-natal care was received, the content of such care is not addressed.

*Abortion and access to safe and affordable services:* Despite the fact that abortion has been legal in India for over 20 years, reliable data on the prevalence and patterns of induced abortion continue to be sparse, and we continue to rely on indirect estimates. While the NFHS did enquire about women's experiences of induced abortions, results – that no more than 1 per cent of all recent pregnancies terminated in abortion – are a gross under-estimate of abortion experience. For example, indirect estimates suggest that five to six million abortions continue to be performed annually; of these, only about 0.6 million abortions are performed under the health services network [UNICEF 1991; Chhabra and Nuna 1993]. Other survey data also suggest that complications resulting from unsafe abortion exact

a heavy toll, and constitute a major source of reproductive mortality and morbidity: according to SRS data, over 10 per cent of all maternal deaths are due to abortions.

Huge data gaps persist in the area of abortion in India. The gross under-estimation of induced abortion in the NFHS and other demographic surveys highlights the observation that induced abortion is a sensitive topic and cannot always be reliably elicited through such questions as 'have you ever had an abortion?' and 'how many abortions have you had?' Although large surveys like the NFHS may not be the best design to elicit detailed data on induced abortion, future NFHS surveys would do well to ask more than a single question on experience of abortion in a non-threatening manner (for example, were you ever pregnant when you did not want to be; what did you do) probe long birth intervals, and so on, to obtain more comprehensive information on the incidence of abortion [see for example Huntington 1993].

A second major gap in data relates to awareness of the legality of abortion. Despite the fact that abortion has been legal in India for over twenty years, not much is known about the extent of awareness of the legality of abortion, of unrestricted abortion or about legal facilities. Although the NFHS inquired about awareness of legal minimum age at marriage, it has neglected to inquire about a law that has equal implications for reproductive health.

Third, aside from the prevalence and awareness of abortion, urgently needed are data on the socio-cultural context of abortion – undoubtedly beyond the scope of large surveys such as the NFHS. Far more appropriate here would be small scale community-based surveys. These can be flexible, combining both quantitative and qualitative methods, and inquiring about induced abortion from women providers and others in more than a casual way. More information is needed on how and where abortion is conducted, what methods are utilised, costs of abortion and so on. Also needed are data on complications from abortion, their nature, their treatment and costs. Finally, data are needed that examine the constraints women face in seeking MTP services. Many hypotheses have been raised in the literature, including lack of accessibility, ignorance of legal services, costs, and impersonal and intimidating abortion services and care at approved centres.

*The capability to reproduce – infertility*  
The singular focus on fertility control is



India has resulted in the neglect of infertility, a serious re-productive health concern, with serious implications in terms of determinants and consequences. Just as the pro-gramme has neglected the subject, so also, available data from the NFHS and other surveys are sparse: data from the 1981 census [ministry of health and family welfare 1990] and a village level study in Maharashtra [Bang et al 1989] suggest that infertility may be in the range of 6 per cent-7 per cent of couples. The NFHS, unfortunately, sheds little light on this issue, other than estimating childlessness as 2.4 per cent among married women over 40, and providing little insights into the situation among younger couples married for a given number of years.

Aside from data on childlessness, drawn mostly from fertility surveys including the NFHS, there have been few focused attempts to derive data on either primary infertility or sterility, or secondary sterility in India. While a wide range of factors may account for infertility – including, among other things, women's poor health and nutrition status which can lead to repeated miscarriages and foetal wastage, unhygienic obstetric and abortion procedures, STDs and even such debilitating diseases as tuberculosis – few studies have attempted to assess these underlying factors. Worse, in a culture which prizes reproduction, there is little more than anecdotal information on the consequences of infertility for female well-being – preventing her from achieving her desired family size and exposing her to various kinds of emotional distress and harassment or marital disharmony. Finally, there are few data to assess the extent to which health services are comprehensive enough to provide access to information, and services to infertile couples.

As in the case of abortion, these information needs cannot be appropriately addressed in large-scale data gathering exercises such as the NFHS. More appropriate are community-based exercises to measure the prevalence and patterns of primary and secondary infertility, probing long open birth intervals. At the same time, intensive, qualitative data from infertile women and men and local providers and others may result in more comprehensive information on behavioural correlates and consequences of infertility.

**Prevention and care of gynaecological morbidity:** Other widespread but neglected dimensions of reproductive health in India are gynaecological morbidity, notably reproductive tract infections, cervical cell changes and genital prolapse. Till recently,

gynaecological morbidity was rarely considered a problem and was rarely studied in community-level surveys anywhere in the world; today there are several small-scale investigations of morbidity at the community level. Large scale surveys such as the NFHS shed no light on this issue – not even awareness of these conditions. It is unclear, moreover, whether large surveys of this nature are appropriate for gathering data on gynaecological morbidity.

That gynaecological morbidity represents a serious problem has been observed from a few community-based studies which have tried to fill this gap in our knowledge of reproductive tract infections and other aspects of reproductive health. All of these studies, studied during the 1990s and many thus far unpublished, provide data on many self-reported and clinically diagnosed morbidities. Although methodologies vary, and although studies have been limited by women's reluctance to both acknowledge morbidity and undergo examination, high levels of morbidity – ranging from 50 per cent to over 90 per cent – have been observed. Despite variation in levels, a common set of disorders emerged in all studies: menstrual problems and excessive vaginal discharge. In clinical examinations, cervicitis, vaginitis and pelvic inflammatory disease, all reproductive tract infections, were the leading morbidities [Baroda Citizen's Council and others 1995].<sup>2</sup>

Because of women's reluctance to discuss these issues and because gynaecological morbidities are frequently asymptomatic, large surveys, such as the NFHS, are probably inappropriate to study gynaecological morbidity. Yet there is a need for more representative data on gynaecological morbidity: what is required are dedicated surveys that allow for detailed probing, and greater rapport [Koenig and others 1996], that allow for differences in local cultural conditions, vocabularies and patterns. More data are required that would shed light on the socio-cultural determinants or correlates of gynaecological morbidity, including, among other things, water and sanitation, personal and menstrual hygiene, unhygienic obstetric and abortion procedures, and sexual behaviour of husband. Likewise, data are required on treatment seeking patterns of women with an expressed morbidity, and on the quality of services received by women expressing gynaecological morbidities.

**Sexually transmitted diseases:** The NFHS set a precedent by inquiring about

awareness of one – HIV and AIDS – sexually transmitted disease in 13 out of 25 states. While statewide awareness of 'a disease called AIDS' ranged from 8 per cent to 85 per cent, misperceptions abound: among those 'aware' of the disease, between 8 per cent and 41 per cent think that AIDS is curable, and between 25 per cent and 88 per cent cite 'safe sex', undefined, as a means of avoiding AIDS.

Information on levels and patterns of sexually transmitted diseases comes predominantly from surveillance data, studies of patients of STD clinics, or of 'high risk' groups. From these sources come estimates that over a million men and women are suffering from HIV/AIDS with dangerous potential for its wider spread, that sero-positivity is as high as 17.8 per thousand samples screened (total screened: 29,71,825, Nexus, May June 1997), and well over 30 per cent among such high risk groups as commercial sex workers. Recent surveillance at hospitals in Mumbai city report that as many as 5 per cent of women presenting to these hospitals for ante-natal care – 'low-risk' by all accounts – are HIV positive [Salunke 1997]. Community-based studies are rare but sorely needed. One example is a village-level investigation of 650 women in Maharashtra: this study observed that disturbingly large proportions of women (10.8 per cent) suffered from syphilis and gonorrhoea [Bang et al 1989].

Thus far, two types of investigations of sexual behaviour and practices in India have been carried out. The first is small qualitative studies [see for example Bhende 1994; George and Jaswal 1994], the second has focused largely on literate populations who can respond to self-administered questionnaires [see, for example, IPAI-SECRT 1990; Watsa 1993; Goparaju 1993; Savara and Sridhar 1994]. While both types of studies have enriched what we know about sexual behaviour, neither is representative and hence data on KABP remains selective.

**Reproductive health of adolescents, particularly girls:** Little is known about adolescent reproductive health in India [Jejeebhoy 1996]. Adolescent girls, most of whom are out-of-school, are particularly vulnerable and neglected, coming under the purview of government programmes only once they are pregnant. Correspondingly, the bulk of available data, drawn from the NFHS as well as other sources, focuses on adolescent child-bearing rather than more comprehensively on their reproductive health. The NFHS data reiterate that marriage and

childbearing continue to be early and universal. The median age at marriage is about 16 years -- and large numbers of women are pregnant before reaching the age of 16, often before they are physically fully developed. As a consequence, 7.3 per cent of pregnancies among women aged 15-19 resulted in a spontaneous abortion (compared to 4.5 per cent in the general population). In addition, 1.7 per cent had experienced an induced abortion.

Married adolescents are undoubtedly vulnerable. Surveys such as the NFHS should be able to address constraints on their health seeking behaviour, the extent to which their contraceptive needs are met; and their health awareness in the areas of pregnancy, contraception, and exposure to disease.

Since the NFHS refers only to currently married women, it cannot comment on sexual activity of unmarried young people. What is known comes from small, unrepresentative studies, and suggests that boys, no less than girls, are ignorant of sexual matters, although high-risk sexual activity among adolescents and youth -- especially boys -- appears to be increasing [see, for example, Bhende 1994; Chaudhary and Francis 1994; FPAI-SECRET, 1990; Goparaju 1993; Watsa 1993]. Data from hospital and clinic based

studies suggest that unwanted pregnancies and unsafe abortion among urban adolescent girls in particular are not uncommon [Chhabra and others 1988; Divekar and others, 1979; Solapurkar and Sangam 1985]. Increasing sexual activity combined with ignorance about safe sex is a particularly alarming combination in light of the HIV epidemic. Far more KARP data are thus required from adolescents; far more is needed, likewise, on unwanted pregnancies and abortion practices among urban adolescent girls, their socio-cultural context, health implications and social consequences. Again, these are sensitive issues and require imaginative and sensitive designs, using a combination of quantitative and qualitative methodologies.

*Access to and of quality of re-productive health care:* Little systematic evidence exists in India about standards of care in the family welfare programme or specific steps which can be taken to improve it. Correspondingly, quality of care issues are largely omitted from large data gathering exercises. In other studies, more attention has been paid to physical infrastructure, personnel and equipment than on quality of care especially from the woman's (client's) perspective. Whatever is available on quality of care pertains largely to contraceptive services and virtually ignores maternal health and other

reproductive health services. Even in the area of quality of contraceptive care evidence from smaller and more qualitative studies suggests that quality of care tends to be poor, impersonal, threatening or simply unavailable to women. Contraceptive choices are, in practice limited; outreach and pre-acceptance counselling are minimal; service providers are reported to be unresponsive to the needs of women, uncaring of their dignity and lax in offering post-acceptance follow up [see Foo 1996].

The NFHS has gone beyond other large surveys -- but not far enough -- in obtaining data on some aspects of quality of care in the area of family planning. Quality of care data is limited to the extent of contraceptive follow-up, and assessment of care during sterilisation. Results suggest that only between half and two-thirds of users have received follow-up services worse, only 15 per cent of OC and IUI acceptors, and 30 per cent of sterilised women received follow-up service through domiciliary visits. Yet sterilised women are generally favourable about care during sterilisation.

A major limitation of the NFHS is its lack of attention to data on access to and quality of care. Available data on quality of care in family planning (FP) are available but limited [see Foo 1996 for a review of

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research findings], and data on the quality of care in the area of maternal and child health are totally missing, despite the fact that maternal and child health was a focus of the survey. More extensive data in the areas of contraception and maternal health could have been incorporated without difficulty in a large survey of this nature. Their omission in the NFHS represents a missed opportunity.

Major gaps exist in information on access to, and the quality of re-productive health care. In the area of family planning, much more data need to be generated on the client's perspective, i.e., such concerns as women's ability to exercise informed choice, the constraints the average woman faces in seeking services, in voicing fears and side effects, the extent to which they receive complete pre-acceptance counselling including information on potential side-effects and complications, the extent, frequency, location and content of post-acceptance follow-up, and the quality of their interaction with the service provider. More data need to be generated, likewise, on the provider's perspective and barriers to the provision of quality care.

While quality of care in FP has been addressed in surveys, however cursorily, quality of care in other dimensions of reproductive health remains largely unknown. A major data gap pertains to the quality of maternal health care, the frequency and content of ante-natal or post-partum visits, treatment of complications and morbidities, and the quality of care during delivery. Although data are collected on the extent to which these services were received, there has been no attempt to assess from women the quality of these services. Even fewer data are available on the quality of care in such other aspects of reproductive health as abortion, infertility, gynaecological morbidity or sexually transmitted diseases; focused studies of clients of various kinds of services with a strong qualitative component may yield an idea of quality of care as well as other constraints women face in acquiring quality care in these more sensitive dimensions of reproductive health.

**Informed reproductive choice.** A final important limitation of the NFHS, despite the thrust of the ICPD [United Nations 1994] on reproductive rights, is the absence of data on the extent to which women exercise real choices in matters relating to reproductive behaviours. Available data from small, largely qualitative studies point to a range of obstacles that limit women's access to, and ability to exercise choices regarding reproductive health care, whether

relating to pregnancy and childbirth, contraception, abortion, or gynaecological and sexually transmitted morbidity [see, for example, World Bank 1991; Gittelsohn and others 1994]. They include ignorance of and superstition surrounding danger signals, and appropriate practices. They also include women's limited decision-making authority, physical mobility, and access to resources; and poor perceived quality of interaction with providers. All these constraints add up to an insurmountable obstacle for large numbers of women in exercising choices. Such data have been collected in large data gathering exercises, and it is unfortunate that the NFHS cannot, at least in this round, shed light on this important determinant of reproductive health.

#### REPRODUCTIVE HEALTH INFORMATION NEEDS: HAS NFHS FILLED THE GAPS?

Notwithstanding the considerable contribution of the NFHS, our data-base in the area of reproductive health remains slim. The NFHS has succeeded in updating and enhancing our data base; but it has not gone far enough. Clearly, it is inappropriate to expect that large scale surveys such as the NFHS can address all reproductive health data needs. Even so, several major reproductive health issues that lend themselves to large surveys were not addressed adequately: (a) maternal health status and morbidity and their correlates; (b) quality of care concerns, in family planning, maternal health and other dimensions of reproductive health; and (c) women's ability to exercise reproductive choices. On other aspects of reproductive health – such as levels of abortion, and primary and secondary infertility – data quality and scope could have been much improved, using a series of more imaginative questions and probes.

Other dimensions of reproductive health that are particularly under-researched or require extensive probing (context of abortion and infertility, sexual behaviour, adolescent reproductive health, gynaecological morbidity) lend themselves to large survey exercises less easily. Data gaps in these areas can be addressed more appropriately by focused and preferably community-based studies [see, for example, Bhatia and Cleland 1995a, Baroda Citizen's Council et al 1995, on gynaecological morbidity; both incorporated clinically diagnosed, self-reported symptoms, and treatment seeking patterns], with scope for both quantitative and qualitative designs, and standard social science research as well as multi-disciplinary research in collaboration with

medical researchers or non-governmental organisations.

Whatever the dimension, underlying women's poor reproductive health are behavioural concerns, including lack of autonomy and inequalitarian gender relations. Few studies, including the NFHS, provide insight into these issues. Data pertaining to the constraints women face in attaining good reproductive health – in terms of lack of decision-making authority, freedom of movement and control of economic resources, poor information and education, and socio-cultural barriers to recognising, articulating and seeking care for health problems – are critical in order to understand the correlates of every dimension of reproductive health. These need to be incorporated into all data gathering exercises in reproductive health, irrespective of design.

In short, reproductive health data needs in India continue to be considerable. The absence of rigorous data – both quantitative and qualitative – on most aspects of the reproductive health situation in India remains an important stumbling block in convincing policy-makers of the need for a broader orientation for current family welfare programmes. The challenge is to strengthen the data base, and the next round of NFHS provides an excellent opportunity to do so.

#### Notes

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- 1 The NFHS sample was sufficiently large to estimate maternal mortality at the national level for the two-years preceding the survey; estimates are based on a series of follow up questions on cases of death to women aged 13-49: whether the woman was pregnant when she died, whether the death occurred in childbirth, whether she had died within two months of delivery and whether the death was due to a complication of delivery.
- 2 In one of the earliest investigations regarding rural women in Gadchiroli district, Maharashtra [Bang et al 1989], clinical examinations found that 92 per cent had one or more gynaecological diseases and infections of the genital tract, including pelvic inflammatory disease, vaginitis and cervicitis, and this contributed half of morbidity. Despite this high prevalence, only 8 per cent had undergone gynaecological examination and treatment in the past.

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# National Family Health Survey: Some Thoughts

Tara Kanitkar

*For the first time by achieving a degree of uniformity in the administering of questionnaires, sampling methods, data collection, analysis and presentation, the NFHS has been able to generate data on demographic characteristics which are comparable across regions.*

THIS paper attempts to look back at the National Family Health Survey (NFHS), though not in a too dispassionate, objective manner, although more than five years have elapsed since the publication of various state reports. The intention is to provide some salient features of the NFHS and then narrate some of the events, some of the decision-making processes and present some hindights.

The NFHS 1992-93 has been a massive undertaking covering the length and breadth of this continent-size country. The NFHS has covered 89,777 ever-married women in the age group 13-49 from 88,562 households. Never before in India such a huge demographic and health survey was successfully conducted in a short prescribed time.

The primary objective of the NFHS was to provide national and state level data on fertility, nuptiality, family size preferences, knowledge and practice of family planning, the potential demand for family planning, the level of unwanted fertility, utilisation of antenatal care services, breast feeding and food supplementation, child nutrition and health, immunisations and infant and child mortality. A further objective was to explore the demographic and socio-economic determinants of fertility, family planning and maternal and child health. It is intended that the information collected in the NFHS would be useful to the planners and policy-makers and researchers to assess and evaluate the population and family welfare programmes and strategies of individual state and the country as a whole.

The NFHS was unique in several ways. It covered all states (except Sikkim) of India and provided separate estimates for urban and rural areas of each state. It was unique because of the uniformity of its questionnaires, sampling method, data collection, analysis and presentation of data. Because of these features inter-state comparisons of the findings are valid and meaningful. It was unique as it could provide the basic important findings to the planners and policy-makers and administrators within a short period of three to six months after the last interview was completed in each state (through

dissemination of the findings provided in the preliminary reports).

It was for the first time that a representative sample was canvassed for a demographic and health survey in the north-eastern states of the country. Even Punjab could be covered in the NFHS when the veil of unrest was lifted off the state for a short time. We would have missed important demographic information from the state ranking first among India's major states in terms of per capita income and per capita production of food, had we not conducted the NFHS in Punjab. That we were obtaining data in relatively tension free atmosphere could be realised when we visited the state (especially Taran Taran area which was notorious for the extremists' activities) for data collection operations.

Although uniform questionnaires were used in the NFHS, for some specific problems associated with particular states, some questions were added to the questionnaire. For example, in Punjab additional information was collected on international migration and pre-natal determination of sex; in Rajasthan, on attitude towards child marriages; on knowledge of AIDS in states of Maharashtra, Gujarat, national capital territory of Delhi, Tamil Nadu and all north-eastern states facing problems of HIV/AIDS. Specific topics covered in various states are listed in the Appendix.

Each important technical aspect of the NFHS such as content and format of the questionnaire, sampling design, tabulation plan and format of the report, was discussed in a workshop, which was attended by the representatives of the Population Research Centres, ministry of health and family welfare (MHFW), the International Institute for Population Sciences (IIPS), Mumbai (the nodal agency appointed for co-ordinating the survey activities), Macro International and East-West Center, US, and various data collecting organisations.

While finalising the survey questionnaire after pretesting, there arose a problem regarding the inclusion of the items on weight and height of children under four years of age in the questionnaire. Some of us, more specifically our consultants at

Macro, were not too favourably inclined towards the idea as they thought that the time and energy spent in weighing and measuring the children by no means an easy job - could adversely affect the quality of other data. I was also in two minds. However K Srinivasan, the then director of the IIPS, was insistent and it was decided to collect information on the weight and height of children as we were also collecting information on several aspects related to the nutritional status of the children.

Now there was a problem of obtaining weighing scales and measuring instruments. We approached UNICEF and Foster Parents Plan International, Delhi and in keeping with their fine tradition of taking interest in the well-being of children, they supplied the NFHS, the salter weighing scales free of charge.

The question of instruments to measure height was still there. We needed an instrument which could measure the height either in supine or standing position accurately and at the same time be light enough to be carried in the field and sturdy enough for the rough and tough use in the field. It is a matter of pride that Meditron Instruments could develop such an instrument after several trials and modifications. Not only did we receive very constructive suggestions from the consultants from Macro while the instrument was being developed, but also their nutritionist helped to impart training to the trainers on weighing and measuring children in the most scientific way. Now it seems that the collection of data on the anthropometric characteristics of children is an important contribution of the NFHS.

The sampling design adopted in the NFHS was uniform over the states - a systematic, multi-stage stratified sample of households. The sampling for the NFHS in the states of Rajasthan, Bihar, Madhya Pradesh, Uttar Pradesh and West Bengal was designed to provide statistical estimates for groups of backward districts along with those for urban areas, rural areas and the state as a whole. The MHFW has defined backward district as one having a crude birth rate of 39 per 1,000 population or higher as estimated on the basis of data

obtained in the 1981 Census. The findings however indicated that there were no substantial differences in the estimates obtained for the backward areas and those for the total areas of Uttar Pradesh, Bihar and Madhya Pradesh. In Rajasthan, more than 95 per cent of the surveyed population lived in the backward districts; hence no separate estimates have been provided for backward or non-backward areas in the report. In West Bengal only two Muslim dominated districts were designated as backward districts and some important differences are noticed between the backward areas and the total area – with backward areas reporting demographic backwardness as well. On the whole, now it seems that this whole exercise was not fruitful in view of the time and resources involved. In hindsight it appears that it would have been much more meaningful if the sampling had been designed to provide separate estimates for different regions of the states as we had the resources (thanks to the generous aid from the USAID) and one of the best sampling experts was available to us.

Looking back about urban areas, we could have tried to obtain separate statistical estimates for the slum and non-slum areas. It is a fact that the slums include a significantly high proportion of the population (maybe between 40-45 or higher and fast increasing percentage of our metropolitan cities) and the slums accommodate most of the marginalised and socio-economically disadvantaged population. It is therefore essential that any socio-economic, demographic and health study should provide disaggregated data for the slum and non-slum dwellers. Such information would have been of immense value to the planners and policy-makers. Again stretching the argument a little further, it is suggested that in future if we have another NFHS an attempt should be made to capture the unauthorised or non-recognised as well as the authorised or recognised slums in the sampling design.

At the risk of sounding over-ambitious I would like to add that NFHS could have tried to obtain estimates for the metropolitan cities of Mumbai, Chennai and Calcutta, as it had done for national capital territory of Delhi.

A very important feature of the NFHS was a thorough, in-depth training of the interviewers. It may not be an exaggeration to state that a large part of the success of the NFHS was due to the most intensively trained interviewers. In order to bring uniformity in the training, the trainers of each state were

trained at two-week training sessions arranged by the IIPS with the help of Macro International.

These training sessions were very enjoyable. Once we arranged a demonstration of a live interview in the class room. A married village woman working as maid servant, age around 33-34, having five live births and four living children and sterilised, agreed to be our respondent in the classroom. I was slightly apprehensive that the woman might develop cold feet just before or during the interview and refuse to answer questions or stop in between. Luckily the woman responded very bravely. While one investigator was interviewing her in Marathi another was recording the translated responses very neatly on the questionnaire which was projected on the overhead projector. The trainees watched the principles of interviewing put in actual practice in utter silence. We could even watch the exercise of arriving at the approximate age of the woman (the respondent was illiterate and had no idea about her age) by asking probing questions. It was a great educating process for all of us, which also showed how to tackle unexpected situations presenting itself while the interviewing was going on when she stated the name of her second daughter as 'Anuradha'. First daughter who was dead was also 'Anuradha'. How can this be possible? The class soon learned that the first daughter died in infancy and in that part of Maharashtra, it is a custom to give the name of the dead offspring to the next child. The interview was by no means an easy one. There were all typical hurdles the interviewers in India usually come across. I wish we had video-taped that interview. In future it would be of great help while conducting training of the interviewers to show the video film of one or more live interviews in the field.

The NFHS entrusted the work of collecting data to various data collecting organisations designated as consulting organisations (COs). There was resentment among some of the Chiefs of the Population Research Centres (PRCs) and rightfully so, as they were capable of collecting quality demographic and health data independently, against entrusting the data collection to the COs. However, some of the PRCs were small and did not have enough manpower to manage a large-scale survey. It was not possible to give the responsibility of data collection to some of the PRCs and employ COs for some other states. Besides, there was an urgency of completing the entire data collection

before June 1993 and we could not afford to delay data collection due to typical red tapism observed in the PRCs located in the universities. Hence it was decided to get the services of the COs for data collection and PRCs were to help them in translating the questionnaires, recruiting and training the interviewers and supervision while data collection was going on. Hence the responsibility of data collection was given to the COs. Practically in each state the relationship between the PRC and the CO was strained at some stage or the other. Whereas the PRC thought that the CO was more profit-oriented than interested in collecting good quality of data, the CO felt that the PRC was making undue demands regarding the per diem allowances and other facilities to be given to the supervisors and team leaders seconded by the PRC. Regarding per diem payment to the research officers seconded by the PRC and the IIPS, there were no guidelines and the COs fixed the rates according to their convenience and there was quite some dissatisfaction. The same was the case with the remuneration of interviewers.

In a second round of the NFHS is to be conducted, the question to whom the data collection should be given, would again arise as and could be more sensitive. The MOHWF has initiated a project to strengthen the survey research capabilities of the PRCs and the NFHS has been an important component of this PRC project. It is now important to examine how far is the survey research capabilities of PRCs have been strengthened achieved. This could help in the decision about allotting the responsibility of the data collection.

During the data collection stage, the COs had to face many natural as well as man-made calamities such as excessive rains, landslides, intensive heat, Ayodhya incident and its aftermath, communal riots and tensions, bomb blasts, Naxalite problems, etc. The COs however received compensation for the time lost. One important difficulty faced was finding suitable interviewers and retaining them throughout the data collection period. In this respect the PRCs helped the COs in general.

The quality of data is an important factor in any demographic and health survey. The quality of data could be affected if the interviewers do not do their jobs honestly. They may not visit the households and may fill-in the questionnaires at home. It was the remotest possibility in the NFHS because of the strict supervision. Taking into consideration various factors which affect



Indian age data, and the reporting of vital events such as births and deaths, more specifically children dying soon after the birth, etc, utmost care was taken to appraise the interviewers of all those points and train them thoroughly and intensively. Drilling the interviewer in estimating the age of the respondent was an important aspect of the training and considerable time was devoted to it and a variety of probing techniques were used for this purpose. Although it cannot be said that the NFHS data are free from all the reporting errors, it can be stated that the age data for ever-married women age 13-49 are better than those of the other females and males as their ages were reported by the head of the household or any responsible member of the household. As regards other errors, such as missing the key variables, completeness and accuracy in reporting the births, age displacement, and the underreporting of girls, the NFHS data were found to be on the whole quite good.

Another method for gauging the quality of data is to look for the expected configurations and whether the results appeal or conform to logical reasoning. When the NFHS data were put to this test, it was found that in most of the cases they withstood the test. For example it is observed, in most of the states, when the data on the usual residents and visitors were analysed by age and sex, it was observed in most of the states that visiting is more common among young women in the age group 15-24 and their children (0-4 years). Given the Indian custom of the married daughters (more specifically those in younger ages) returning to the 'parents' house for the delivery of a child,

particularly the first or the second child, or just visiting them with their children of preschool age, one can expect to get an age-sex distribution of visitors such as we have found in many state reports and for India as a whole (a larger proportion of females in age groups 15-24 or 15-29 among visitors and again a larger proportion of children in the age group 0-4 years among visitors). Another instance of expected patterns relates to consanguineous marriages. As expected, there is high prevalence of consanguinity in the states of Andhra Pradesh, Karnataka, Tamil Nadu and Maharashtra and among the Muslims. Such instances talk highly about the quality of NFHS data, as no special instructions were given nor were special efforts made to collect data on these topics.

A post-survey check was conducted on 5 per cent of the NFHS sample by the Institute of Research in Medical Statistics (IRMS), New Delhi, which 'reconfirmed the high quality of the NFHS data'. In fact there was no need to have this 5 per cent resurvey as there were several inbuilt checks in the whole process of data collection, besides strict supervision and control. The field check tables were generated and on the basis of these tables, the performance of each interviewer was monitored. In the meeting of the steering committee specially set up for the smooth and efficient running of the project, when the then secretary, department of family welfare, government of India, who was ex-officio chairperson of the steering committee, suggested a resurvey of a sample of the NFHS, the idea was not welcomed for various reasons. In the plan of the NFHS the resurvey was not envisaged and as such, it was thought that the resurvey would be extremely difficult and expensive. Besides, the data collection in five states had already been completed. However, the chairperson insisted that there should be a check of the information already collected. The funding agency, the USAID, New Delhi, refused to fund this resurvey operation which according to it was superfluous. However, driven by the thought that the NFHS needed the resurvey very badly to prove its quality the secretary was insistent and it was decided that this operation would be undertaken and the department of family welfare would underwrite the entire cost. The IIPS prepared the whole plan for the resurvey. In the beginning there were no takers for this resurvey. However the IRMS agreed to do the job. No one was envious of IRMS. Five per cent resurvey was done and the NFHS received the

certificate which it did not really need at a cost of Rs 14 lakh to the national exchequer. After the NFHS reports of all the states were published, a one-day seminar was held by each PRC to disseminate the findings among the planners, policy makers and administrators in the field of health and family planning and the researchers. Most of them were held rather late. The purpose of these one-day seminars was not served in some states as the policy-makers and administrators remained apathetic and did not attend the seminar, for example, at the seminar held at New Delhi only one person from Delhi administration was present and in Maharashtra not a single elected representative of the 29 zilla parishads - a decentralised democratic body which is responsible for implementing the development programmes in the rural areas of the state - nor any of the chief executive officers attended the one-day seminar. One wonders whether such dissemination seminars have served any purpose except that the researchers could discuss the results. Preliminary reports for each state were prepared and disseminated to the data users within 3 to 6 months after completion of data collection. However, there was a great emphasis on not disclosing the findings not only to press, radio and television but also to fellow population scientists not connected with the NFHS. It is difficult to find justification for the obsession about the secrecy of the preliminary reports and results. A more relaxed policy about the dissemination of preliminary findings would have caused no harm; and in fact, it would most likely have benefited the analysis and final reports. We were late in publishing the results of the state-specific set of questions on the knowledge of AIDS. This information should have been published as soon as it was available. A point to this effect was raised in one of the meetings of the steering committee. The suggestion turned down as it was thought that no result of the NFHS should be given publicity unless they were firmly established. At the end it should be pointed out that the NFHS was unique in one more aspect. It was the most expensive survey ever undertaken in this country. But for the monetary and technical help from the USAID it would not have been possible to undertake and complete such a massive study within the time-span of one year. The NFHS has made history in successfully conducting a large-size survey in the country and I am happy and proud that I was a part of it as also were Ramesh, Fred, Bob and Roy.

#### APPENDIX

State	Specific Topics Covered
Arunachal Pradesh	Knowledge of AIDS
Assam	Knowledge of AIDS
Bihar	Dowry
Goa	Knowledge of AIDS
Gujarat	Knowledge of AIDS
Karnataka	Benefits from developments programmes
Kerala	International migration
Madhya Pradesh	Green cards
Maharashtra	Knowledge of AIDS
Manipur	Knowledge of AIDS
Meghalaya	Knowledge of AIDS
Nagaland	Knowledge of AIDS
Punjab	Sex preselection and International migration
Rajasthan	Age at marriage
Tamil Nadu	Knowledge of AIDS
Tripura	Knowledge of AIDS
Uttar Pradesh	Sex preference
West Bengal	Knowledge of AIDS
Delhi	Knowledge of AIDS



# National Family Health Survey, 1992-93

## Post-Survey Check

Padam Singh

*A post-survey check of the survey data using systematic sampling methods confirmed the high quality of the data generated in the NFHS.*

### Background

THE National Family Health Survey (NFHS) was conducted in 24 states and union territory of Delhi which account for about 99 per cent of Indian population. The ministry of health and family welfare, government of India, designated the International Institute for Population Sciences (IIPS) as the nodal organisation responsible for providing co-ordination and technical guidance for the NFHS. Technical assistance for the NFHS was provided by the East West Centre, Honolulu, Hawaii. The Population Research Centres (PRCs) participated in all phases of survey implementation for the states in which they were located. Consulting organisations (COs) were responsible for facilitating survey activities in one or more states covered by the NFHS. The NFHS covered a sample of more than 90,000 households and about equal number of ever-married women in the age group 13-49. In this survey information was collected relating to socio-demographic characteristics of households, fertility, knowledge and practice of family planning methods, maternal and childhood mortality and related aspects.

After receiving the preliminary reports of the NFHS, the ministry of health and family welfare sponsored a 5 per cent post-survey check of the households already surveyed in the NFHS to be carried out by the Institute for Research in Medical Statistics (IRMS), New Delhi. This post-survey check was conducted in 13 states and UT of Delhi.

## II

### Methodology of Post-Survey Check

#### SELECTION FOR RESURVEY

A multi-stage sampling design was used for the selection of the sample for the post-survey check. In the NFHS, villages were the primary sampling units (PSUs) and the households as the secondary sampling units (SSUs). Using the list of villages surveyed in the NFHS a 5 per cent systematic sample of villages was taken. The district to which

a selected village belonged was identified. Two or three additional villages out of those surveyed in the NFHS from this district were also taken to form a cluster of three to four villages per district. In the selected villages every third household out of those surveyed in the NFHS was taken for the resurvey. The use of systematic sampling of villages for resurvey ensured a uniform spread of the sample in the state. Similarly, a systematic sample of households in the selected villages ensured better cross-section of the whole village.

The field work for the post-survey was supervised by senior scientists of IRMS, New Delhi, with assistance from the middle level staff. The training programme for the senior scientists was organised by IIPS, Mumbai. Visits to some of the areas of Mumbai covered in the NFHS were also

undertaken for testing the approach to be followed in the post-survey check. Subsequently, a detailed training programme was organised at IRMS, New Delhi, for the middle level staff of the Institute which included field orientation in the selected areas from Delhi and Haryana.

The post-survey check had two crucial aspects, namely, locating the selected households and canvassing the questionnaire. Great care was taken to see that the household being resurveyed was really one randomly selected as per the NFHS list. It may be mentioned that house listing did not always provide father's name and caste which were crucial in locating an individual in Indian context. The NFHS numbers, although found in some places were not always available since the gap in resurvey and initial survey was more than a year and many of the houses had

TABLE 1: SAMPLE SIZE

(Number of households)

State	NFHS			Post-Survey Check		
	Rural	Urban	Total	Rural	Urban	Total
Andhra Pradesh	3364	1214	4578	150 (4.5)	80 (6.6)	230 (5.0)
Bihar	3836	1182	5018	240 (6.3)	70 (5.9)	310 (6.2)
Delhi	—	—	3863	—	—	193 (5.0)
Gujarat	2514	1360	3874	141 (5.6)	80 (5.9)	221 (5.7)
Haryana	1807	1118	2925	100 (5.5)	50 (4.5)	150 (5.1)
Karnataka	3031	1576	4607	150 (4.9)	80 (5.1)	230 (5.0)
Kerala	3294	1277	4571	170 (5.2)	67 (5.2)	237 (5.2)
Madhya Pradesh	4716	1639	6355	229 (4.9)	108 (6.6)	337 (5.3)
Maharashtra	2474	1999	4473	120 (4.9)	120 (6.0)	240 (5.4)
Orissa	3474	1412	4886	160 (4.6)	80 (5.7)	240 (4.9)
Rajasthan	3910	1103	5013	190 (4.9)	60 (5.4)	250 (5.0)
Tamil Nadu	3010	1554	4564	153 (5.1)	78 (5.0)	231 (5.1)
Uttar Pradesh	8084	2444	10528	405 (5.0)	143 (5.9)	548 (5.2)
West Bengal	3269	1194	4463	160 (4.9)	70 (5.9)	230 (5.2)
Total				(5.1)	(5.7)	(5.2)

Figures in brackets are percentages of the corresponding NFHS sample.

TABLE 2: SOCIO-DEMOGRAPHIC CHARACTERISTICS: AGE AND SEX RATIO

State		Population			State		Population		
		Children 0-14 Per Cent	Aged 60+ Per Cent	Sex Ratio			Children 0-14 Per Cent	Aged 60+ Per Cent	Sex Ratio
Andhra Pradesh	PSC	32.6	8.4	1000	Madhya Pradesh	PSC	39.0	7.0	902
	NFHS	35.8	5.7	979		NFHS	39.9	5.1	904
	SRS/Census	34.2	6.4	972	Maharashtra	SRS/Census	38.1	5.9	930
Bihar	PSC	41.5	8.3	955		PSC	38.9	6.6	924
	NFHS	41.7	7.1	956		NFHS	35.8	7.9	966
	SRS/Census	40.6	5.8	911	Orissa	SRS/Census	34.9	6.2	943
Delhi	PSC	36.4	4.0	842		PSC	34.3	8.2	957
	NFHS	35.1	4.8	823		NFHS	34.0	8.7	963
	SRS/Census	-	-	827	Rajasthan	SRS/Census	34.7	6.1	972
Gujarat	PSC	35.3	8.0	928		PSC	41.0	8.0	900
	NFHS	34.3	7.7	944		NFHS	39.0	7.7	880
	SRS/Census	34.6	5.7	934	Tamil Nadu	SRS/Census	35.8	5.6	913
Haryana	PSC	38.1	10.5	877		PSC	30.5	8.7	959
	NFHS	39.4	8.6	888		NFHS	32.3	5.8	1000
	SRS/Census	37.8	5.7	865	Uttar Pradesh	SRS/Census	30.9	6.9	972
Karnataka	PSC	33.7	5.9	934		PSC	42.0	7.6	907
	NFHS	36.5	7.6	970		NFHS	41.4	7.6	904
	SRS/Census	35.5	5.9	960	West Bengal	SRS/Census	39.1	5.8	880
Kerala	PSC	27.5	10.5	1041		PSC	33.0	8.0	909
	NFHS	30.3	9.1	1068		NFHS	37.0	4.4	940
	SRS/Census	29.7	8.2	1036		SRS/Census	34.8	5.1	917

Note: PSC: Post-survey check of NFHS.

TABLE 3: SOCIO-DEMOGRAPHIC CHARACTERISTICS: LITERACY

(Percentage)

State		Literacy 6+		State		Literacy 6+	
		Males	Females			Males	Females
Andhra Pradesh	PSC	74.5	43.6	Madhya Pradesh	PSC	68.8	39.0
	NFHS	60.4	38.1		NFHS	63.6	34.1
	Census	54.6	37.6		Census	58.4	28.8
Bihar	PSC	64.1	31.0	Maharashtra	PSC	81.2	58.6
	NFHS	60.1	28.4		NFHS	79.4	55.4
	Census	52.5	22.9		Census	76.6	52.3
Delhi	PSC	94.2	84.4	Orissa	PSC	68.4	51.3
	NFHS	85.7	70.6		NFHS	68.9	41.1
	Census	82.0	67.0		Census	56.2	33.7
Gujarat	PSC	78.3	46.6	Rajasthan	PSC	70.0	38.0
	NFHS	75.3	50.4		NFHS	61.0	25.0
	Census	73.1	48.6		Census	46.0	18.0
Haryana	PSC	70.6	46.9	Tamil Nadu	PSC	83.4	64.1
	NFHS	72.1	45.9		NFHS	76.8	54.9
	Census	69.1	40.5		Census	73.8	51.3
Karnataka	PSC	71.4	55.4	Uttar Pradesh	PSC	73.1	42.2
	NFHS	67.9	46.3		NFHS	63.8	31.6
	Census	67.3	44.3		Census	55.7	25.3
Kerala	PSC	90.0	84.0	West Bengal	PSC	79.0	57.0
	NFHS	89.6	82.1		NFHS	75.0	55.0
	Census	93.6	86.2		Census	67.8	46.6

TABLE 4: ELIGIBLE WOMEN OF 13-49 YEARS OF AGE

(Percentage)

State		Currently Married	Below 30 Years	Literate	State	Currently Married	Below 30 Years	Literate
Andhra Pradesh	PSC	90.3	44.9	39.3	Madhya Pradesh	PSC	95.1	57.8
	NFHS	92.8	53.8	31.4		NFHS	95.4	54.5
Bihar	PSC	97.1	52.2	26.0	Maharashtra	PSC	96.3	40.1
	NFHS	95.6	52.9	21.7		NFHS	93.0	50.5
Delhi	PSC	96.9	40.8	80.9	Orissa	PSC	90.2	46.1
	NFHS	95.7	45.6	62.6		NFHS	94.6	50.0
Gujarat	PSC	89.6	42.4	39.0	Rajasthan	PSC	98.0	46.0
	NFHS	94.9	45.4	44.9		NFHS	97.0	49.0
Haryana	PSC	94.8	45.3	36.4	Tamil Nadu	PSC	89.9	44.9
	NFHS	96.4	52.2	36.2		NFHS	92.1	44.6
Karnataka	PSC	89.8	50.3	51.3	Uttar Pradesh	PSC	97.0	49.4
	NFHS	92.4	50.9	38.4		NFHS	96.3	50.9
Kerala	PSC	90.1	44.8	79.7	West Bengal	PSC	96.0	46.0
	NFHS	91.8	39.0	84.0		NFHS	93.0	51.5

been whitewashed during this interval. However, the list of all households for the selected PSUs had the names of the neighbouring households which was of great help in locating the desired households. The field work for the post-survey check was carried out between December 1993 to March 1994.

Both household and women's questionnaires of NFHS were canvassed in the post-survey check. Since the field work of the post-survey check was undertaken more than a year of the NFHS, in the questionnaires only those questions were retained for resurvey for which either there was likely to be no change with time or the change was likely to be only in one direction. The information from the selected households was collected following the same approach as used in the NFHS.

In this study the sample size was 5 per cent of the households in the NFHS sample. The details on sample size are given in Table 1 for both the NFHS and the post-survey check.

#### ESTIMATION AND CONFIDENCE LEVELS

The estimates of various parameters have been worked out using appropriate estimation procedure. The estimates of various parameters in different situations are subject to their own standard errors because of the variability in the characteristics under study as well as sample size. Further, standard errors would differ from state to state. Although the significance levels have been determined using appropriate formulae, consideration is also given to other important facts relating to non-sampling

errors, while interpreting the differences. For example, for the population related parameters, the difference in the estimates beyond 2 per cent points should be considered as significant. But despite all precautions heaping of age figures in ending 0 and 5 tend to occur as is known for such data from the Census, SRS and also in the NFHS. Hence the difference

of five or more percentage points in the age related parameters was only considered as significant. On the similar analogy the differences of a magnitude more than 6 per cent in the estimates of family planning related parameters by two sources have been considered as significant. Similarly, the difference of more than 15 percentage points in results from the post-

TABLE 6: KNOWLEDGE OF FP METHODS

		(Percentage)						
State		Pill	IUD	Injection	Condom	Female Sterilisation	Male Sterilisation	Traditional Methods
Andhra Pradesh	PSC	58.6	50.0	2.7	55.0	90.5	68.2	6.4
	NFHS	53.7	43.7	12.8	41.9	95.7	89.7	14.6
Bihar	PSC	55.8	51.8	0.0	49.1	89.6	87.4	11.7
	NFHS	57.3	44.1	4.2	54.6	94.5	88.0	29.4
Delhi	PSC	85.4	87.9	2.3	90.4	92.4	87.3	37.6
	NFHS	94.3	93.4	34.9	93.7	97.5	95.3	59.3
Gujarat	PSC	84.2	74.7	0.0	80.1	93.2	84.2	35.3
	NFHS	85.6	68.2	42.5	67.6	98.0	84.8	72.5
Haryana	PSC	79.5	76.7	0.0	78.8	92.5	89.0	17.1
	NFHS	76.2	80.0	45.8	75.9	99.2	98.2	58.7
Karnataka	PSC	54.8	67.0	0.0	46.9	100.0	93.8	21.5
	NFHS	75.1	78.0	5.4	50.0	98.6	81.1	41.1
Kerala	PSC	91.0	89.7	5.3	92.3	98.1	96.8	46.5
	NFHS	85.9	89.3	12.7	89.9	99.2	89.6	70.5
Madhya Pradesh	PSC	50.6	49.4	0.0	49.8	82.0	66.7	6.5
	NFHS	51.1	42.0	12.7	41.9	85.1	76.3	19.6
Maharashtra	PSC	81.1	83.2	0.0	75.0	95.1	87.3	7.1
	NFHS	67.1	70.7	8.1	57.3	97.3	83.6	23.3
Orissa	PSC	58.6	50.0	0.0	55.0	90.5	68.2	6.4
	NFHS	52.1	48.0	7.4	34.6	91.7	72.2	33.9
Rajasthan	PSC	64.5	59.8	1.2	70.1	81.7	78.5	8.4
	NFHS	53.1	46.4	23.4	37.7	85.3	70.9	27.5
Tamil Nadu	PSC	63.6	51.5	0.0	75.8	88.1	77.3	14.4
	NFHS	57.3	44.1	4.2	54.6	94.5	88.0	29.4
Uttar Pradesh	PSC	82.4	77.0	0.0	95.1	93.3	92.9	44.2
	NFHS	64.7	56.2	25.0	67.2	93.7	88.2	36.7
West Bengal	PSC	84.2	74.7	0.0	80.1	93.2	84.2	35.3
	NFHS	85.6	68.2	42.5	67.6	98.0	84.8	72.5

TABLE 5: SOCIO-DEMOGRAPHIC CHARACTERISTICS: FERTILITY

State		Total Fertility Rate	Children Per Year/1000 Women	Average Number of Children Ever Born	State		Total Fertility Rate	Children Per Year/1000 Women	Average Number of Children Ever Born
Andhra Pradesh	PSC	2.8	103	2.6	Madhya Pradesh	PSC	3.8	130	3.3
	NFHS	2.6	106	2.7		NFHS	3.9	142	3.1
	SRS	3.0	-	-		SRS	3.2	-	3.4
Bihar	PSC	4.1	182	3.3	Maharashtra	PSC	2.8	142	3.0
	NFHS	4.0	147	3.2		NFHS	2.8	130	2.9
	SRS	4.4	-	-		SRS	3.0	-	-
Delhi	PSC	2.2	113	2.5	Orissa	PSC	2.8	95	3.0
	NFHS	2.2	134	2.9		NFHS	2.9	106	3.0
	SRS	-	-	-		SRS	3.3	-	-
Gujarat	PSC	2.8	113	2.7	Rajasthan	PSC	4.1	141	3.6
	NFHS	3.0	123	3.5		NFHS	3.6	125	3.1
	SRS	3.1	-	-		SRS	4.7	-	-
Haryana	PSC	3.9	162	3.1	Tamil Nadu	PSC	2.1	107	2.5
	NFHS	4.0	161	3.1		NFHS	2.5	107	2.5
	SRS	4.0	-	-		SRS	2.2	-	-
Karnataka	PSC	3.0	142	3.1	Uttar Pradesh	PSC	5.1	191	3.5
	NFHS	2.9	124	3.0		NFHS	4.7	173	3.6
	SRS	3.1	-	-		SRS	5.1	-	-
Kerala	PSC	1.8	134	1.9	West Bengal	PSC	3.2	113	2.9
	NFHS	2.0	115	2.5		NFHS	2.9	113	3.0
	SRS	1.8	-	-		SRS	3.2	-	3.4

survey check and the NFHS in the immunisation coverage levels have been taken as significant. Further, while commenting on the differences those which have bearing on the quality of NFHS have only been referred.

The results have been obtained at the state level highlighting the magnitude of differences in the parameters which are crucial in interpreting the data of the NFHS

via-a-vis post-survey check. The results from other sources such as Census, SRS, etc. have been quoted as and when considered appropriate. The findings on the crucial parameters are summarised in Tables 2 to 9. The salient findings are discussed in what follows.

The sample of households selected in the post-survey check could be contacted with the list given to IRMS, New Delhi

by consulting organisation. However, in about 5 per cent of cases in rural areas and 25 per cent in urban areas there were cases of non response because either the household has migrated or was not available at the time of visit. In such cases method of substitution was adopted.

The demographic profile of the usual residents in the post-survey check has been studied in terms of selected characteristics such as age, sex, marital status, education, etc. Of these the demographic characteristics of households in terms of distribution by age, sex and marital status were not likely to change in one year. The results on these in the post-survey check were similar to those of the NFHS. The literacy rate for both males and females which was expected to increase with time, the results on the same in the post-survey check, the NFHS and 1991 Census presented a consistent picture.

The total fertility rate (TFR) in the post-survey check has been observed broadly of the same magnitude as in the NFHS except for Rajasthan. The estimates of the number of children ever born presented the same trend as the total fertility rate.

The results on awareness of modern methods of family planning in the post-survey check and NFHS were similar except for the 'injection' method for the states of Uttar Pradesh, Madhya Pradesh, Rajasthan, Gujarat, Haryana and Delhi. In the post-survey check, it was much lower compared to the NFHS. It may be noted that even health personnel were ignorant of the 'injection' method of family planning and it has not been included in the family planning programme. In this connection, it may be mentioned that in the

TABLE 7: ADOPTION OF FP METHODS

		(Percentage)							
State		Any Modern Method	Pill	IUD	Injection	Condom	Female Sterilisation	Male Sterilisation	Traditional Methods
Andhra Pradesh	PSC	58.2	0.9	2.3	0.0	0.5	49.5	5.0	0.5
	NFHS	46.6	0.5	0.6	0.0	0.7	38.1	6.6	0.5
Bihar	PSC	21.2	1.8	0.3	0.0	1.5	16.3	1.2	0.6
	NFHS	21.6	1.1	0.5	0.0	1.3	17.3	1.3	1.5
Delhi	PSC	54.8	0.0	10.2	0.0	21.7	19.1	3.8	9.6
	NFHS	54.6	2.9	7.8	0.1	20.5	20.0	3.2	5.7
Gujarat	PSC	46.9	1.9	3.4	0.0	2.9	35.3	3.4	3.4
	NFHS	46.9	1.0	3.0	0.1	1.8	37.5	3.5	2.4
Haryana	PSC	39.0	4.1	4.8	0.0	8.2	18.5	3.4	0.0
	NFHS	44.3	1.2	3.2	0.0	5.2	29.7	5.0	5.3
Karnataka	PSC	52.0	0.6	4.0	0.0	0.0	42.5	4.5	0.6
	NFHS	47.3	0.4	3.2	0.0	1.2	42.0	1.5	1.8
Kerala	PSC	58.3	0.6	3.9	0.0	5.8	40.0	8.0	1.3
	NFHS	54.4	0.5	2.7	0.0	2.9	41.8	6.5	8.9
Madhya Pradesh	PSC	43.1	2.0	1.7	0.0	3.7	28.5	1.4	0.3
	NFHS	35.7	0.7	1.1	0.1	2.2	26.5	5.2	1.0
Maharashtra	PSC	46.7	2.9	2.9	0.0	2.4	36.9	1.2	0.0
	NFHS	52.5	1.4	2.5	0.0	2.5	40.0	6.2	1.2
Orissa	PSC	51.4	1.1	3.4	0.0	1.1	40.6	5.1	2.3
	NFHS	34.6	0.9	1.5	0.0	0.6	28.2	3.4	1.6
Rajasthan	PSC	42.2	0.8	2.8	0.0	5.2	29.9	3.6	1.2
	NFHS	30.9	0.5	1.2	0.1	1.5	25.3	2.4	0.8
Tamil Nadu	PSC	30.9	0.0	1.5	0.0	0.8	25.6	3.0	0.6
	NFHS	21.6	1.1	0.5	0.0	1.3	17.3	1.3	1.5
Uttar Pradesh	PSC	29.5	2.2	2.7	0.0	5.4	15.6	3.6	2.0
	NFHS	18.5	1.0	1.1	0.1	3.2	11.3	1.4	1.3
West Bengal	PSC	48.0	6.8	1.4	0.0	1.8	33.5	4.5	11.3
	NFHS	37.3	3.5	1.3	0.1	1.9	26.3	4.3	20.1

TABLE 8: MATERNAL CARE

					(Percentage)				
State		TT	IFA	Institutional Deliveries	State		TT	IFA	Institutional Deliveries
Andhra Pradesh	PSC	84.5	82.4	49.3	Madhya Pradesh	PSC	66.8	64.5	17.2
	NFHS	81.2	76.1	32.9		NFHS	51.3	44.2	16.0
	SRS	-	-	37.7		SRS	-	-	13.2
Bihar	PSC	46.0	27.5	10.6	Maharashtra	PSC	89.0	89.0	44.0
	NFHS	37.0	21.4	12.1		NFHS	82.0	71.0	44.0
	SRS	-	-	11.7		SRS	-	-	34.3
Delhi	PSC	91.2	88.5	68.2	Orissa	PSC	60.7	57.3	35.9
	NFHS	81.1	74.7	44.4		NFHS	63.0	49.9	14.2
	SRS	-	-	-		SRS	-	-	-
Gujarat	PSC	59.6	59.6	30.3	Rajasthan	PSC	41.6	36.8	19.2
	NFHS	69.9	69.3	35.6		NFHS	34.7	29.3	11.5
	SRS	-	-	23.5		SRS	-	-	5.0
Haryana	PSC	67.9	60.5	14.3	Tamil Nadu	PSC	70.4	85.2	42.1
	NFHS	70.2	60.1	16.7		NFHS	93.6	84.0	63.6
	SRS	-	-	19.9		SRS	-	-	56.8
Karnataka	PSC	69.1	60.4	28.6	Uttar Pradesh	PSC	67.7	65.5	16.4
	NFHS	76.5	74.8	37.6		NFHS	44.3	29.6	11.3
	SRS	-	-	40.6		SRS	-	-	4.5
Kerala	PSC	98.1	97.2	96.1	West Bengal	PSC	88.0	69.0	36.1
	NFHS	94.1	91.0	88.5		NFHS	78.0	56.0	31.6
	SRS	-	-	91.5		SRS	-	-	30.7

TABLE 9: IMMUNISATION

		(Percentage)					
State		With Card	BCG	DPT-3	OPV-3	Measles	ALL
Andhra Pradesh	PSC	20.8	66.7	54.2	58.3	54.2	41.7
	NFHS	35.3	73.9	66.1	65.4	53.8	43.4
Bihar	PSC	6.2	38.5	43.1	43.1	15.4	15.4
	NFHS	16.7	33.9	29.1	30.0	14.6	9.8
Delhi	PSC	43.5	78.3	73.9	73.9	69.6	56.5
	NFHS	45.5	90.1	71.6	70.9	69.6	53.9
Gujarat	PSC	21.9	53.1	62.5	62.5	53.1	37.5
	NFHS	32.0	77.1	63.8	59.5	55.9	47.0
Haryana	PSC	18.4	52.6	57.9	57.9	51.2	44.7
	NFHS	31.3	77.4	66.8	66.7	60.9	52.6
Karnataka	PSC	21.0	67.0	68.0	68.0	50.0	44.0
	NFHS	34.4	81.7	70.7	68.3	54.9	50.0
Kerala	PSC	19.3	79.1	71.2	73.7	75.8	57.0
	NFHS	56.2	86.1	73.7	69.6	60.5	50.9
Madhya Pradesh	PSC	11.0	57.3	57.8	55.4	54.7	47.7
	NFHS	21.8	56.8	43.1	37.7	40.7	24.4
Maharashtra	PSC	40.0	70.0	77.5	77.5	67.5	62.5
	NFHS	39.2	86.9	83.1	76.7	70.2	60.2
Orissa	PSC	31.8	51.2	51.2	51.2	34.0	24.7
	NFHS	41.7	63.3	56.3	55.7	40.2	35.2
Rajasthan	PSC	17.1	51.4	45.7	45.7	37.1	34.3
	NFHS	16.3	45.7	29.7	30.0	31.2	18.0
Tamil Nadu	PSC	9.7	73.0	67.4	67.4	62.7	53.0
	NFHS	38.2	91.7	86.5	77.7	71.6	59.5
Uttar Pradesh	PSC	12.3	69.4	55.4	55.4	51.1	41.4
	NFHS	23.0	48.9	34.1	36.5	26.3	19.4
West Bengal	PSC	48.4	71.0	61.3	64.5	54.8	48.4
	NFHS	47.7	63.1	51.9	55.3	42.5	33.8

NFHS respondents were asked to indicate the methods of family planning which they were aware of without any prompting. It appears that in some of the northern states IUD which was also locally known as 'suyi' could have been confused or got mixed up with 'injection' method of family planning. The awareness of traditional methods of family planning has also been reported to be relatively high in the NFHS as compared to the post-survey check.

In the post-survey check as well as the NFHS, the percentage of female sterilisation has been observed broadly of the same magnitude. Further the percentage of eligible couples using any of the modern methods of family planning in the post-survey check as well as in the NFHS was also within acceptable margin of error.

On the antenatal services, and the immunisation of pregnant mothers the results by two sources presented a consistent trend. The results on delivery management by the two sources also presented broadly a consistent pattern.

In the results provided in the NFHS, the immunisation status of children has been given for those who were of 12-23 months at the time of survey. For comparison of the post-survey check and the NFHS, the information for the children born during the comparable period have been utilised. The estimates of immunisation coverage levels in the post-survey check and the

NFHS have been observed at variance in most of the states. For the states of Uttar Pradesh, Madhya Pradesh, Rajasthan, West Bengal and Bihar the coverage levels in the NFHS were significantly lower as

compared to the post-survey check. On the other hand in Gujarat, Karnataka and Haryana, the results for NFHS were lower as compared to post-survey check.

The post-survey check conducted by IRMS, Delhi confirmed the high quality data collected by consulting organisations for NFHS during 1992-93. However, for some of the parameter, differences have been observed and the planning of NFHS II should take note of the same. For example, about the awareness of traditional method of family planning, the instruction manual should be elaborated to ensure the correctness of the response and injection method of family planning may be taken out from the questionnaire. The staff should be thoroughly trained to determine the number of children born during a particular period and the exact age of the child specially in the states with lower female literacy. The method of data collection or immunisation coverage, in particular needs modification by incorporating some of the finer aspects of the questionnaire and approach of data collection as used in the coverage evaluation survey (CES) undertaken by the ministry for the purpose on the households selected by the NFHS.

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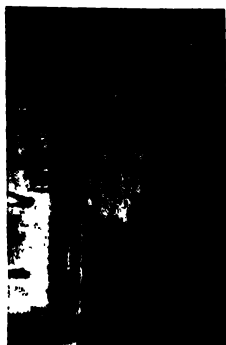
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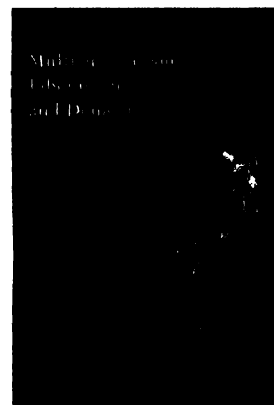
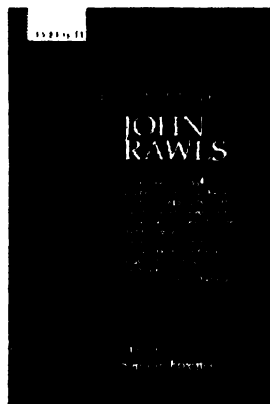
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